TIME WARNER CABLE INC.
Form S-1
October 18, 2006

As filed with the Securities and Exchange Commission on October 18, 2006
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
TIME WARNER CABLE INC.
(Exact name of registrant as specified in its charter)

Delaware	**4841**	**84-1496755**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(IRS Employer Identification Number)*

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

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

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

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: o ___

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)]	Amount of Registration Fee
Class A common stock, $0.01 par value per share	$100,000,000	$10,700

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. The preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 18, 2006

PROSPECTUS

Shares

Time Warner Cable Inc.

Class A Common Stock

All of the shares of Class A common stock offered by this prospectus are being sold by Adelphia Communications Corporation, which is referred to in this prospectus as ACC or the selling stockholder. We will not receive any of the proceeds from the shares of Class A common stock sold by the selling stockholder.

This is the initial public offering of our Class A common stock. Prior to this offering, there has been no public market for our common stock. We intend to apply to list our Class A common stock on the New York Stock Exchange under the symbol TWC.

We are a consolidated subsidiary of Time Warner Inc., the common stock of which is publicly traded. Time Warner Inc. beneficially owns 82.7% of our outstanding Class A common stock and 100% of our outstanding Class B common stock. Except in the election of directors and other specified matters, the shares of Class A common stock and Class B common stock vote together as a single class on all matters submitted to our stockholders. Each share of our Class A common stock has one vote, and each share of our Class B common stock has 10 votes. As a result, Time Warner Inc. beneficially owns common stock representing 84.0% of all classes of our outstanding common stock and approximately 90.6% of the combined voting power of all classes of our outstanding common stock.

Investing in our Class A common stock involves risks that are described in the Risk Factors section beginning on page 13 of this prospectus.

In accordance with the terms of a registration rights and sale agreement between us and the selling stockholder, the selling stockholder may only sell the shares offered hereby in a single firm commitment underwritten public offering (including any shares subject to an overallotment option granted to the underwriters). We will provide more specific information about the terms of the offering of these shares in a supplement to this prospectus (or, if appropriate, a post-effective amendment to the registration statement of which this prospectus forms a part), including the names of

the underwriters and any applicable commissions or discounts.

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

The date of this prospectus is , 2006.

You should rely only on the information contained in this prospectus or to which we have referred you, including any free writing prospectus that we file with the Securities and Exchange Commission relating to this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus were obtained through company research, surveys and studies conducted by third parties, and general industry publications. The information contained in Business Our Industry is based on studies, analyses and surveys of the cable television, high-speed Internet access and telephone industries and its customers prepared by the National Cable and Telecommunications Association, Forrester Research and International Data Corporation. We have not independently verified any of the data from third party sources nor have we ascertained any underlying economic assumptions relied upon therein. While we are not aware of any misstatements regarding the industry data presented herein, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully, especially the section describing the risks of investing in our Class A common stock under the caption Risk Factors. Except as the context otherwise requires, references in this prospectus to TWC, the Company, we, our or us are to Time Warner Cable Inc. and references to Time Warner are to our parent corporation, Time Warner Inc. Some of the statements in this summary are forward-looking statements. For more information, please see Forward-Looking Statements.

Except as the context otherwise requires, references to information being pro forma or on a pro forma basis mean after giving effect to the transactions with Adelphia Communications Corporation (ACC or the selling stockholder) and its affiliates and subsidiaries (together with ACC, Adelphia) and Comcast Corporation and its affiliates (Comcast), the dissolution of Texas and Kansas City Cable Partners, L.P. (TKCCP) and the other transactions described in our unaudited pro forma condensed combined financial statements contained herein. See Unaudited Pro Forma Condensed Combined Financial Information. Where we present information on an historical basis we mean our actual, historical operations without giving effect to the transactions with Adelphia and Comcast or the dissolution of TKCCP. Historical subscriber data reflect information for our cable systems that are consolidated for financial reporting purposes and do not reflect the subscribers of TKCCP, which, as of June 30, 2006, totaled approximately 1.6 million, as TKCCP has historically been treated as an unconsolidated joint venture that we manage. When we refer to revenue generating units (RGUs), we mean the sum of all of our analog video, digital video, high-speed data and voice subscribers. Therefore, a subscriber who purchases all four of these services would represent four RGUs.

Our Company

Overview

We are the second-largest cable operator in the United States and an industry leader in developing and launching innovative video, data and voice services. We deliver our services to customers over technologically-advanced, well-clustered cable systems that, as of June 30, 2006, on a pro forma basis, passed approximately 26 million U.S. homes. Approximately 85% of these homes were located in one of five principal geographic areas:New York state, the Carolinas (i.e., North Carolina and South Carolina), Ohio, Southern California and Texas. We are currently the largest cable system operator in a number of large cities, including New York City and Los Angeles. As of June 30, 2006, on a pro forma basis, we had over 14 million customer relationships through which we provided one or more of our services.

We have a long history of leadership within our industry and were the first or among the first cable operators to offer high-speed data service, IP-based telephony service and a range of advanced digital video services, such as video-on-demand (VOD), high definition television (HDTV) and set-top boxes equipped with digital video recorders (DVRs). We believe our ability to introduce new products and services provides an important competitive advantage and is one of the factors that has led to advanced services penetration rates and revenue growth rates that have been higher than cable industry averages over the last few years. As of June 30, 2006, on an historical basis, 5.0 million (or nearly 53%) of our 9.5 million basic video customers subscribed to our digital video services, 4.6 million (or over 28%) of our high-speed data service-ready homes subscribed to a high-speed data service and 1.4 million (or nearly 9%) of our voice service-ready homes subscribed to Digital Phone, our newest service, which we launched broadly during 2004. We have been able to increase our average monthly subscription revenue per basic video subscriber

(subscription ARPU) at double digit rates for 22 consecutive quarters through June 30, 2006, which we believe is driven in large part by the expansion of our service offerings. In the quarter ending June 30, 2006, on an historical basis, our subscription ARPU was approximately $91, which we believe was above the cable industry average. In addition to consumer subscription services, we also provide communications services to commercial customers and sell advertising time to a variety of national, regional and local businesses.

Our business benefits greatly from increasing the penetration of multiple services and, as a result, we continue to create and aggressively market desirable bundles of services to existing and potential customers. As of June 30,

2006, on an historical basis, approximately 42% of our customers purchased two or more of our video, high-speed data and Digital Phone services, and 11% purchased all three of these services. We believe that offering our customers desirable bundles of services results in greater revenue and reduced customer churn.

Consistent with our strategy of growing through disciplined and opportunistic acquisitions, on July 31, 2006, we completed a series of transactions with Adelphia and Comcast, which resulted in a net increase of 7.6 million homes passed and 3.2 million basic video subscribers served by our cable systems. As of June 30, 2006, on a pro forma basis, homes passed in the systems acquired from Adelphia and Comcast represented approximately 30% of our total homes passed. These transactions provide us with increased scale and have enhanced the clustering of our already well-clustered systems. As of June 30, 2006, penetration rates for basic video services and advanced services were generally lower in the acquired systems than in our historical systems. We believe that many of the systems we acquired will benefit from the skills of our management team and from the introduction of our advanced service offerings, including IP-based telephony service, which was not available to the subscribers in the acquired systems prior to closing. Therefore, we have an opportunity to improve the financial results of these systems.

Our Industry

As the marketplace for basic video services has matured, the cable industry has responded by introducing new services, including enhanced video services like HDTV and VOD, high-speed Internet access and IP-based telephony. We believe these advanced services have resulted in improved customer satisfaction, increased customer spending and retention. We expect the demand for these and other advanced services to increase.

We believe the cable industry is better-positioned than competing industries to widely offer a bundle of advanced services, including video, high-speed data and voice, over a single provider s facilities. For example:

Direct broadcast satellite providers, currently the cable industry s most significant competitor for video customers, generally do not provide two-way data or telephony services on their own and rely on partnerships with other companies to offer synthetic bundles of services.

Telephone companies, currently the cable industry s most significant competitor for telephone and high-speed data customers, do not independently provide a widely available video product.

Independent providers of IP-based telephony services allow broadband users to make phone calls, but offer no other services.

Some telephone companies are building new fiber-to-the-node (FTTN) or fiber-to-the-home (FTTH) networks in an attempt to offer customers a product bundle comparable to those offered today by cable companies, but these advanced service offerings will not be broadly available for a number of years. Meanwhile, we expect the cable industry will benefit from its existing offerings while continuing to innovate and introduce new services.

Our Strengths

We benefit from the following competitive strengths:

Advanced cable infrastructure. Our advanced cable infrastructure is the foundation of our business, enabling us to provide our customers with a compelling suite of products and services, regularly introduce new services and features and pursue new business opportunities. Our infrastructure is engineered to accommodate future capacity enhancements in a cost-efficient, as-needed manner. We believe that the long-term capabilities of our network are functionally comparable to those of proposed or emerging networks of the telephone companies, and superior to the

capabilities of the legacy networks of the telephone companies and the delivery systems of direct broadcast satellite operators.

Innovation leader. We are a recognized leader in developing and introducing innovative new technologies and services, and creating enhancements to existing services. Our ability to deliver technological innovations that respond to our customers needs and interests is reflected in the widespread customer adoption of these products and services. This leadership has enabled us to accelerate the rate at which we have introduced new services and features over the last few years, resulting in increased subscription ARPU and lowered customer churn.

Large, well-clustered cable systems. We operate large, well-clustered cable systems, and the recently-completed transactions with Adelphia and Comcast further enhanced our already well-clustered operations. We believe clustering provides us with significant operating and financial advantages, including the ability to: rapidly and cost-effectively introduce new services; market our services more effectively; offer advertisers a convenient geographic platform; maintain high-quality local management teams; and offer competitive proprietary local programming.

Consistent track record. We have established a record of financial growth and strong operating performance driven primarily by the introduction of our advanced services. For example, our RGU net additions have increased from 1.6 million for the twelve months ended June 30, 2005 to 2.7 million for the twelve months ended June 30, 2006, representing a 69% increase, on an historical basis. In addition, we have doubled our subscription ARPU in the last five years from approximately $45 for the quarter ended March 31, 2001 to approximately $91 for the quarter ended June 30, 2006, representing a 14% compound annual growth rate.

Highly-experienced management team. Our senior corporate and operating management averages more than 17 years of service with us. Over our long history in the cable business, our management team has demonstrated efficiency, discipline and speed in its execution of cable system upgrades and the introduction of new and enhanced service offerings and has also demonstrated the ability to efficiently integrate the cable systems we acquire from other cable operators into our existing systems.

Local presence. We believe our presence in the diverse communities we serve helps make us responsive to our customers needs and interests, as well as to local competitive dynamics. Our locally-based employees are familiar with the services we offer in their area and are trained and motivated to promote additional services at each point of customer contact.

Our Strategy

Our goal is to continue to attract new customers while at the same time deepening relationships with existing customers in order to increase the amount of revenue we earn from each home we pass and increase customer retention. We plan to achieve these goals through ongoing innovation, focused marketing, superior customer care and a disciplined acquisition strategy.

Ongoing innovation. We define innovation as the pairing of technology with carefully-researched insights into the services that our customers will value. We will continue to fast-track laboratory and consumer testing of promising concepts and services and rapidly deploy those that we believe will enhance our customer relationships and increase our profitability. We also seek to develop integrated offerings that combine elements of two or more services. We have a proven track record with respect to the introduction of new services.

Marketing. Our marketing strategy has three key components: promoting bundled services, effective merchandising and building our brand. We are focused on marketing bundles differentiated packages of multiple services and features for a single price as we have seen that customers who subscribe to bundles of our services are generally less likely to switch providers and are more likely to be receptive to additional services, including those that we may offer in the future. Our merchandising strategy is to offer bundles with entry-level pricing, which provides our customer care representatives with the opportunity to offer potential customers additional services or upgraded levels of existing services.

Superior customer care. We believe that providing superior customer care helps build customer loyalty and retention, strengthens the Time Warner Cable brand and increases demand for our services. We have implemented a range of initiatives to ensure that customers have the best possible experience with minimum inconvenience when ordering and paying for services, scheduling installations and other visits, or obtaining technical or billing information with respect

to their services.

Growth through disciplined strategic acquisitions. We will continue to evaluate and selectively pursue opportunistic strategic acquisitions, system swaps and joint ventures that we believe will add value to our existing business. The transactions we completed with Adelphia and Comcast on July 31, 2006 are consistent with this strategy. Our goal with respect to the systems we acquired in these transactions is to increase penetration of our basic and advanced services toward the levels enjoyed by our historical systems, thereby increasing revenue growth

and profitability. In order to achieve this goal, we will upgrade the capacity and technical performance of the newly-acquired systems to levels that will allow us to deliver all of our advanced services and features, which we anticipate will require us to spend approximately $650 million over the next few years.

Recent Developments

Transactions with Adelphia and Comcast

On July 31, 2006, we completed the following transactions with Adelphia and Comcast:

The Adelphia Acquisition. We acquired certain assets and assumed certain liabilities from Adelphia, which is currently in bankruptcy, for approximately $8.9 billion in cash and 156 million shares, or 17.3%, of our Class A common stock (approximately 16% of our total common stock). We refer to the cable systems we acquired from Adelphia, after giving effect to the transactions with Adelphia and Comcast, as the Adelphia Acquired Systems. On the same day, Comcast purchased certain assets and assumed certain liabilities from Adelphia for approximately $3.6 billion in cash. Together, we and Comcast purchased substantially all of the cable assets of Adelphia (the Adelphia Acquisition).

The Redemptions. Immediately before the Adelphia Acquisition, we redeemed Comcast s interests in our company and Time Warner Entertainment Company, L.P. (TWE), one of our subsidiaries, in exchange for the capital stock of a subsidiary of ours and a subsidiary of TWE, respectively, together holding an aggregate of approximately $2 billion in cash and historical cable systems serving approximately 751,000 basic video subscribers, as of June 30, 2006 (the TWC Redemption and the TWE Redemption, respectively, and, together, the Redemptions).

The Exchange. Immediately after the Adelphia Acquisition, we and Comcast also swapped certain cable systems, some of which were acquired from Adelphia, in order to enhance our and Comcast s respective geographic clusters of subscribers (the Exchange). We refer to the cable systems we acquired from Comcast, after giving effect to the transactions with Adelphia and Comcast, as the Comcast Acquired Systems, and to the collective systems acquired from Adelphia and Comcast as the Acquired Systems.

For additional information regarding the Adelphia Acquisition, the Redemptions and the Exchange (collectively, the Transactions), see The Transactions.

The Adelphia Acquisition was designed to be a taxable acquisition of assets that would result in a tax basis in the acquired assets equal to the purchase price we paid. The resulting step-up in the tax basis of the assets would increase future tax deductions, reduce future net cash tax payments and thereby increase our future cash flows. See Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Tax Benefits from the Transactions.

TKCCP Dissolution

We are in the process of dissolving TKCCP, a 50-50 joint venture between us and Comcast, which, as of June 30, 2006, served approximately 1.6 million basic video subscribers throughout Houston, Kansas City, south and west Texas and New Mexico. Upon the dissolution, we will receive the cable systems in Kansas City, south and west Texas and New Mexico, which collectively served approximately 789,000 basic video subscribers as of June 30, 2006, and Comcast will receive the Houston cable systems. Comcast has refinanced the debt of TKCCP and we will not assume any debt of TKCCP upon its dissolution. See Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Joint Venture Dissolution.

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Corporate Structure and Other Information

Although we and our predecessors have been in the cable business for over 30 years in various legal forms, Time Warner Cable Inc. was incorporated as a Delaware corporation on March 15, 1999. Our principal executive offices are located at 290 Harbor Drive, Stamford, CT 06902. Our telephone number is (203) 328-0600 and our corporate website is www.timewarnercable.com. The information on our website is not part of this prospectus.

The following chart illustrates our corporate structure after giving pro forma effect to the Transactions and the dissolution of TKCCP, but before giving effect to this offering. The subscriber numbers, long-term debt and preferred equity balances presented below are approximate as of June 30, 2006 on a pro forma basis. Certain intermediate entities and certain preferred interests held by us or our subsidiaries are not reflected. The subscriber counts within each entity indicate the number of basic video subscribers attributable to cable systems owned by such entity. Basic video subscriber amounts reflect billable subscribers who receive our basic video service.

(1) Excludes an unamortized fair value adjustment of $147 million.

(2) The subscribers and ownership interests listed in the chart for the Time Warner Entertainment-Advance/Newhouse Partnership (TWE-A/N) relate only to those TWE-A/N systems in which we have an economic interest and over which we exercise day-to-day supervision. See Our Operating Partnerships and Joint Ventures Description of Certain Provisions of the TWE-A/N Agreement for a more detailed description of the TWE-A/N ownership structure.

The Offering

Class A common stock offered by the selling stockholder	shares
Common stock outstanding	901,913,430 shares of Class A common stock, par value $0.01 per share 75,000,000 shares of Class B common stock, par value $0.01 per share 976,913,430 total shares of common stock
New York Stock Exchange symbol	TWC
Voting rights	Our Class A common stock votes as a single class with respect to the election of Class A directors, which are required to represent between one-sixth and one-fifth of our directors (and in any event no fewer than one). There are currently two Class A directors. Our Class B common stock votes as a single class with respect to the election of Class B directors, which are required to represent between four-fifths and five-sixths of our directors. There are currently eight Class B directors. Except in the election of directors and other specified matters, the shares of Class A common stock and Class B common stock vote together as a single class on all matters submitted to our stockholders. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to ten votes. Time Warner controls 82.7% of the vote in matters where the holders of Class A common stock vote as a single class, 100% of the vote in matters where the holders of Class B common stock vote as a single class and 90.6% of the vote in matters where the holders of Class A common stock and the Class B common stock vote together as a single class. In addition to any other vote or approval required, the approval of the holders of a majority of the voting power of then-outstanding shares of Class A common stock held by persons other than Time Warner will be necessary in connection with certain specified matters. For more information, please see Description of Capital Stock Common Stock Voting.
Dividend policy	We do not expect to pay dividends or make any other distributions on our common stock in the future. For more information, please see Dividend Policy.
Use of proceeds	We will not receive any of the proceeds from the sale of shares by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of shares of our Class A common stock offered under this prospectus.

Risk Factors	You should carefully consider all of the information in this prospectus and, in particular, you should evaluate the specific factors set forth under Risk Factors in deciding whether to invest in our Class A common stock.

SUMMARY FINANCIAL AND SUBSCRIBER DATA

Our summary financial and subscriber data are set forth on the following tables. The summary historical balance sheet as of December 31, 2004 and 2005 and statement of operations data for each of the years ended December 31, 2003, 2004 and 2005 have been derived from our audited financial statements included elsewhere in this prospectus. The summary historical balance sheet data as of December 31, 2003 have been derived from our audited financial statements not included in this prospectus. The summary balance sheet data as of June 30, 2006 and the statement of operations data for the six months ended June 30, 2005 and 2006 have been derived from our unaudited consolidated financial statements contained elsewhere in this prospectus. The summary historical balance sheet data as of June 30, 2005 have been derived from our unaudited financial statements not included in this prospectus. In the opinion of management, the unaudited financial data reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of our results of operations for those periods. Our results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results that can be expected for the full year or for any future period.

The summary unaudited pro forma financial data set forth below give effect to the Transactions, the dissolution of TKCCP and the other matters described under Unaudited Pro Forma Condensed Combined Financial Information, as if the Transactions and the dissolution of TKCCP occurred on January 1, 2005 for statement of operations data and as of June 30, 2006 for balance sheet data. The unaudited pro forma information does not purport to represent what our results of operations or financial position would have been if the Transactions, the dissolution of TKCCP and such other matters had occurred as of the dates indicated or what those results will be for future periods.

References to subscriber data refer to cable systems serving 9.5 million basic video subscribers as of June 30, 2006, on an historical basis, whose results are consolidated with ours. As of June 30, 2006, we also managed an additional 1.6 million subscribers served by TKCCP, a 50-50 joint venture with Comcast whose results are not consolidated with ours. For additional discussion of this joint venture, see Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Joint Venture Dissolution.

The following financial information reflects the impact of the restructuring of TWE, which was completed on March 31, 2003 (the TWE Restructuring) and is described in more detail under Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Restructuring of Time Warner Entertainment Company, L.P., the adoption of Financial Accounting Standards Board (FASB) Statement No. 123 (revised 2004), *Share-based Payment* (FAS 123R), and a restatement of our financial statements resulting from a settlement between Time Warner and the Securities and Exchange Commission (the SEC). The following information should be read in conjunction with Selected Historical Consolidated Financial and Subscriber Data, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Results of Operations and Financial Condition and our consolidated financial statements and related notes, ACC s consolidated financial statements and related notes and Comcast s special purpose combined carve-out financial statements of the Los Angeles, Dallas and Cleveland cable system operations and related notes, each of which is included elsewhere in this prospectus.

	Year ended December 31,				Six months ended June 30,		
	2003	2004	2005	Pro Forma 2005	2005	2006	Pro Forma 2006
	(restated, except pro forma data) (in millions, except per share data)						
Statement of Operations Data:							
Revenues:							
Video	$ 5,810	$ 6,180	$ 6,537	$ 9,229	$ 3,241	$ 3,475	$ 4,881
High-speed data	1,422	1,760	2,145	2,694	1,018	1,258	1,574
Voice[(1)]	1	29	282	379	89	309	361
Advertising	466	515	534	782	255	259	384
Total revenues	7,699	8,484	9,498	13,084	4,603	5,301	7,200
Costs and expenses:							
Costs of revenues	3,339	3,714	4,211	6,281	2,066	2,369	3,430
Selling, general and administrative expenses	1,438	1,538	1,626	2,189	810	935	1,242
Merger-related and restructuring costs	15		42	41	30	22	21
Depreciation	1,403	1,438	1,588	2,253	762	829	1,116
Amortization	58	76	76	292	39	40	147
Impairment of long-lived assets				4			9
Total costs and expenses	6,253	6,766	7,543	11,060	3,707	4,195	5,965
Operating Income	1,446	1,718	1,955	2,024	896	1,106	1,235
Interest expense, net	(492)	(465)	(464)	(917)	(235)	(225)	(451)
Income (loss) from equity investments, net	33	41	43	(5)	21	42	
Minority interest expense, net	(62)	(62)	(70)	(59)	(31)	(46)	(51)
Other income (expense), net		11	1	(21)	1	1	(4)
Income before income taxes, discontinued operations and cumulative effect of accounting change	925	1,243	1,465	1,022	652	878	729
Income tax provision	(384)	(517)	(212)	(44)	(54)	(350)	(295)
Income before discontinued operations and cumulative effect of accounting change	$ 541	$ 726	$ 1,253	$ 978	$ 598	$ 528	$ 434
Basic and diluted income per common share before discontinued operations and cumulative effect of accounting	$ 0.57	$ 0.73	$ 1.25	$ 1.00	$ 0.60	$ 0.53	$ 0.44

change							
Cash dividend declared per common share	$	$	$	$	$	$	$
Weighted average common shares outstanding	955	1,000	1,000	977	1,000	1,000	977
OIBDA[2]	$ 2,907	$ 3,232	$ 3,619	$ 4,569	$ 1,697	$ 1,975	$ 2,498

	As of December 31,			As of June 30,		
						Pro Forma
	2003	2004	2005	2005	2006	2006
	(restated, except pro forma data) (in millions)					
Balance Sheet Data:						
Cash and cash equivalents	$ 329	$ 102	$ 12	$ 28	$ 26	$ 58
Total assets	42,902	43,138	43,677	43,162	44,010	54,895
Total debt and mandatorily redeemable preferred equity[3]	8,368	7,299	6,863	6,971	6,523	14,622

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005 (restated)	2005	2006
			(in millions)		
Other Operating Data of Continuing Operations:					
Cash provided by operating activities	$ 2,128	$ 2,661	$ 2,540	$ 1,239	$ 1,541
Free Cash Flow[4]	262	938	534	329	459
Capital expenditures	(1,637)	(1,712)	(1,975)	(899)	(1,066)

	As of December 31,				As of June 30,		
	2003	2004	2005	Pro Forma 2005	2005	2006	Pro Forma 2006
			(in thousands, except percentages)				
Subscriber Data:							
Customer relationships[5]	9,727	9,891	10,111	NA	9,978	10,278	NA
Revenue generating units[6]	15,907	17,069	19,317	26,751	17,987	20,722	28,365
Video:							
Homes passed[7]	15,578	15,869	16,384	25,536	16,013	16,603	25,880
Basic subscribers[8]	9,347	9,315	9,400	13,439	9,316	9,478	13,512
Basic penetration[9]	60.0%	58.7%	57.4%	52.6%	58.2%	57.1%	52.2%
Digital subscribers	3,651	4,059	4,641	6,461	4,285	5,007	6,900
Digital penetration[10]	39.1%	43.6%	49.4%	48.1%	46.0%	52.8%	51.1%
High-speed data:							
Service-ready homes passed[11]	15,396	15,770	16,299	25,156	15,911	16,427	25,395
Residential subscribers	2,785	3,362	4,141	5,517	3,700	4,636	6,139
Residential high-speed data penetration[12]	18.1%	21.3%	25.4%	21.9%	23.3%	28.2%	24.2%
Commercial accounts	115	151	185	196	168	200	216
Voice:[13]							
Service-ready homes passed[14]	NM	8,630	14,049	14,308	12,140	14,917	15,140
Subscribers	NM	182	950	998	518	1,401	1,462
Penetration[15]	NM	2.1%	6.8%	7.0%	4.3%	9.4%	9.7%

NA Not available

NM Not meaningful

(1)

Pro forma voice revenues include revenues of $78 million and $38 million for the year ended December 31, 2005 and the six months ended June 30, 2006, respectively, associated with subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (approximately 140,000 and 136,000 subscribers at December 31, 2005 and June 30, 2006, respectively).

(2) OIBDA is a measurement not recognized in financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP). We define OIBDA as Operating Income (Loss) before depreciation of tangible assets and amortization of intangible assets. Management considers OIBDA an important indicator of the operational strength and performance of our businesses, including our ability to provide cash flows to service debt and fund capital expenditures. In addition, OIBDA eliminates the uneven effect of considerable amounts of depreciation of tangible assets and amortization of intangible assets recognized in business combinations accounted for by the purchase method and is a meaningful measure of performance commonly used in the cable industry and by the investment community and our lenders to analyze and compare companies such as ours. However, OIBDA should be considered in addition to, and not as a substitute for, Operating Income (Loss), net income (loss) and other measures of financial performance reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of Operating Income and Net Income to OIBDA:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
	(restated, in millions)				
Net Income	$ 664	$ 726	$ 1,253	$ 598	$ 530
Reconciling items:					
Income from discontinued operations, net	(123)				
Cumulative effect of accounting change, net					(2)
Income tax provision	384	517	212	54	350
Other income		(11)	(1)	(1)	(1)
Minority interest expense, net	62	62	70	31	46
Income from equity investments, net	(33)	(41)	(43)	(21)	(42)
Interest expense, net	492	465	464	235	225
Operating Income	1,446	1,718	1,955	896	1,106
Depreciation	1,403	1,438	1,588	762	829
Amortization	58	76	76	39	40
OIBDA	$ 2,907	$ 3,232	$ 3,619	$ 1,697	$ 1,975

The following is a reconciliation of pro forma Operating Income and pro forma Income before discontinued operations and cumulative effect of accounting change to pro forma OIBDA:

	Pro Forma	
	Year ended December 31, 2005	Six months ended June 30, 2006
	(in millions)	
Income before discontinued operations and cumulative effect of accounting change	$ 978	$ 434
Reconciling items:		
Income tax provision	44	295
Other expense, net	21	4
Minority interest expense, net	59	51
Loss from equity investments, net	5	
Interest expense, net	917	451
Operating Income	2,024	1,235
Depreciation	2,253	1,116
Amortization	292	147

OIBDA	$	4,569	$	2,498

(3) Total debt and mandatorily redeemable preferred equity includes debt due within one year of $4 million and $1 million at December 31, 2003 and 2004, respectively (none at December 31, 2005, June 30, 2005 and June 30, 2006), long-term debt and mandatorily redeemable preferred equity interests in TWE.

(4) Free Cash Flow is a measurement not recognized in financial statements presented in accordance with GAAP. We define Free Cash Flow as cash provided by operating activities (as defined under GAAP) less cash provided by (used by) discontinued operations, capital expenditures, partnership distributions and principal payments on capital leases. Management measures Free Cash Flow and believes that Free Cash Flow is useful to it and investors because it is a commonly used financial analysis tool for measuring and comparing cable companies liquidity and leverage, due to the capital-intensive nature of the cable business and the resulting significant level of depreciation and amortization expense. Free Cash Flow should not be considered as an alternative to net cash provided by operating activities as a measure of liquidity, and may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of Cash provided by operating activities to Free Cash Flow:

	Year ended December 31,			Six months ended June 30,	
	2003	2004	2005	2005	2006
			(in millions)		
Cash provided by operating activities	$ 2,128	$ 2,661	$ 2,540	$ 1,239	$ 1,541
Reconciling items:					
Discontinued operations (income) loss	(123)				
Operating cash flow adjustments relating to discontinued operations	(73)				
Cash provided by continuing operating activities	1,932	2,661	2,540	1,239	1,541
Capital expenditures from continuing operations	(1,637)	(1,712)	(1,975)	(899)	(1,066)
Partnership distributions and principal payments on capital leases of continuing operations	(33)	(11)	(31)	(11)	(16)
Free Cash Flow	$ 262	$ 938	$ 534	$ 329	$ 459

(5) The number of customer relationships is the number of subscribers that receive at least one level of service, encompassing video, high-speed data and voice services, without regard to the service(s) purchased. Therefore, a subscriber who purchases only high-speed data services and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as one customer relationship.

(6) Revenue generating units are the sum of all analog video, digital video, high-speed data and voice subscribers. Therefore, a subscriber who purchases analog video, digital video and high-speed data services will count as three revenue generating units.

(7) Homes passed represent the estimated number of service-ready single residence homes, apartment and condominium units and commercial establishments passed by our cable systems without further extending our transmission lines.

(8) Basic subscriber amounts reflect billable subscribers who receive basic video service.

(9) Basic penetration represents basic subscribers as a percentage of homes passed.

(10) Digital penetration represents digital subscribers as a percentage of basic video subscribers.

(11) High-speed data service-ready homes passed represent the number of high-speed data service-ready single residence homes, apartment and condominium units and commercial establishments passed by our cable systems without further extending our transmission lines.

(12) Residential high-speed data penetration represents residential high-speed data subscribers as a percentage of high-speed data service-ready homes passed.

(13) Pro forma voice subscriber data exclude subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone services (approximately 140,000 and 136,000 subscribers at December 31, 2005 and June 30, 2006, respectively).

(14) Voice service-ready homes passed represent the number of voice service-ready single residence homes, apartment and condominium units and commercial establishments passed by our cable systems without further extending our transmission lines.

(15) Voice penetration is calculated as voice subscribers divided by voice service-ready homes passed.

RISK FACTORS

An investment in our Class A common stock involves risks. You should consider carefully the following information about these risks, together with the other information contained in this prospectus, before buying shares of our Class A common stock. Any of the risk factors we describe below could adversely affect our business, financial condition and operating results. The market price of our Class A common stock could decline if one or more of these risks and uncertainties develop into actual events. You may lose all or part of the money you paid to buy our Class A common stock. Some of the statements in Risk Factors are forward-looking statements. For more information about forward-looking statements, please see Forward-Looking Statements.

Risks Related to Competition

We face a wide range of competition, which could affect our future results of operations.

Our industry is and will continue to be highly competitive. Our competitors principally direct broadcast satellite operators and incumbent local telephone companies either offer or are making significant capital investments that will allow them to offer services that provide directly comparable features and functions to those we offer, and they are aggressively seeking to offer them in bundles similar to our own.

Incumbent local telephone companies have recently increased their efforts to provide video services. The two major incumbent local telephone companies AT&T Inc. (AT&T) and Verizon Communications, Inc. (Verizon) have both announced that they intend to make fiber upgrades of their networks, although each is using a different architecture. AT&T is expected to utilize one of a number of fiber architectures, including FTTN, and Verizon utilizes a fiber architecture known as FTTH. Some upgraded portions of these networks are or will be capable of carrying two-way video services that are technically comparable to ours, high-speed data services that operate at speeds as high or higher than those we make available to customers in these areas and digital voice services that are similar to ours. In addition, these companies continue to offer their traditional phone services as well as bundles that include wireless voice services provided by affiliated companies. We believe that these competitors fiber upgrades have been completed in systems representing approximately 5% of our homes passed as of June 30, 2006, on a pro forma basis. In areas where they have launched video services, these parties are aggressively marketing video, voice and data bundles at entry level prices similar to those we use to market our bundles.

Our video business faces intense competition from direct broadcast satellite providers. These providers compete with us based on aggressive promotional pricing and exclusive programming (e.g., NFL Sunday Ticket, which is not available to cable operators). Direct broadcast satellite programming is comparable in many respects to our analog and digital video services, including our DVR service. In addition, the two largest direct broadcast satellite providers offer some interactive programming features.

In some areas, incumbent local telephone companies and direct broadcast satellite operators have entered into co-marketing arrangements that allow both parties to offer synthetic bundles (i.e., video services provided principally by the direct broadcast satellite operator, and digital subscriber line (DSL) and traditional phone service offered by the telephone companies). From a consumer standpoint, the synthetic bundles appear similar to our bundles and result in a single bill. AT&T is offering a service in some areas that utilizes direct broadcast satellite video but in an integrated package with AT&T s DSL product, which enables an Internet-based return path that allows the user to order a VOD-like product and other services that we provide using our two-way network.

We operate our cable systems under non-exclusive franchises granted by state or local authorities. The existence of more than one cable system operating in the same territory is referred to as an overbuild. In some of our operating areas, other operators have overbuilt our systems and offer video, data and/or voice services in competition with us.

In addition to these competitors, we face competition on individual services from a range of competitors. For instance, our video service faces competition from providers of paid television services (such as satellite master antenna services) and from video delivered over the Internet. Our high-speed data service faces competition from, among others, incumbent local telephone companies utilizing their newly-upgraded fiber networks and/or DSL lines, Wi-Fi, Wi-Max and 3G wireless broadband services provided by mobile carriers such as Verizon Wireless,

broadband over power line providers, and from providers of traditional dial-up Internet access. Our voice service faces competition for voice customers from incumbent local telephone companies, cellular telephone service providers, Internet phone providers, such as Vonage, and others.

Any inability to compete effectively or an increase in competition with respect to video, voice or high-speed data services could have an adverse effect on our financial results and return on capital expenditures due to possible increases in the cost of gaining and retaining subscribers and lower per subscriber revenue, could slow or cause a decline in our growth rates, reduce our revenues, reduce the number of our subscribers or reduce our ability to increase penetration rates for services. As we expand and introduce new and enhanced products and services, we may be subject to competition from other providers of those products and services, such as telecommunications providers, Internet service providers (ISPs) and consumer electronics companies, among others. We cannot predict the extent to which this competition will affect our future financial results or return on capital expenditures.

Future advances in technology, as well as changes in the marketplace and in the regulatory and legislative environments, may result in changes to the competitive landscape. For additional information regarding the regulatory and legal environment, see Risks Related to Government Regulation and Business Regulatory Matters.

We face risks relating to competition for the leisure and entertainment time of audiences, which has intensified in part due to advances in technology.

In addition to the various competitive factors discussed above, our business is subject to risks relating to increasing competition for the leisure and entertainment time of consumers. Our business competes with all other sources of entertainment and information delivery, including broadcast television, movies, live events, radio broadcasts, home video products, console games, print media and the Internet. Technological advancements, such as VOD, new video formats, and Internet streaming and downloading, have increased the number of entertainment and information delivery choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of choices available to audiences could negatively impact not only consumer demand for our products and services, but also advertisers willingness to purchase advertising from us. If we do not respond appropriately to further increases in the leisure and entertainment choices available to consumers, our competitive position could deteriorate, and our financial results could suffer.

Significant increases in the use of bandwidth-intensive Internet-based services could increase our costs.

The rising popularity of bandwidth-intensive Internet-based services poses special risks for our high-speed data business. Examples of such services include peer-to-peer file sharing services, gaming services, the delivery of video via streaming technology and by download, as well as Internet phone services. If heavy usage of bandwidth-intensive services grows beyond our current expectations, we may need to invest more capital than currently anticipated to expand the bandwidth capacity of our systems or our customers may have a suboptimal experience when using our high-speed data service. Our ability to manage our network efficiently could be restricted by legislative efforts to impose so-called net neutrality requirements on cable operators. See Risks Related to Government Regulation Our business is subject to extensive governmental regulation, which could adversely affect our business.

Our competitive position could suffer if we are unable to develop a compelling wireless offering.

We offer high-quality information, entertainment and communication services over sophisticated broadband cable networks. We believe these networks currently provide the most efficient means to provide such services to consumers homes. However, consumers are increasingly interested in accessing information, entertainment and communication services outside the home as well.

We are exploring various means by which we can offer our customers mobile services but there can be no assurance that we will be successful in doing so or that any such services we offer will appeal to consumers. In November 2005, we and several other cable operators, together with Sprint Nextel Corporation (Sprint), announced the formation of a joint venture that would develop integrated cable and wireless products that the venture s owners could offer to customers bundled with cable services. There can be no assurance that the joint

venture will successfully develop any such products, that any products developed will be accepted by consumers or, even if accepted, that the offering will be profitable. A separate joint venture formed by the same parties participated in the recently completed Federal Communication Commission s (the FCC) Auction 66 for Advanced Wireless Spectrum and has been identified as a provisional winning bidder of 137 licenses. Until the FCC license award process is complete, there can be no assurance that the venture will acquire any such spectrum. If licenses are finally awarded to the venture there can be no assurance that the venture will attempt to or will be able to successfully develop mobile voice and related wireless services or otherwise benefit from the acquired spectrum.

To date, our telephone competitors have only been able to include mobile services in their offerings through co-marketing relationships with affiliated wireless providers, which we do not believe have proven particularly compelling to consumers. However, we anticipate that, in the future, our competitors will either gain greater ownership of, or enter into more effective marketing arrangements with, these wireless providers. For instance, if AT&T completes its planned acquisition of BellSouth Corp., it will acquire 100% ownership of Cingular Wireless, LLC, a wireless provider of which AT&T currently owns 60%. If our competitors begin to expand their service bundles to include compelling mobile features before we have developed an equivalent or more compelling offering, we may not be in a position to provide a competitive product offering and our business and financial results could suffer.

If we pursue wireless strategies intended to provide us with a competitive response to offerings such as those described above, there can be no assurance that such strategies will succeed. For instance, we could, in pursuing such a strategy, select technologies, products and services that fail to appeal to consumers. In addition, we could incur significant costs in gaining access to, developing and marketing, such services. If we incurred such costs, and the resulting products and services were not competitive with other parties products or appealing to our customers, our business and financial results could suffer.

Additional Risks of Our Operations

Our business is characterized by rapid technological change, and if we do not respond appropriately to technological changes, our competitive position may be harmed.

We operate in a highly competitive, consumer-driven and rapidly changing environment and are, to a large extent, dependent on our ability to acquire, develop, adopt and exploit new and existing technologies to distinguish our services from those of our competitors. This may take long periods of time and require significant capital investments. In addition, we may be required to anticipate far in advance which technologies and equipment we should adopt for new products and services or for future enhancements of or upgrades to our existing products and services. If we choose technologies or equipment that are less effective, cost-efficient or attractive to our customers than those chosen by our competitors, or if we offer products or services that fail to appeal to consumers, are not available at competitive prices or that do not function as expected, our competitive position could deteriorate, and our business and financial results could suffer.

Our competitive position also may be adversely affected by various timing factors, such as the ability of our competitors to acquire or develop and introduce new technologies, products and services more quickly than we do. Furthermore, advances in technology, decreases in the cost of existing technologies or changes in competitors product and service offerings also may require us in the future to make additional research and development expenditures or to offer at no additional charge or at a lower price certain products and services we currently offer to customers separately or at a premium. In addition, the uncertainty of the costs for obtaining intellectual property rights from third parties could impact our ability to respond to technological advances in a timely manner.

The combination of increased competition, more technologically advanced platforms, products and services, the increasing number of choices available to consumers and the overall rate of change in media and entertainment industries requires companies such as us to become more responsive to consumer needs and to adapt more quickly to market conditions than had been necessary in the past. We could have difficulty managing these changes while at the same time maintaining our rates of growth and profitability.

We face certain challenges relating to the integration of the systems acquired in the Transactions into our existing systems, and we may not realize the anticipated benefits of the Transactions.

The Transactions have combined cable systems that were previously owned and operated by three different companies. We expect that we will realize cost savings and other financial and operating benefits as a result of the Transactions. However, due to the complexity of and risks relating to the integration of these systems, among other factors, we cannot predict with certainty when these cost savings and benefits will occur or the extent to which they actually will be achieved, if at all.

The successful integration of the Acquired Systems will depend primarily on our ability to manage the combined operations and integrate into our operations the Acquired Systems (including management information, marketing, purchasing, accounting and finance, sales, billing, customer support and product distribution infrastructure, personnel, payroll and benefits, regulatory compliance and technology systems), as well as the related control processes. The integration of these systems, including the upgrade of certain portions of the Adelphia Acquired Systems, requires significant capital expenditures and may require us to use financial resources we would otherwise devote to other business initiatives, including marketing, customer care, the development of new products and services and the expansion of our existing cable systems. While we currently expect to spend approximately $650 million to upgrade the Acquired Systems over the next few years, we may be required to spend additional capital for that purpose. Furthermore, these integration efforts may require more attention from our management and impose greater strains on our technical resources than anticipated. If we fail to successfully integrate the Acquired Systems, it could have a material adverse effect on our business and financial results.

We have entered into transitional services arrangements with each of Adelphia and Comcast under which they have agreed to assist us by providing certain services in the Acquired Systems as we integrate those systems into our existing systems. Any failure by Adelphia or Comcast to perform under their respective agreements may cause the integration of the Acquired Systems to be delayed and may increase the amount of time and money we need to devote to the integration of the Acquired Systems.

We face risks inherent to our voice services line of business.

We may encounter unforeseen difficulties as we introduce our voice service in new operating areas, including the Acquired Systems, and/or increase the scale of our voice service offerings in areas in which they have already been launched. First, we face heightened customer expectations for the reliability of voice services as compared with our video and high-speed data services. We have undertaken significant training of customer service representatives and technicians, and we will continue to need a highly trained workforce. To ensure reliable service, we may need to increase our expenditures, including spending on technology, equipment and personnel. If the service is not sufficiently reliable or we otherwise fail to meet customer expectations, our voice services business could be adversely affected. Second, the competitive landscape for voice services is intense; we face competition from providers of Internet phone services, as well as incumbent local telephone companies, cellular telephone service providers and others. See Risks Related to Competition We face a wide range of competition, which could affect our future results of operations. Third, our voice services depend on interconnection and related services provided by certain third parties. As a result, our ability to implement changes as the service grows may be limited. Finally, we expect advances in communications technology, as well as changes in the marketplace and the regulatory and legislative environment. Consequently, we are unable to predict the effect that ongoing or future developments in these areas might have on our voice business and operations.

In addition, our launch of voice services in the Acquired Systems may pose certain risks. We will be unable to provide our voice services in some of the Acquired Systems without first upgrading the facilities. Additionally, we may need to obtain certain services from third parties prior to deploying voice services in the Acquired Systems. If we encounter

difficulties or significant delays in launching voice services in the Acquired Systems, our business and financial results may be adversely affected.

Our ability to attract new basic video subscribers is dependent in part on growth in new housing in our service areas.

Providing basic video services is an established and highly penetrated business. Approximately 85% of U.S. households are now receiving multi-channel video service. As a result, our ability to achieve incremental growth in basic video subscribers is dependent in part on growth in new housing in our service areas, which is influenced by various factors outside of our control, including both national and local economic conditions. If growth in new housing falls or if there are population declines in our operating areas, opportunities to gain new basic subscribers will decrease, which may have a material adverse effect on our growth, business and financial results or financial condition.

We rely on network and information systems and other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt our business.

Because network and information systems and other technologies are critical to our operating activities, network or information system shutdowns caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters, terrorist attacks and similar events, pose increasing risks. Such an event could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers and damage to equipment and data. Such an event also could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future. Significant incidents could result in a disruption of our operations, customer dissatisfaction, or a loss of customers and revenues.

Furthermore, our operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in our information technology systems and networks, including customer, personnel and vendor data. We could be exposed to significant costs if such risks were to materialize, and such events could damage our reputation and credibility. We also could be required to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection and security of personal information, information-related risks are increasing, particularly for businesses like ours that handle a large amount of personal customer data.

If we are unable to retain senior executives and attract and retain other qualified employees, our growth might be hindered, which could impede our ability to run our business and potentially reduce our revenues and profitability.

Our success depends in part on our ability to attract, hire, train and retain qualified managerial, sales, customer service and marketing personnel. We face significant competition for these types of personnel. We may be unsuccessful in attracting and retaining the required personnel to conduct and expand our operations successfully and, in such an event, our revenues and profitability could decline. Our success also depends to a significant extent on the continued service of our senior management team, including Messrs. Britt and Hobbs, with whom we have employment agreements. The loss of any member of our senior management team or other qualified employees could impair our ability to execute our business plan and growth strategy, cause us to lose subscribers and reduce our net sales, or lead to employee morale problems and/or the loss of key employees. In addition, key personnel may leave us and compete against us.

Our business may be adversely affected if we cannot continue to license or enforce the intellectual property rights on which our business depends.

We rely on patent, copyright, trademark and trade secret laws and licenses and other agreements with our employees, customers, suppliers, and other parties, to establish and maintain our intellectual property rights in

technology and the products and services used in our operations. However, any of our intellectual property rights could be challenged or invalidated, or such intellectual property rights may not be sufficient to permit us to take advantage of current industry trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm. Additionally, from time to time we receive notices from others claiming that we infringe their intellectual property rights, and the number of these claims could increase in the future. Claims of intellectual property infringement could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question, which could require us to change our business practices and limit our ability to compete effectively. Even if we believe that the claims are without merit, the claims can be time-consuming and costly to defend and divert management s attention and resources away from our businesses. Also, because of the rapid pace of technological change, we rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses from these third parties on reasonable terms, if at all. See also Risks Related to Our Relationship with Time Warner We are party to agreements with Time Warner governing the use of our brand names, including the Time Warner Cable brand name, that may be terminated by Time Warner if we fail to perform our obligations under those agreements or if we undergo a change of control.

We face certain integration challenges in connection with the internal control over financial reporting and disclosure controls and procedures of the Acquired Systems.

The Acquired Systems have pre-existing disclosure controls and procedures and internal control over financial reporting in place, which we are reviewing and integrating with our own disclosure controls and procedures and internal control over financial reporting. The review and integration of these controls may impose significant strains on our resources and may impact our compliance with applicable provisions of the Sarbanes-Oxley Act of 2002.

Additionally, Adelphia disclosed in its Annual Report on Form 10-K for the year ended December 31, 2004 (filed with the SEC on October 6, 2005) that it identified material weaknesses in its internal control over financial reporting as of December 31, 2004 and that, as of such date, Adelphia did not maintain effective internal control over financial reporting. In its Annual Report on Form 10-K for the year ended December 31, 2005 (filed with the SEC on March 29, 2006), Adelphia disclosed that it undertook significant remediation measures in 2005 and concluded that, as of December 31, 2005, there were no material weaknesses in its internal control over financial reporting. We are reviewing Adelphia s remediation measures to determine if they are sufficient. There can be no assurance regarding the results of this review or that any additional remediation efforts, if necessary, will be completed in a timely fashion.

The accounting treatment of goodwill and other indefinite-lived intangibles could result in future asset impairments, which would be recorded as operating losses.

As of June 30, 2006, on an historical basis, we had $31.9 billion of unamortized intangible assets ($42.1 billion on a pro forma basis), including goodwill of $1.9 billion ($2.4 billion on a pro forma basis) and cable franchises of $29.9 billion ($38.7 billion on a pro forma basis), on our balance sheet. At June 30, 2006, these intangible assets represented approximately 73% of our total assets on an historical basis and approximately 77% on a pro forma basis.

FASB Statement No. 142, *Goodwill and Other Intangible Assets* (FAS 142) requires that goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and other intangible assets deemed to have indefinite useful lives, such as franchise agreements, cease to be amortized. FAS 142 requires that goodwill and certain intangible assets be tested at least annually for impairment. If we find that the carrying value of goodwill or a certain intangible asset exceeds its fair value, we will reduce the carrying value of the goodwill or intangible asset to the fair value, and will recognize an impairment loss. Any such impairment losses are required to be recorded as non-cash operating losses.

Our 2005 annual impairment analysis, which was performed during the fourth quarter of 2005, did not result in an impairment charge. For all reporting units, the 2005 estimated fair values were within 10% of respective book values. Applying a hypothetical 10% decrease to the fair values of each reporting unit would result in a greater book

value than fair value for cable franchises in the amount of approximately $150 million. Other intangible assets not subject to amortization are tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired. See Management s Discussion and Analysis of Results of Operations and Financial Condition Critical Accounting Policies Asset Impairments Goodwill and Other Indefinite-lived Intangible Assets. The Redemptions were a triggering event for testing goodwill, intangible assets and other long-lived assets for impairment. Accordingly, we updated our annual impairment tests and such tests did not result in an impairment charge.

The impairment tests require us to make an estimate of the fair value of intangible assets, which is primarily determined using discounted cash flow methodologies, research analyst estimates, market comparisons and a review of recent transactions. Since a number of factors may influence determinations of fair value of intangible assets, including those set forth in this discussion of Risk Factors and in Forward-Looking Statements, we are unable to predict whether impairments of goodwill or other indefinite-lived intangibles will occur in the future. Any such impairment would result in us recognizing a corresponding operating loss, which could have a material adverse effect on the market price of our Class A common stock.

The IRS and state and local tax authorities may challenge the tax characterizations of the Adelphia Acquisition, the Redemptions and the Exchange, or our related valuations, and any successful challenge by the IRS or state or local tax authorities could materially adversely affect our tax profile, significantly increase our future cash tax payments and significantly reduce our future earnings and cash flow.

The Adelphia Acquisition was designed to be a fully taxable asset sale, the TWC Redemption was designed to qualify as a tax-free split-off under section 355 of the Internal Revenue Code of 1986, as amended (the Tax Code), the TWE Redemption was designed as a redemption of Comcast s partnership interest in TWE, and the Exchange was designed as an exchange of designated cable systems. There can be no assurance, however, that the Internal Revenue Service (the IRS) or state or local tax authorities (collectively with the IRS, the Tax Authorities) will not challenge one or more of such characterizations or our related valuations. Such a successful challenge by the Tax Authorities could materially adversely affect our tax profile (including our ability to recognize the intended tax benefits from the Transactions), significantly increase our future cash tax payments and significantly reduce our future earnings and cash flow. The tax consequences of the Adelphia Acquisition, the Redemptions and the Exchange are complex and, in many cases, subject to significant uncertainties, including, but not limited to, uncertainties regarding the application of federal, state and local income tax laws to various transactions and events contemplated therein and regarding matters relating to valuation.

A significant portion of our indebtedness will mature over the next three to five years. If we are unable to refinance this indebtedness on favorable terms our financial condition and results of operations may suffer.

As of June 30, 2006, on a pro forma basis, we had $14.3 billion in outstanding indebtedness. In particular, we are the borrower under two $4.0 billion term loan facilities and a $6.0 billion revolving credit facility, which become due in February 2009, February 2011 and February 2011, respectively, as well as an issuer of commercial paper. In addition, TWE s 7.25% senior debentures with a principal amount of $600 million will mature in 2008. No assurance can be given that we will be able to refinance our or our subsidiaries existing indebtedness on favorable terms, if at all. Our ability to refinance our indebtedness could be affected by many factors, including adverse developments in the lending markets and other external factors which are beyond our control. If we are unable to refinance our indebtedness on favorable terms, our cost of financing could increase significantly and have a material adverse effect on our business, financial results and financial condition. See Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity.

Risks Related to Dependence on Third Parties

Increases in programming costs could adversely affect our operations, business or financial results.

Programming has been, and is expected to continue to be, one of our largest operating expense items for the foreseeable future. In recent years, we have experienced sharp increases in the cost of programming, particularly sports programming. The increases are expected to continue due to a variety of factors, including inflationary and

negotiated annual increases, additional programming being provided to subscribers, and increased costs to purchase new programming.

Programming cost increases that are not passed on fully to our subscribers have had, and will continue to have, an adverse impact on cash flow and operating margins. Current and future programming providers that provide content that is desirable to our subscribers may enter into exclusive affiliation agreements with our cable and non-cable competitors and may be unwilling to enter into affiliation agreements with us on acceptable terms, if at all.

In addition, increased demands by owners of some broadcast stations for carriage of other services or payments to those broadcasters for retransmission consent could further increase our programming costs. Federal law allows commercial television broadcast stations to make an election between must-carry rights and an alternative retransmission-consent regime. When a station opts for the latter, cable operators are not allowed to carry the station s signal without the station s permission. We currently have multi-year agreements with most of the retransmission consent stations that we carry. In some cases, we carry stations under short-term arrangements while we attempt to negotiate new long-term retransmission agreements. If negotiations with these programmers prove unsuccessful, they could require us to cease carrying their signals, possibly for an indefinite period. Any loss of stations could make our video service less attractive to subscribers, which could result in less subscription and advertising revenue. In retransmission-consent negotiations, broadcasters often condition consent with respect to one station on carriage of one or more other stations or programming services in which they or their affiliates have an interest. Carriage of these other services may increase our programming expenses and diminish the amount of capacity we have available to introduce new services, which could have an adverse effect on our business and financial results.

We depend on third party suppliers and licensors; thus, if we are unable to procure the necessary equipment, software or licenses on reasonable terms and on a timely basis, our ability to offer services could be impaired, and our growth, operations, business, financial results and financial condition could be materially adversely affected.

We depend on third party suppliers and licensors to supply some of the hardware, software and operational support necessary to provide some of our services. We obtain these materials from a limited number of vendors, some of which do not have a long operating history. Some of our hardware, software and operational support vendors represent our sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. If demand exceeds these vendors capacity or if these vendors experience operating or financial difficulties, our ability to provide some services might be materially adversely affected, or the need to procure or develop alternative sources of the affected materials might delay the provision of services. These events could materially and adversely affect our ability to retain and attract subscribers, and have a material negative impact on our operations, business, financial results and financial condition. A limited number of vendors of key technologies can lead to less product innovation and higher costs. For these reasons, we generally endeavor to establish alternative vendors for materials we consider critical, but may not be able to establish these relationships or be able to obtain required materials on favorable terms.

For example, each of our systems currently purchases set-top boxes from a limited number of vendors. This is due to the fact that each of our cable systems uses one of two proprietary conditional access security schemes, which allow us to regulate subscriber access to some services, such as premium channels. We believe that the proprietary nature of these conditional access schemes makes other manufacturers reluctant to produce set-top boxes. Future innovation in set-top boxes may be restricted until these issues are resolved. In addition, we believe that the general lack of compatibility among set-top box operating systems has slowed the industry s development and deployment of digital set-top box applications. We have developed a proprietary user interface and interactive programming guide that we expect to introduce in most of our operating areas during 2007. No assurance can be given that our proprietary interface and guide will operate correctly, will be popular with consumers or will be compatible with other products and services that our customers value.

In addition, we have multi-year agreements with Verizon and Sprint under which these companies assist us in providing Digital Phone service to customers by routing voice traffic to the public switched network, delivering enhanced 911 service and assisting in local number portability and long distance traffic carriage. In July 2006, we

agreed to expand our relationship with Sprint, selecting them as our primary provider of these services, including in the Acquired Systems. Our transition to and reliance on a single provider for the bulk of these services may render us vulnerable to service disruptions.

In addition, in some limited areas, as a result of rulings of the applicable state public utility commissions, Verizon and Sprint cannot provide us with certain of their services, including interconnection from certain local telephone companies. While we have filed a petition with the FCC requesting clarification that Verizon and Sprint are entitled to provide these services to us and, in the interim, plan to continue to provide our Digital Phone service in these limited areas by obtaining interconnection directly from the local telephone companies and providing our own 911 connectivity and number portability, our inability to use Sprint and Verizon for these services could negatively impact our ability to offer Digital Phone in certain areas as well as the cost of providing our service.

We may encounter substantially increased pole attachment costs.

Under federal law, we have the right to attach cables carrying video services to the telephone and similar poles of investor-owned utilities at regulated rates. However, because these cables carry services other than video services, such as high-speed data services or new forms of voice services, some utility pole owners have sought to impose additional fees for pole attachment. The U.S. Supreme Court has rejected the efforts of some utility pole owners to make cable attachments carrying Internet traffic ineligible for regulatory protection. Pole owners have, however, made arguments in other areas of pole regulation that, if successful, could significantly increase our costs. In addition, our pole attachment rates may increase insofar as our systems are providing voice services.

Some of the poles we use are exempt from federal regulation because they are owned by utility cooperatives and municipal entities. These entities may not renew our existing agreements when they expire, and they may require us to pay substantially increased fees. A number of these entities are currently seeking to impose substantial rate increases. Any inability to secure continued pole attachment agreements with these cooperatives or municipal utilities on commercially reasonable terms could cause our business, financial results or financial condition to suffer.

The adoption of, or the failure to adopt, certain consumer electronics devices or computers may negatively impact our offerings of new and enhanced services.

Customer acceptance and use of new and enhanced services depend, to some extent, on customers having ready access and exposure to these services. One of the ways this access is facilitated is through the user interface included in our digital set-top boxes. As of June 30, 2006, on an historical basis, approximately 53% of our basic video subscribers leased one or more digital set-top boxes from us. The consumer electronics industry s provision of cable ready and digital cable ready televisions and other devices, as well as the IT industry s provision of computing devices capable of tuning, storing and displaying cable video signals, means customers owning these devices may use a different user interface from the one we provide and/or may not be able to access services requiring two way transmission capabilities unless they also have a set-top box. Accordingly, customers using these devices without set-top boxes may have limited exposure and access to our advanced video services, including our interactive program guide and VOD and SVOD. If such devices attain wide consumer acceptance, our revenue from equipment rental and two way transmission-based services could decrease, and there could be a negative impact on our ability to sell advanced services to customers. We cannot predict the extent to which different interfaces will affect our future business and operations. See Business Regulatory Matters Communications Act and FCC Regulation.

We and other cable operators are involved in various efforts to ensure that consumer electronics and IT industry devices are capable of utilizing our two-way services, including: direct arrangements with a handful of consumer electronics companies that have led to the imminent deployment of a limited number of two-way capable televisions and other devices; continuing efforts (unsuccessful to date) to negotiate two-way interoperability standards with the

broad consumer electronics industry; the development of an open software architecture layer that such devices could use to accept two-way applications; and an effort to develop a downloadable security system for consumer electronics devices. No assurances can be given that these or other efforts will be successful or that, if successful, consumers will widely adopt devices utilizing these technologies.

Risks Related to Government Regulation

Our business is subject to extensive governmental regulation, which could adversely affect our business.

Our video and voice services are subject to extensive regulation at the federal, state, and local levels. In addition, the federal government also has been exploring possible regulation of high-speed data services. We expect that legislative enactments, court actions, and regulatory proceedings will continue to clarify and in some cases change the rights of cable companies and other entities providing video, data and voice services under the Communications Act of 1934, as amended (the Communications Act), and other laws, possibly in ways that we have not foreseen. The results of these legislative, judicial, and administrative actions may materially affect our business operations in areas such as:

Cable Franchising. Different legislative proposals have been made at the federal level and enacted in a number of states (e.g., California, New Jersey, North Carolina and Texas) that would streamline cable franchising to facilitate entry by new competitors, particularly local telephone companies. To the extent that such legislation enables competitors to compete more easily and possibly on more favorable terms for video and other customers, our operations could be materially and adversely affected.

Net Neutrality. Although the broadband Internet services industry has largely remained unregulated, there has been legislative and regulatory interest in adopting so-called net neutrality principles that could, among other things, limit our ability to manage our networks efficiently and develop new products and services.

À La Carte. There has been legislative interest in requiring cable operators to offer historically bundled programming services on an à la carte basis. It is also possible that the FCC could in the future seek to adopt rules regulating programming bundles that could materially and adversely affect our operations.

Carriage Regulations. We face significant regulation of the video services we carry, including requirements that we carry certain local broadcast signals; public, educational and government access programming; and unaffiliated commercial leased access programming. These and other government-mandated broadcast carriage obligations such as proposed requirements that we carry both the analog and digital (both standard and high definition) versions of local broadcast signals (triple carriage) or carry multiple program streams within a single digital broadcast transmission (multicast carriage) can disrupt our existing programming commitments, interfere with our preferred use of limited channel capacity, and limit our ability to offer services that maximize customer appeal and revenue potential.

Voice Communications. Traditional providers of voice services generally are subject to significant regulations. If such regulations are applied to us in connection with our offering of voice services, our compliance with such regulations may be difficult or costly. Although the FCC has declared that certain non-traditional voice services are not subject to certification or tariffing requirements by state public utility commissions, the full extent of this preemption is unclear. The FCC subsequently has determined that non-traditional voice service providers must comply with 911 emergency service obligations, imposed a specific timeframe for non-traditional voice service providers to accommodate law enforcement requests for information and wiretapping orders, and made clear that non-traditional voice service providers must contribute to the federal universal service fund. To the extent that additional regulatory burdens are imposed on non-traditional voice service providers or services, our operations could be adversely affected.

Rate regulation could materially adversely impact our operations, business, financial results or financial condition.

Under current FCC regulations, rates for basic video service and associated equipment are permitted to be regulated. In many localities, we are not subject to basic video rate regulation, either because the local franchising authority has

not asked the FCC for permission to regulate rates or because the FCC has found that there is effective competition. Also, there is currently no rate regulation for our other services, including high-speed data services. It is possible, however, that the FCC or the United States Congress (Congress) will adopt more extensive rate regulation for our video services or regulate other services, such as high-speed data and voice services, which

could impede our ability to raise rates, or require rate reductions, and therefore could cause our business, financial results or financial condition to suffer.

Changes in carriage regulations could impose significant additional costs on us.

Although we would likely choose to carry almost all local full power analog broadcast signals voluntarily, so called must carry rules require us to carry video programming that we might not otherwise carry, including some local broadcast television signals on some of our cable systems. In addition, we are required to carry local public, educational and government access video programming and unaffiliated commercial leased access video programming. These regulations require us to use a substantial part of our capacity for this video programming and, for the most part, we must carry this programming without payment or compensation from the programmer.

Our carriage burden might increase due to changes in regulation in connection with the transition to digital broadcasting. FCC regulations require most television broadcast stations to broadcast in digital format as well as in analog format until digital broadcasting becomes widely accepted by television viewers. After this transition period, digital broadcasters must cease broadcasting in analog format. The FCC has concluded that, during the transition period, cable operators will not be required to carry the digital signals of broadcasters that are broadcasting in both analog and digital format. Only the few stations that broadcast solely in digital format will be entitled to carriage of their digital signals during the transition period. Some broadcast parties have asked that the FCC reconsider that determination. If the FCC does so and changes the decision, our carriage burden could increase significantly.

We expect that, once the digital transition is complete, cable operators will be required to carry most local broadcasters digital signals. We are uncertain whether that requirement will be more onerous than the carriage requirement concerning analog signals. Under the current regulations, each broadcaster is allowed to use the digital spectrum allocated to it to transmit either one high definition program stream or multiple separate standard definition program streams. The FCC has determined that cable operators will have to carry only one program stream per broadcaster. Some broadcast parties have asked the FCC to reconsider that determination. If the FCC does so and changes the decision, we could be compelled to carry more programming over which we are not able to assert editorial control. Consequently, our mix of programming could become less attractive to subscribers. Moreover, if the FCC adopts rules that are not competitively neutral, cable operators could be placed at a disadvantage versus other multi-channel video providers.

It is not clear whether cable operators may down convert must-carry digital signals after the transition to digital broadcasts is complete to ensure they can be viewed by households that do not have digital equipment. If the FCC interprets the relevant statute, or if Congress clarifies the statute, with the result that such down conversion is not permitted, we could be required to incur additional costs to deliver the signals to non-digital homes.

We may have to pay fees in connection with our cable modem service.

Local franchising authorities generally require cable operators to pay a franchise fee of five percent of revenue, which cable operators collect in turn from their subscribers. We have taken the position that under the Communications Act, local franchising authorities are allowed to impose a franchise fee only on revenue from cable services. Following the FCC s March 2002 determination that cable modem service does not constitute a cable service, we and most other multiple system operators stopped collecting and paying franchise fees on cable modem revenue.

The FCC has initiated a rulemaking proceeding to explore the consequences of its March 2002 order. Some local franchising authorities have claimed that cable operators failure to pay franchise fees on cable modem services revenue constitutes a breach of their franchise agreement. To date, only a few local franchising authorities have filed lawsuits.

If either the FCC or a court were to determine that, despite the March 2002 order, we are required to pay franchise fees on cable modem revenue, our franchise fee burden could increase going forward. We would be permitted to collect those increased fees from our subscribers, but doing so could impair our competitive position as compared to high-speed data service providers who are not required to collect and pay franchise fees. We could also

become liable for franchise fees back to the time we stopped paying them. We may not be able to recover those fees from subscribers.

The FCC s set-top box rules could impose significant additional costs on us.

Currently, many cable subscribers rent set-top boxes from us that perform both signal-reception functions and conditional-access security functions, as well as enable delivery of advanced services. In 1996, Congress enacted a statute seeking to allow cable subscribers to use set-top boxes obtained from certain third parties, including third-party retailers. The most important of the FCC s implementing regulations requires cable operators to offer separate equipment which provides only the security functions and not the signal-reception functions (so that cable subscribers can purchase set-top boxes or other navigational devices from third parties) and to cease placing into service new set-top boxes that have integrated security and signal-reception functions. The regulations requiring cable operators to cease distributing new set-top boxes with integrated security and signal-reception functions are currently scheduled to go into effect on July 1, 2007. On August 16, 2006, the National Cable and Telecommunications Association (the NCTA) filed with the FCC a request that these rules be waived for all cable operators, including us, until a downloadable security solution is available or December 31, 2009, whichever is earlier. No assurance can be given that the FCC will grant this or any other waiver request.

Our vendors have not yet manufactured, on a commercial scale, set-top boxes that can support all the services that we offer while relying on separate security devices. It is possible that our vendors will be unable to deliver the necessary set-top boxes in time for us to comply with the FCC regulations. It is also possible that the FCC will determine that the set-top boxes that we eventually obtain are not compliant with applicable rules. In either case, the FCC may penalize us. In addition, design and manufacture of the new set-top boxes will come at a significant expense, which our vendors will seek to pass on to us, but which we in turn may not be able to pass onto our customers, thereby increasing our costs. We expect to incur approximately $50 million in incremental set-top box costs during 2007 as a result of these regulations. The FCC has indicated that direct broadcast satellite operators are not required to comply with the FCC s set-top box rules, and one telephone company has asked for a waiver of the rules. If we have to comply with the rule prohibiting set-top boxes with integrated security while our competitors are not required to comply with that rule, we may be at a competitive disadvantage.

Applicable law is subject to change.

The exact requirements of applicable law are not always clear, and the rules affecting our businesses are always subject to change. For example, the FCC may interpret its rules and regulations in enforcement proceedings in a manner that is inconsistent with the judgments we have made. Likewise, regulators and legislators at all levels of government may sometimes change existing rules or establish new rules. Congress, for example, considers new legislative requirements for cable operators virtually every year, and there is always a risk that such proposals will ultimately be enacted. See Business Regulatory Matters.

Risks Related to Our Relationship with Time Warner

Some of our officers and directors may have interests that diverge from ours in favor of Time Warner because of past and ongoing relationships with Time Warner and its affiliates.

Some of our officers and directors may experience conflicts of interest with respect to decisions involving business opportunities and similar matters that may arise in the ordinary course of our business or the business of Time Warner and its affiliates. One of our directors is also an executive officer of Time Warner, another is an executive officer of a subsidiary of Time Warner that is a sister company of ours and four of our directors (including Glenn A. Britt, our President and Chief Executive Officer) served as executive officers of Time Warner or its predecessors in the past. A

number of our directors and all of our executive officers also have restricted shares, restricted stock units and/or options to purchase shares of Time Warner common stock. In addition, many of our directors and executive officers have invested in Time Warner common stock through their participation in Time Warner s and our savings plans. These past and ongoing relationships with Time Warner and any significant financial interest in Time Warner by these

persons may present conflicts of interest that could materially adversely affect our business, financial results or financial condition. For example, these decisions could be materially related to:

- the nature, quality and cost of services rendered to us by Time Warner;

- the desirability of corporate opportunities, such as the entry into new businesses or pursuit of potential acquisitions, particularly those that might allow us to compete with Time Warner; and

- employee retention or recruiting.

Our restated certificate of incorporation does not contain any special provisions, other than the provisions with respect to future business opportunities described in the following risk factor and the independent director requirement described in the sixth risk factor below, to deal with these conflicts of interest.

Time Warner and its affiliates may compete with us in one or more lines of business and may provide some services under the Time Warner brand or similar brand names.

Time Warner and its affiliates are engaged in a diverse range of entertainment and media-related businesses, including filmed entertainment, home video and Internet-related businesses, and these businesses may have interests that conflict with or compete in some manner with our business. Time Warner and its affiliates are generally under no obligation to share any future business opportunities available to it with us and our restated certificate of incorporation contains provisions that release Time Warner and its affiliates, including our directors who are also their employees or executive officers, from this obligation and any liability that would result from breach of this obligation. Time Warner may deliver video, high-speed data, voice and wireless services over DSL, satellite or other means using the Time Warner brand name or similar brand names, potentially causing confusion among customers and complicating our marketing efforts. For instance, Time Warner has licensed the use of Time Warner Telecom, until July 2007, and TW Telecom and TWTC to Time Warner Telecom Inc., a former affiliate of Time Warner and a provider of managed voice and data networking solutions to enterprise organizations, which may compete with our commercial offerings. Any competition directly with Time Warner or its affiliates could materially adversely impact our business, financial results or financial condition.

We are party to agreements with Time Warner governing the use of our brand names, including the Time Warner Cable brand name, that may be terminated by Time Warner if we fail to perform our obligations under those agreements or if we undergo a change of control.

Some of the agreements governing the use of our brand names may be terminated by Time Warner if we:

- commit a significant breach of our obligations under such agreements;

- undergo a change of control, even if Time Warner causes that change of control by selling some or all of its interest in us; or

- materially fail to maintain the quality standards established for the use of these brand names and the products and services related to these brand names.

We license our brand name, Time Warner Cable, and the trademark Road Runner from affiliates of Time Warner. We believe the Time Warner Cable and Road Runner brand names are valuable, and their loss could materially adversely affect our business, financial results or financial condition. See Certain Relationships and Related Transactions Relationship between Time Warner and Us Time Warner Brand and Trade Name License Agreement.

If Time Warner terminates these brand name license agreements, we would lose the goodwill associated with our brand names and be forced to develop new brand names, which would likely require substantial expenditures, and our business, financial results or financial condition would likely be materially adversely affected.

Time Warner controls approximately 90.6% of the voting power of our common stock and has the ability to elect a majority of our directors, and its interest may conflict with the interests of our other stockholders.

Time Warner indirectly holds all of our outstanding Class B common stock and approximately 82.7% of our outstanding Class A common stock. The common stock held by Time Warner represents approximately 90.6% of our combined voting power and 84.0% of the total number of shares of capital stock outstanding of all classes of our voting stock. Accordingly, Time Warner can control the outcome of most matters submitted to a vote of our stockholders. In addition, Time Warner, because it is the indirect holder of all of our outstanding Class B common stock, and because it also indirectly holds more than a majority of our outstanding Class A common stock, is able to elect all of our directors and will continue to be able to do so as long as it owns a majority of our Class A common stock and Class B common stock. As a result of Time Warner s share ownership and representation on our board of directors, Time Warner is able to influence all of our affairs and actions, including matters requiring stockholder approval such as the election of directors and approval of significant corporate transactions. The interests of Time Warner may differ from the interests of our other stockholders.

Time Warner s approval right over our ability to incur indebtedness may harm our liquidity and operations and restrict our growth.

Under a shareholder agreement entered into between us and Time Warner on April 20, 2005 (the Shareholder Agreement), which became effective upon the closing of the TWC Redemption, until Time Warner no longer considers us to have an impact on its credit profile, we must obtain the approval of Time Warner before issuing any preferred equity or incurring debt or rental expense if our consolidated ratio of debt, including preferred equity, plus six times our annual rental expense to consolidated earnings before interest, taxes, depreciation and amortization (each as defined in the Shareholder Agreement) (EBITDA) plus rental expense, or EBITDAR, then exceeds, or would as a result of that incurrence exceed, 3:1, calculated without including any of our indebtedness or preferred equity held by Time Warner and its wholly owned subsidiaries. Currently this ratio exceeds 3:1. Although Time Warner has consented to the issuance of commercial paper or borrowings under our current revolving credit facility up to the limit of that credit facility, any other incurrence of debt or rental expense or the issuance of preferred stock in the future will require Time Warner s approval. For additional information regarding the terms of the Shareholder Agreement, see Certain Relationships and Related Transactions Relationship between Time Warner and Us Indebtedness Approval Right and Other Time Warner Rights. As a result, we have a limited ability to incur future debt and rental expense and issue preferred equity without the consent of Time Warner, which if needed to raise additional capital could limit our flexibility in exploring and pursuing financing alternatives and could have a material adverse effect on the market price of our Class A common stock and our liquidity and operations and restrict our growth.

Time Warner s capital markets and debt activity could adversely affect capital resources available to us.

Our ability to obtain financing in the capital markets and from other private sources may be adversely affected by future capital markets activity undertaken by Time Warner and its other subsidiaries. Capital raised by or committed to Time Warner for matters unrelated to us may reduce the supply of capital available for us as a result of increased leverage of Time Warner on a consolidated basis or reluctance in the market to incur additional credit exposure to Time Warner on a consolidated basis. In addition, our ability to undertake significant capital raising activities may be constrained by competing capital needs of other Time Warner businesses unrelated to ours. As of June 30, 2006, Time Warner had $2.6 billion of available borrowing capacity under its $7.0 billion committed credit facility, and, on a pro forma basis, we had approximately $2.4 billion of available borrowing capacity under our $14.0 billion committed credit facilities, $10.0 billion of which became available on July 31, 2006 in connection with the closing of the Transactions.

We will be exempt from certain corporate governance requirements since we will be a controlled company within the meaning of the New York Stock Exchange (the NYSE) rules and, as a result, our stockholders will not have the protections afforded by these corporate governance requirements.

Upon completion of this offering, Time Warner will continue to control more than 50% of the voting power of our common stock. As a result, we will be considered to be a controlled company for the purposes of the NYSE listing requirements and therefore we will be permitted to, and we intend to, opt out of the NYSE listing

requirements that would otherwise require our board of directors to have a majority of independent directors and our compensation and nominating and governance committees to be comprised entirely of independent directors. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements. However, our restated certificate of incorporation contains provisions requiring that independent directors constitute at least 50% of our board of directors. As a condition to the consummation of the Adelphia Acquisition, our certificate of incorporation provides that this provision may not be amended, altered or repealed, and no provision inconsistent with this requirement may be adopted, for a period of three years following the closing of the Adelphia Acquisition without, among other things, the consent of a majority of the holders of the Class A common stock other than Time Warner and its affiliates. See Management Corporate Governance.

Risk Factors Relating to Our Class A Common Stock

The price of our Class A common stock may be volatile.

The market price of our Class A common stock may be influenced by many factors, some of which are beyond our control, including the risks described in this Risk Factors section and the following:

- actual or anticipated fluctuations in our operating results or future prospects;
- our announcements or our competitors announcements of new products;
- the public s reaction to our press releases, our other public announcements and our filings with the SEC;
- strategic actions by us or our competitors, such as acquisitions or restructurings or entry into new business lines;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in our or our competitors growth rates;
- conditions of the cable industry as a result of changes in financial markets or general economic conditions, including those resulting from war, incidents of terrorism and responses to such events;
- sales or distributions of our common stock by Time Warner, Adelphia or its creditors or equity holders, us or members of our management team;
- the grant of equity awards to our directors and/or members of our management team and employees;
- Time Warner s control of substantially all of our voting stock;
- our intention not to pay dividends; and
- changes in stock market analyst recommendations or earnings estimates regarding our Class A common stock, other comparable companies or the cable industry generally.

As a result of these factors, the price of our Class A common stock may be volatile and consequently you may not be able to sell shares of our Class A common stock at prices equal to or greater than the price paid by you in this offering.

There is no existing market for our Class A common stock, and one may not develop to provide our stockholders with adequate liquidity. Even if a market were to develop, the stock prices in the market may not exceed the offering price.

There is no public market for our Class A common stock. We intend to have our common stock listed on the NYSE. However, we cannot predict the extent to which investor interest in us will lead to the development of an active trading market on the NYSE in the shares of our Class A common stock or how liquid that market might become. If an active trading market does not develop, stockholders may have difficulty selling any of our Class A common stock that they purchase. In accordance with the terms of a registration rights and sale agreement we

entered into with the selling stockholder, the initial public offering price for the shares will be determined by the selling stockholder, following consultation with us and in accordance with the recommendations of the underwriters, and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our Class A common stock at prices equal to or greater than the price paid by you in this offering.

As a result of the Transactions, a large number of shares of our common stock are or will be eligible for future sale, which could depress the market price of our Class A common stock.

Sales of a substantial number of shares of our common stock, or the perception that a large number of shares will be sold, could depress the market price of our Class A common stock. As partial consideration for the assets received from Adelphia in the Adelphia Acquisition, we issued the selling stockholder approximately 150 million shares of our Class A common stock and issued approximately 6 million additional shares which are held in escrow and, subject to the terms of the Adelphia Acquisition agreement, will be transferred to Adelphia on or before July 31, 2007. Including the escrowed shares, these shares represent 17.3% of our outstanding Class A common stock. It is expected that these shares of our Class A common stock, other than those offered under this prospectus, will be distributed to certain of Adelphia s creditors and equity holders once Adelphia s plan of reorganization under chapter 11 of title 11 of the United States Code (the Bankruptcy Code) is confirmed by the court having jurisdiction over Adelphia s bankruptcy proceedings (the Bankruptcy Court), subject to the provisions of any lock-up agreements the selling stockholder may be required to enter into in connection with this offering. Pursuant to section 1145 of the Bankruptcy Code, any common stock distributed to Adelphia s creditors and equity holders in accordance with a plan of reorganization will be freely transferable without restriction under the Securities Act of 1933, as amended (the Securities Act), except by persons who may be deemed to be our affiliates. The creditors and equity holders of Adelphia that receive shares of our Class A common stock under Adelphia s plan of reorganization may seek to sell such shares immediately. Additionally, prior to any distribution of our Class A common stock by the selling stockholder under Adelphia s plan of reorganization, Adelphia s creditors and equity holders may seek to sell short or otherwise hedge their interest in the shares of our Class A common stock they may be entitled to receive under the plan of reorganization, which transactions could have an adverse effect on the market price of our Class A common stock. We have also granted Adelphia registration rights under a registration rights and sale agreement with respect to the shares of our Class A common stock issued to the selling stockholder in the Adelphia Acquisition. Under this agreement, Adelphia may, under certain circumstances, require us to register the shares that are not part of this offering for public sale, rather than distributing such shares in its plan of reorganization. See The Transactions The Adelphia Registration Rights and Sale Agreement and Shares Eligible for Future Issuance.

None of the shares of our common stock held by Time Warner may be sold unless they are registered under the Securities Act or are sold under an exemption from registration, including in accordance with Rule 144 of the Securities Act. Approximately 84.0% of our outstanding common stock is held by Time Warner and is subject to a registration rights agreement that grants Time Warner demand and piggyback registration rights. For additional information regarding this registration rights agreement, see Certain Relationships and Related Transactions Relationship between Time Warner and Us Time Warner Registration Rights Agreement. Subject to certain restrictions, Time Warner will be entitled to dispose of its shares in both registered and unregistered offerings and hedging transactions, although the shares of our common stock held by our affiliates, including Time Warner, will continue to be subject to volume and other restrictions of Rule 144 under the Securities Act. Sales of shares may materially adversely affect the market price of our Class A common stock.

A change of control in our company cannot occur without the consent of Time Warner, and our restated certificate of incorporation and by-laws contain provisions that may discourage a takeover attempt and permit Time Warner to transfer control of our company to another party without the approval of our board of directors or other stockholders.

Time Warner can prevent a change in control in our company at its option. As the indirect holder of all outstanding Class B common stock, each share of which is granted ten votes, the consent of Time Warner would be required for any action involving a change of control. This concentration of ownership and voting may have the

effect of delaying, preventing or deterring a change in control in our company, could deprive our stockholders of an opportunity to receive a premium for our Class A common stock as part of a sale or merger of us and may negatively affect the market price of our Class A common stock. Transactions that could be affected by this concentration of ownership include proxy contests, tender offers, mergers or other purchases of common stock that could give holders of our Class A common stock the opportunity to realize a premium over the then-prevailing market price for such shares. In addition, some of the other provisions of our restated certificate of incorporation and by-laws, including provisions relating to the nomination, election and removal of directors and limitations on actions by our stockholders, could make it more difficult for a third party to acquire us, and may preclude holders of our Class A common stock from receiving any premium above market price for their shares that may be offered in connection with any attempt to acquire control of us.

As a result of its controlling interest in us, Time Warner could oppose a third party offer to acquire us that other stockholders might consider attractive, and the third party may not be able or willing to proceed unless Time Warner supports the offer. In addition, if our board of directors supports a transaction requiring an amendment to our restated certificate of incorporation, Time Warner is currently in a position to defeat any required stockholder approval of the proposed amendment. If our board of directors supports an acquisition of our company by means of a merger or a similar transaction, the vote of Time Warner alone is currently sufficient to approve (subject to the restrictions on transactions with or for the benefit of Time Warner and its affiliates other than us and our subsidiaries (the Time Warner Group)) or block the transaction under Delaware law. In each of these cases and in similar situations, our stockholders may disagree with Time Warner as to whether the action opposed or supported by Time Warner is in the best interest of our stockholders.

Our restated certificate of incorporation and by-laws do not prohibit transfers of our Class B common stock by Time Warner. Our Class B common stock indirectly held by Time Warner is not convertible into our Class A common stock, whether upon a transfer of those shares by Time Warner to a third party or otherwise. Therefore, if Time Warner transfers all or a majority of our Class B common stock, the transferee will be entitled to elect not less than four-fifths of our directors and to cast ten votes per share of our Class B common stock.

In addition, we have opted out of section 203 of the General Corporation Law of the State of Delaware (the Delaware General Corporation Law), which prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder. Under the Shareholder Agreement, so long as Time Warner has the right to elect a majority of our directors, we may not adopt a stockholder rights plan, become subject to section 203, adopt a fair price provision or take any similar action without the consent of Time Warner. However, under the Shareholder Agreement, for a period of 10 years after the closing of the Adelphia Acquisition, Time Warner may not enter into any business combination with us, including a short-form merger, without the approval of a majority of our independent directors.

Therefore, Time Warner is able to transfer control of us to a third party by transferring our Class B common stock, which would not require the approval of our board of directors or our other stockholders. Additionally, such a change of control may not involve a merger or other transaction that would require payment of consideration to the holders of our Class A common stock. The possibility that such a change of control could occur may limit the price that investors are willing to pay in the future for shares of our Class A common stock.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, particularly statements anticipating future growth in revenues, cash provided by operating activities and other financial measures. Words such as anticipates, estimates, expects, projects, intends, plans, believes and words and terms of similar substance used in connection with any discussion future operating or financial performance identify forward-looking statements. These forward-looking statements are based on management s present expectations and beliefs about future events. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and we are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements whether as a result of such changes, new information, subsequent events or otherwise.

In addition, we operate in a highly competitive, consumer and technology-driven and rapidly changing business. Our business is affected by government regulation, economic, strategic, political and social conditions, consumer response to new and existing products and services, technological developments and, particularly in view of new technologies, our continued ability to protect and secure any necessary intellectual property rights. Further, lower than expected valuations associated with our cash flows and revenues may result in our inability to realize the value of recorded intangibles and goodwill. Additionally, actual results could differ materially from our management s expectations due to the factors discussed in detail in Risk Factors above, as well as:

more aggressive than expected competition from new technologies and other types of video programming distributors, including incumbent telephone companies, direct broadcast satellite operators, Wi-Fi broadband providers and DSL providers;

our ability to develop a compelling wireless offering;

our ability to integrate the assets acquired in the Transactions;

our ability to acquire, develop, adopt and exploit new and existing technologies in order to distinguish our services from those provided by our competitors;

unforeseen difficulties we may encounter in introducing our voice services to new operating areas, including those acquired in the Transactions, such as our ability to meet heightened customer expectation for the reliability of voice services as compared to other services we provide;

our reliance, in part, on growth in new housing in order to achieve incremental growth in the number of new video customers we attract;

our reliance on network and information systems and other technologies which may be affected by outages, disasters and other issues, such as computer viruses and misappropriation of data;

our ability to retain senior executives and attract and retain other qualified employees;

our ability to continue to license or enforce the intellectual property rights on which our business depends;

our reliance on third parties to provide tangible assets such as set-top boxes and intangible assets, such as licenses and other agreements establishing our intellectual property and video programming rights;

our ability to obtain video programming at reasonable prices or to pass video programming cost increases on to our customers;

Time Warner s approval right over our ability to incur indebtedness, which may impact our liquidity and the growth of our subsidiaries;

our ability to service the significant amount of debt and debt like obligations incurred in connection with the Transactions;

our ability to refinance existing indebtedness on favorable terms;

increases in government regulation of our products and services, including regulation that limits cable operators ability to raise video rates or that dictates set-top box or other equipment features, functionalities or specifications;

increased difficulty in obtaining franchise renewals or the award of franchises or similar grants of rights through state or federal legislation that would allow competitors of cable providers to offer video service on terms substantially more favorable than those afforded existing cable operators (e.g., without the need to obtain local franchise approval or to comply with local franchising regulations as cable operators currently must);

a future decision by the FCC or Congress to require cable operators to contribute to the federal universal service fund based on the provision of cable modem service, which could raise the price of cable modem service; and

our ability to make all necessary capital expenditures in connection with the continued roll-out of advanced services across the entire combined company.

USE OF PROCEEDS

We will not receive any proceeds from the sale of shares by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of the shares of our Class A common stock in this offering.

DIVIDEND POLICY

We have not paid any cash dividends on our common stock over the last two years and currently do not expect to pay cash dividends on our common stock in the future. We expect to retain our future earnings, if any, for use in the operation and expansion of our business. Our board of directors will determine whether to pay dividends in the future based on conditions then existing, including our earnings, financial condition and capital requirements, as well as economic and other conditions our board may deem relevant. In addition, our ability to declare and pay dividends on our common stock is subject to requirements under Delaware law and covenants in our senior unsecured revolving credit facility. On July 31, 2006, immediately after the consummation of the Redemptions but prior to the consummation of the Adelphia Acquisition, we paid a stock dividend to holders of record of our outstanding Class A and Class B common stock of 999,999 shares of Class A or Class B common stock, as applicable, per share of Class A or Class B common stock held at that time.

CAPITALIZATION

The following table sets forth our cash position and capitalization as of June 30, 2006 on an historical basis and a pro forma basis giving effect to the Transactions and the dissolution of TKCCP.

You should read this information in conjunction with Selected Historical Consolidated Financial and Subscriber Data, Unaudited Pro Forma Condensed Combined Financial Information, Management s Discussion and Analysis of Results of Operations and Financial Condition and our historical financial statements and related notes, ACC s financial statements and related notes and Comcast s special purpose combined carve-out financial statements of the Los Angeles, Dallas and Cleveland cable system operations and related notes, each of which is included elsewhere in this prospectus.

	As of June 30, 2006		
	Actual	Adjustments	Pro Forma
	(restated, in millions)		
Cash and cash equivalents	$ 26	$ 32	$ 58
Debt:			
Bank credit agreements and commercial paper programs[1]	$ 768	$ 10,199	$ 10,967
TWE notes and debentures:[2]			
$600 million 7.250% senior debentures due 2008	603		603
$250 million 10.150% senior notes due 2012	273		273
$350 million 8.875% senior notes due 2012	370		370
$1.0 billion 8.375% senior debentures due 2023	1,045		1,045
$1.0 billion 8.375% senior debentures due 2033	1,056		1,056
Capital leases and other	8		8
Total debt	4,123	10,199	14,322
Mandatorily redeemable preferred equity interest in TWE held by Time Warner[3]	2,400	(2,400)	
Mandatorily redeemable non-voting Series A Preferred Equity Membership Units issued by Time Warner NY Cable LLC[4]		300	300
Minority interests	1,042	546	1,588
Mandatorily redeemable Class A common stock, par value $0.01 per share; 43 million shares issued and outstanding, actual; no shares issued and outstanding, pro forma[5]	984	(984)	
Shareholders equity:			
Class A common stock, par value $0.01 per share; 20 billion shares authorized, 882 million shares issued and outstanding, actual; 902 million shares issued and outstanding, pro forma	9		9
Class B common stock, par value $0.01 per share; 5 billion shares authorized, 75 million shares issued and outstanding, actual and pro forma	1		1
Additional paid-in capital	18,063	1,462[6]	19,525
Accumulated other comprehensive loss, net	(7)		(7)

Retained earnings	2,806	1,001(6)	3,807
Total shareholders equity	20,872	2,463	23,335
Total capitalization	$ 29,421	$ 10,124	$ 39,545

(1) This represents amounts borrowed under our $6.0 billion senior unsecured five-year revolving credit facility, two $4.0 billion term loans with maturities of three and five years, respectively, and our $2.0 billion commercial paper program. For more information, please see Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity Bank Credit Agreements and Commercial Paper Programs.

(2) The recorded value of each series of TWE s public debt securities exceeds that series face value because it includes an unamortized fair value adjustment recorded in connection with the 2001 merger of AOL LLC (formerly America Online, Inc., AOL) and Historic TW Inc., which is being amortized as a reduction of the weighted average interest expense over the term of the indebtedness. The aggregate amount of the fair value adjustment for all classes of debt securities was approximately $147 million as of June 30, 2006. For more information

regarding our outstanding debt, please see Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity.

(3) Until July 31, 2006, the mandatorily redeemable preferred equity interest in TWE held by American Television and Communications Corporation (ATC), a subsidiary of Time Warner, paid, on a quarterly basis, annual cash distributions equal to 8.059% of its face value. In connection with the Transactions, on July 31, 2006, the mandatorily redeemable preferred equity interest in TWE held by ATC was exchanged for a 12.4% non-voting common ownership interest in TW NY Cable Holding Inc. and therefore has been re-classified as minority interest. See Certain Relationships and Related Transactions TWE.

(4) The mandatorily redeemable non-voting Series A Preferred Equity Membership Units (the TW NY Series A Preferred Membership Units) issued by Time Warner NY Cable LLC in connection with the Transactions pay quarterly cash distributions at an annual rate equal to 8.21% of the sum of the liquidation preference thereof and any accrued but unpaid dividends thereon. The TW NY Series A Preferred Membership Units mature and are redeemable on August 1, 2013.

(5) The mandatorily redeemable Class A common stock represents 43 million of the 179 million shares of our Class A common stock that was held by Comcast. These shares were classified as mandatorily redeemable as a result of an agreement with Comcast that under certain circumstances would have required us to redeem such shares. This requirement terminated upon the closing of the Redemptions and as a result, these shares were reclassified to shareholders equity (Class A common stock and additional paid-in capital) before ultimately being redeemed in the TWC Redemption.

(6) The adjustment consists of the fair value of our common stock issued in the Adelphia Acquisition ($5.5 billion), the reclassification of the mandatorily redeemable common stock from a liability to common equity ($984 million), the reversal of historical net deferred tax liabilities associated with the TWC Redemption ($839 million) and gains (net of tax) on the disposition of systems as part of the Exchange, the Redemptions and the dissolution of TKCCP ($162 million), offset by the fair value of the cable systems and cash transferred to Comcast in the TWC Redemption ($4.327 billion) and the pushdown of Time Warner s purchase accounting adjustments related to the TWC Redemption ($695 million).

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The accompanying unaudited pro forma condensed combined balance sheet of our company as of June 30, 2006 is presented as if the Transactions and the dissolution of TKCCP had occurred on June 30, 2006. The accompanying unaudited pro forma condensed combined statements of operations of our company for the year ended December 31, 2005 and for the six months ended June 30, 2006 are presented as if the Transactions and the dissolution of TKCCP had occurred on January 1, 2005. The unaudited pro forma condensed combined financial information is presented based on information available, is intended for informational purposes only and is not necessarily indicative of and does not purport to represent what our future financial condition or operating results will be after giving effect to the Transactions and the dissolution of TKCCP and does not reflect actions that may be undertaken by management in integrating these businesses (e.g., the cost of incremental capital expenditures). Additionally, this information does not reflect financial and operating benefits we expect to realize as a result of the Transactions and the dissolution of TKCCP. For additional information on the Transactions and the dissolution of TKCCP, see The Transactions and Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Joint Venture Dissolution.

Our, Comcast s and Adelphia s independent registered public accounting firms have not examined, reviewed, compiled or applied agreed upon procedures to the unaudited pro forma condensed combined financial information presented herein and, accordingly, assume no responsibility for them. The unaudited pro forma condensed combined financial information for the systems acquired by us includes certain allocated assets, liabilities, revenues and expenses. We believe such allocations are made on a reasonable basis.

The unaudited pro forma condensed combined financial information set forth below should be read in conjunction with Selected Historical Consolidated Financial and Subscriber Data, our consolidated financial statements and the notes thereto, ACC s consolidated financial statements and the notes thereto, Comcast s Special Purpose Combined Carve-Out Financial Statements of the Los Angeles, Dallas & Cleveland Cable System Operations (A Carve-Out of Comcast Corporation) and the notes thereto, the notes to these unaudited pro forma condensed combined financial statements and Management s Discussion and Analysis of Results of Operations and Financial Condition.

The following is a brief description of the amounts recorded under each of the column headings in the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statements of operations:

Historical TWC

This column reflects our historical financial position as of June 30, 2006 and our historical operating results for the six months ended June 30, 2006, and represents our unaudited interim financial statements, prior to any adjustments for the Transactions and the dissolution of TKCCP. Our historical operating results for the year ended December 31, 2005 are derived from our audited financial statements prior to any adjustments for the Transactions and the dissolution of TKCCP.

Historical Adelphia

This column reflects Adelphia s historical financial position as of June 30, 2006 and Adelphia s historical operating results for the six months ended June 30, 2006, and represents Adelphia s unaudited interim financial statements, which were prepared by Adelphia, prior to any adjustments for the Transactions. The historical operating results for the year ended December 31, 2005 represent Adelphia s audited financial statements for the year ended December 31,

2005, which were prepared by Adelphia, prior to any adjustments for the Transactions. This column includes amounts relating to systems that were not acquired by us, but instead were acquired by Comcast (as part of the Adelphia Acquisition or the Exchange) or that will be retained by Adelphia and, thus, will be excluded from our unaudited pro forma condensed combined financial information through the adjustments made in the Less Items Not Acquired column described below.

Comcast Historical Systems

This column represents the historical financial position as of June 30, 2006 and the historical operating results for the six months ended June 30, 2006 of the cable systems previously owned by Comcast in Dallas, Cleveland and Los Angeles, which were transferred to us in the Exchange (the Comcast Historical Systems), and represents Comcast s unaudited interim Special Purpose Combined Carve-Out Financial Statements of the Los Angeles, Dallas & Cleveland Cable System Operations (A Carve-Out of Comcast Corporation), which were prepared by Comcast. The historical operating results for the year ended December 31, 2005 represent Comcast s audited annual Special Purpose Combined Carve-Out Financial Statements of the Los Angeles, Dallas & Cleveland Cable System Operations (A Carve-Out of Comcast Corporation), which were prepared by Comcast, prior to any adjustments for the Transactions. This column includes certain allocated assets, liabilities, revenues and expenses. This column also includes allocated amounts that were retained by Comcast and, thus, were not transferred to us in the Exchange and therefore, will be excluded from our unaudited pro forma condensed combined financial information through the adjustments made in the Less Items Not Acquired column described below.

Less Items Not Acquired

This column represents the unaudited historical financial position and the unaudited historical operating results of the Adelphia systems that were (i) received by us in the Adelphia Acquisition and then transferred to Comcast in the Exchange, (ii) acquired by Comcast in the Adelphia Acquisition and not transferred to us in the Exchange or (iii) retained by Adelphia after the Transactions. This column also includes certain allocated assets, liabilities and costs that were included in the Comcast Historical Systems financial information that were not acquired by us (collectively with the items in (i), (ii) and (iii) above, the Items Not Acquired). Specifically, the following items relate to the Comcast Historical Systems and the Adelphia systems acquired by Comcast that were not transferred to us and, therefore, are included as part of this column:

Cash;

The current portion of Adelphia s and Comcast s parent and subsidiary debt, accrued interest and related interest expense;

Net deferred income tax liabilities;

Liabilities subject to compromise in the bankruptcy proceedings of Adelphia;

Intercompany management fees related to the Comcast Historical Systems;

A gain on the settlement of a liability between Adelphia and related parties;

Adelphia investigation and re-audit related fees;

Reorganization expenses due to the bankruptcy of Adelphia; and

Income tax provision.

Less Urban Cable Works

This column reflects the unaudited historical financial position and the unaudited historical operating results related to the cable systems of Urban Cable Works of Philadelphia, L.P. (Urban Cable Works), which were transferred by us to

Comcast in the Exchange. Urban Cable Works is our only historical system transferred to Comcast in the Exchange. We will recognize an after-tax gain of $21 million on this transfer. This gain is not reflected in the accompanying unaudited pro forma condensed combined statements of operations and will be reported in discontinued operations, commencing in the third quarter of 2006. All other systems transferred by us to Comcast in the Exchange were acquired by us from Adelphia in the Adelphia Acquisition and, accordingly, no gain or loss will be recognized in connection with these transfers.

Subtotal of Net Acquired Systems

This column represents the unaudited historical financial position and the unaudited historical operating results of the Net Acquired Systems. This column includes the financial positions and operating results of Historical Adelphia and the Comcast Historical Systems less the historical financial position and the historical operating results of the Items Not Acquired and Urban Cable Works. This column does not include our financial position and historical operating results and is before the impact of pro forma adjustments.

Pro Forma Adjustments Adelphia Acquisition & Exchange

This column represents preliminary purchase accounting and other pro forma adjustments related to the consummation of the Adelphia Acquisition and the Exchange, as more fully described in the notes to the unaudited pro forma condensed combined financial information.

Redemptions

This column represents the unaudited historical financial position and the unaudited historical operating results of our systems transferred to Comcast in the Redemptions. We will recognize a net after-tax gain of $936 million on this transfer. This gain is not reflected in the accompanying unaudited pro forma condensed combined statements of operations, and will be reported in discontinued operations, commencing in the third quarter of 2006.

Pro Forma Adjustments Redemptions

This column primarily represents preliminary purchase accounting adjustments and other pro forma adjustments related to the Redemptions, as more fully described in the notes to the unaudited pro forma condensed combined financial information.

TKCCP Dissolution

This column reflects the consolidation of the Kansas City, south and west Texas and New Mexico systems (the Kansas City Pool) that will occur upon the dissolution of TKCCP, a 50-50 joint venture between TWE-A/N and Comcast. We currently account for our interest in TKCCP under the equity method of accounting. The adjustments to the unaudited pro forma condensed combined statements of operations reflect the reversal of historical equity income and the consolidation of the operations of the Kansas City Pool. For additional information on the dissolution of TKCCP, see Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Joint Venture Dissolution and note 8 to our unaudited pro forma condensed combined financial information.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	As of June 30, 2006									
	Historical TWC	Historical Adelphia	Comcast Historical Systems	Less Items Not Acquired	Less Urban Cable Works	Subtotal of Net Acquired Systems	Pro Forma Adjustments Adelphia Acquisition & Exchange	Redemptions	Pro Forma Adjustments Redemptions	TKCCP Dissolution
	(in millions, except per share data)									
	$ 26	$ 738	$ 1	$ (739)	$	$	$	$	$	$ 32
t	436	115	56	(45)	(1)	125		(23)		22
sets	75	89	8	(58)		39		(2)		1
sets	537	942	65	(842)	(1)	164		(25)		55
	2,074	6	3	(1)		8		4		(2,017)[bb]
and										
	9,123	4,224	1,054	(1,817)	(33)	3,428	(980)[a]	(707)		731
	1,886	1,634	557	(1,009)		1,182	190[a]	(135)	(714)[h]	
s										
t	126	405	39	(146)	(6)	292	574[a]	(8)		3
s										
	29,883	5,440	2,277	(2,222)	(121)	5,374	4,918[a]	(2,197)		755
	381	124		(75)		49	(60)[b]			1
	$ 44,010	$ 12,775	$ 3,995	$ (6,112)	$ (161)	$ 10,497	$ 4,642	$ (3,068)	$ (714)	$ (472)
ties										
le	$ 202	$ 116	$ 59	$ (51)	$	$ 124	$	$ (5)	$	$ 9
e										
s	112	53	15	(23)		45		(11)		12
	357	120		(52)	(2)	66		(30)		20

	954	1,383	266	(1,472)	(4)	173	5[c]	(43)		201[dd]
	1,625	1,672	340	(1,598)	(6)	408	5	(89)		242
	4,123						8,822[d]		2,004[i]	(627)[cc]
of										
	2,400						(2,100)[e]			
e										
net	12,665	904	923	(1,827)			1,055[f]		(801)[j]	(137)[dd]
	299	88	40	(54)		74		(2)		6
ts	1,042	60		(60)			1,354[g]		(808)[k]	
ct										
		18,424		(18,424)						
ss A										
s										
	984								(984)[l]	
	23,138	21,148	1,303	(21,963)	(6)	482	9,136	(91)	(589)	(516)
ders										
	20,872	(8,373)	2,692	15,851	(155)	10,015	(4,494)	(2,977)	(125)	44
ers										
	$ 44,010	$ 12,775	$ 3,995	$ (6,112)	$ (161)	$ 10,497	$ 4,642	$ (3,068)	$ (714)	$ (472)

See accompanying notes

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Year Ended December 31, 2005										
	Historical TWC	Historical Adelphia	Comcast Historical Systems	Less Items Not Acquired	Less Urban Cable Works	Subtotal of Net Acquired Systems	Pro Forma Adjustments Adelphia Acquisition & Exchange	Redemptions	Pro Forma Adjustments Redemptions	TKCCP Dissolution	Pro Forma TWC
	(in millions, except per share data)										
venues	$ 9,498	$ 4,365	$ 1,188	$ (1,904)	$ (8)	$ 3,641	$	$ (678)	$	$ 623	$ 13,08
s	4,211	2,689	465	(1,102)	(3)	2,049		(290)		311	6,28
general rative	1,626	351	387	(217)	(1)	520		(97)		140	2,18
ation	1,588	804	218	(345)	(2)	675	(17)(n)	(121)		128	2,25
ation	76	141	36	(46)		131	89(n)	(5)		1	29
related ring	42							(1)			4
ent of ed		23		(19)		4					4
oss on on of ed		(6)		6							
ation udit ees		66		(66)							
n for tible nounts		13		(13)							
g (Loss)	1,955	284	82	(102)	(2)	262	(72)	(164)		43	2,02
net	(464)	(591)	(6)	597			(338)(o)		(115)(r)	(cc)	(91
(loss) uity	43		(5)		1	(4)				(44)(bb)	(

ents, y e) net	(70)	8		(8)			(50)[p]	5	56[s]		(59
come e), net	1	494	(23)	(492)		(21)		(1)			(2
ization s due to tcy		(59)		59							
(loss) ncome d ive ng	1,465	136	48	54	(1)	237	(460)	(160)	(59)	(1)	1,022
tax on)	(212)	(100)	(18)	118			80[q]		88[t]		(44
d nents le to d stock		(1)		1							
(loss) ive ng	$ 1,253	$ 35	$ 30	$ 173	$ (1)	$ 237	$ (380)	$ (160)	$ 29	$ (1)	$ 978
d ncome ive ng per share	$ 1.25	$	$	$	$	$	$	$ 0.89	$	$	$ 1.00
d shares	1,000						156	(179)			977

See accompanying notes

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Six Months Ended June 30, 2006										
	Historical TWC	Historical Adelphia	Comcast Historical Systems	Less Items Not Acquired	Less Urban Cable Works	Subtotal of Net Acquired Systems	Pro Forma Adjustments Adelphia Acquisition & Exchange	Redemptions	Pro Forma Adjustments Redemptions	TKCCP Dissolution	Pro Forma TWC
	(in millions, except per share data)										
evenues	$ 5,301	$ 2,348	$ 630	$ (1,030)	$ (23)	$ 1,925	$	$ (371)	$	$ 345	$ 7,200
es	2,369	1,394	248	(586)	(11)	1,045		(157)		173	3,430
, general strative	935	177	205	(96)	(3)	283		(49)		73	1,242
iation	829	380	106	(167)	(5)	314	(29)[u]	(56)		58	1,116
zation	40	67	5	(18)	(1)	53	56[u]	(2)			147
-related turing	22							(1)			21
ment of se rights			9			9					9
loss on tion of ved		(1)		1							
gation audit fees		30		(30)							
ng (Loss)	1,106	301	57	(134)	(3)	221	(27)	(106)		41	1,235
e, net	(225)	(377)	(4)	381			(168)[v]		(58)[y]	[cc]	(451)
(loss) quity nents,	42	(1)	(3)			(4)				(38)[bb]	
ty	(46)	11		(11)			(45)[w]	3	37[z]		(51)
se)											

, net ncome se), net	1	(108)	(1)	105		(4)		(1)			(4)
nization es due to ptcy		63		(63)							
(loss) income nd tive f ting	878	(111)	49	278	(3)	213	(240)	(104)	(21)	3	729
tax ion)	(350)	(71)	8	63			6(x)		50(aa)	(1)(ee)	(295)
nd ments ble to ed stock											
(loss) tive f ting	$ 528	$ (182)	$ 57	$ 341	$ (3)	$ 213	$ (234)	$ (104)	$ 29	$ 2	$ 434
nd income tive f ting per n share	$ 0.53	$	$	$	$	$	$	$ 0.58	$	$	$ 0.44
nd n shares	1,000						156	(179)			977

See accompanying notes

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1: Description of the Transactions

Contractual Purchase Price

On July 31, 2006, Time Warner NY Cable LLC (TW NY), a subsidiary of ours, purchased certain assets and assumed certain liabilities from Adelphia for a total of $8.935 billion in cash and shares representing 16% of our common stock. The original cash cost of $9.154 billion was preliminarily reduced at closing by $219 million as a result of the contractual adjustments, which resulted in a net cash payment by TW NY of $8.935 billion for the Adelphia Acquisition. A summary of the purchase price is set forth below:

	TWC (in millions)
Cash	$ 8,935
16% interest in TWC[1]	5,500
Total	$ 14,435

(1) The valuation of $5.5 billion for the 16% interest in us as of July 31, 2006 was determined by an independent third party using a discounted cash flow and market comparable valuation model.

Exchange

Immediately after the Adelphia Acquisition on July 31, 2006, we and Comcast exchanged certain cable systems, with an estimated fair value on each side of approximately $8.7 billion to enhance our company s and Comcast s respective geographic clusters of subscribers. We paid Comcast a contractual closing adjustment totaling $67 million related to the Exchange. The Exchange was accounted for by us as a purchase of cable systems from Comcast and a sale of our cable systems to Comcast.

Redemptions

Immediately prior to the Adelphia Acquisition on July 31, 2006, we and our subsidiary, TWE, respectively redeemed Comcast s interests in us and TWE, each of which was accounted for as an acquisition of a minority interest. Specifically, in the TWC Redemption, we redeemed Comcast s 17.9% interest in us for 100% of the capital stock of a subsidiary of ours that held both cable systems serving approximately 589,000 subscribers, as of June 30, 2006, with an approximate fair value of $2.470 billion, and approximately $1.857 billion in cash. In addition, in the TWE Redemption, TWE redeemed Comcast s 4.7% residual equity interest in TWE for 100% of the equity interests in a subsidiary of TWE that held both cable systems serving approximately 162,000 subscribers, as of June 30, 2006, with an approximate fair value of $630 million, and approximately $147 million in cash. The transfer of cable systems as part of the Redemptions is a sale of cable systems for accounting purposes, and a $123 million pre-tax gain was recognized because of the excess of the estimated fair value of these cable systems over their book value. This gain is not reflected in the accompanying unaudited pro forma condensed combined statements of operations.

For additional information regarding the Transactions, see The Transactions.

ATC Contribution

On July 28, 2006, in connection with the Transactions, ATC, a subsidiary of Time Warner, contributed its 1% equity interest and $2.4 billion preferred equity interest in TWE to TW NY Cable Holding Inc. (TW NY Holding), a newly created subsidiary of ours that is the parent of TW NY, in exchange for a 12.4% non-voting common equity interest in TW NY Holding having an equivalent fair value (the ATC Contribution).

Financing Arrangements

We incurred incremental debt and redeemable preferred equity of approximately $11.1 billion associated with the cash used in executing the Adelphia Acquisition, the Exchange and the Redemptions. In connection with the dissolution of TKCCP, we will receive approximately $627 million of cash in repayment of outstanding loans we had made to TKCCP (which have been assumed by Comcast). The cash that will be received is assumed to have been used to pay down our existing credit facilities. The following table summarizes the adjustments recorded to arrive at our pro forma long-term debt and redeemable preferred equity:

	Long-term Debt	Redeemable Preferred Equity
	(in millions)	
Historical TWC	$ 4,123	$ 2,400
Incremental:		
Cash consideration for the Adelphia Acquisition	8,635	300
Cash for the Redemptions	2,004	
Other costs[1]	187	
	10,826	300
Reductions:		
ATC contribution		(2,400)
Proceeds from the dissolution of TKCCP (see Note 8)	(627)	
	(627)	(2,400)
Pro Forma TWC	$ 14,322	$ 300

(1) Other costs consist of (i) a contractual closing adjustment totaling $67 million relating to the Exchange, (ii) $65 million of incremental transaction costs, and (iii) $55 million of transaction related taxes.

For additional information, see Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity Bank Credit Agreements and Commercial Paper Programs.

Note 2: Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments as of June 30, 2006 Adelphia Acquisition and Exchange

The Pro Forma Adjustments Adelphia Acquisition and Exchange column primarily represents the adjustments to reflect the consummations of the Adelphia Acquisition and the Exchange. Specifically, the pro forma adjustments relate to preliminary adjustments to allocate the purchase price paid by us in the Adelphia Acquisition and the Exchange, to reflect the assets acquired and liabilities assumed based on their fair values pursuant to the guidance in FASB Statement No. 141, *Business Combinations*. The allocation of purchase price is based on a preliminary estimate and is subject to change based on the completion of a final third party valuation analysis. In addition, no deferred taxes were established for the preliminary purchase accounting adjustments because the new book basis of the assets acquired and liabilities assumed in the Adelphia Acquisition was equal to the tax basis of the assets acquired and

liabilities assumed.

The adjustments to the accompanying pro forma condensed combined balance sheet for the Adelphia Acquisition and the Exchange are as follows:

(a) The purchase price has been allocated to the fair value of assets and liabilities acquired, including identifiable intangible assets (e.g., nonamortizable cable franchise intangibles) based on a preliminary

independent valuation analysis with the residual being recorded as goodwill. Below is a summary of the purchase price and how the purchase price has been allocated:

		(in millions)
Purchase price:[1]		
Cash consideration for the Adelphia Acquisition	$	8,935
Estimated fair value of equity consideration for the Adelphia Acquisition		5,500
Fair value of Urban Cable Works		190
Other costs[2]		247
	$	14,872

(1) The purchase price is presented on a net basis. Specifically, the purchase price excludes the value of systems acquired from Adelphia that were immediately transferred by us to Comcast in the Exchange.

(2) Other costs consists of (i) a contractual closing adjustment totaling $67 million relating to the Exchange, (ii) $125 million of estimated total transaction costs, including $60 million paid through the closing date of the Adelphia Acquisition and (iii) $55 million of transaction-related taxes.

		(in millions)
Purchase price adjustment:		
Historical carrying value of net tangible and intangible assets[3]	$	10,170
Fair value adjustment for intangible assets not subject to amortization		4,918
Fair value adjustment for intangible assets subject to amortization		574
Fair value adjustment for property, plant and equipment		(980)
Net increase in goodwill		190
	$	14,872

The pro forma adjustments above resulted in the following purchase price allocation for the Adelphia Acquisition and the Exchange:

		(in millions)	Depreciation/ Amortization Period
Franchise rights	$	10,413	Non-amortizable
Customer relationships		872	4 years
Property, plant and equipment		2,481	1-20 years

Other assets		222	Not applicable
Liabilities		(488)	Not applicable
Goodwill		1,372	Non-amortizable
Total purchase price	$	14,872	

(3) We believe the historical carrying amounts approximate fair value for these items except for intangible assets not subject to amortization, intangible assets subject to amortization and property, plant and equipment. The adjustments required to bring such carrying amounts to fair value have been separately presented in the schedule above.

(b) This adjustment reflects the reversal of our historical capitalized transaction costs paid in consummating the Adelphia Acquisition and the Exchange. Such amounts have been included in the preliminary allocation of purchase price.

(c) In conjunction with the transfer of Urban Cable Works to Comcast as part of the Exchange, we incurred a tax liability of approximately $5 million. This adjustment is to reflect the $5 million tax liability as a current tax liability.

(d) The cash portion of the consideration paid in connection with the Adelphia Acquisition and the Exchange was funded with long-term debt and commercial paper and the issuance by TW NY of the TW NY Series A Preferred Membership Units (see adjustment (e) for the issuance of the TW NY Series A Preferred Membership Units). The components of the Adelphia Acquisition and the Exchange funded through long-term debt, commercial paper and the TW NY Series A Preferred Membership Units are as follows:

		(in millions)
Consideration for the Adelphia Acquisition (excluding $300 million of TW NY Series A Preferred Membership Units)	$	8,635
Other costs[(1)]		187
Net adjustment to long-term debt	$	8,822

(1) Other costs consist of (i) a contractual closing adjustment totaling $67 million relating to the Exchange, (ii) $65 million of incremental transaction costs, and (iii) $55 million of transaction-related taxes.

(e) This adjustment reflects the elimination of the $2.4 billion mandatorily redeemable preferred interest in TWE held by ATC pursuant to the ATC Contribution (as described in note (f) below), offset by the issuance of $300 million in TW NY Series A Preferred Membership Units issued by TW NY to fund the Adelphia Acquisition.

		(in millions)
Elimination of mandatorily redeemable preferred equity of a subsidiary held by ATC	$	(2,400)
TW NY Series A Preferred Membership Units issued to fund the Adelphia Acquisition		300
Net adjustment to preferred equity	$	(2,100)

(f) The adjustment to deferred taxes reflects the $1.046 billion of deferred taxes associated with ATC s contribution of its $2.4 billion preferred equity interest in TWE and its 1% limited partnership interest in TWE in exchange for an approximate 12.4% non-voting common equity interest in TW NY Holding (as described in note (g) below). Additionally, we recorded a $9 million deferred tax liability associated with the gain on Urban Cable Works.

(g) The adjustment to minority interest reflects ATC s contribution of its $2.4 billion preferred equity interest in TWE and its 1% limited partnership interest in TWE in exchange for an approximate 12.4% non-voting common ownership interest in TW NY Holding in the ATC Contribution. This exchange, which was effectuated by entities under common control, was accounted for at historical cost. That is, the historical carrying value of ATC s direct ownership in TWE (comprised of $2.4 billion of mandatorily redeemable preferred equity, $231 million of limited partnership interest and associated offsetting deferred taxes of $1.0 billion) became the minority interest carrying value of ATC s new approximate 12.4% non-voting ownership interest in TW NY Holding.

(in millions)

Elimination of historical minority interest related to ATC s 1% direct interest in TWE	$	(231)
Establishment of minority interest liability for ATC s non-voting common interest in TW NY Holding		2,631
Adjustment to minority interest associated with deferred taxes on the mandatorily redeemable preferred and common equity interests		(1,046)
Net impact on minority interest liability	$	1,354

Note 3: Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments as of June 30, 2006 Redemptions

For accounting purposes, the Redemptions were treated by us as an acquisition of Comcast s minority interests in us and TWE, and a sale of the cable systems that were transferred to Comcast. Accordingly the Pro Forma Adjustments Redemptions column represents the preliminary purchase accounting adjustments related to our acquisition of Comcast s minority interests in us and TWE. The purchase of the minority interests resulted in a

reduction of goodwill (see note (h)), while the sale of the cable systems resulted in an after-tax gain of $936 million, which has been excluded from the unaudited pro forma condensed combined statement of operations. Included in the gain is a pre-tax gain of $123 million, which was calculated as the difference between the carrying value of the systems acquired by Comcast in the Redemptions totaling $2.977 billion and the estimated fair value of $3.100 billion. The results of the systems acquired by Comcast in the Redemptions, including the gain described above, will be reflected as discontinued operations by us commencing in the third quarter of 2006.

We accounted for the TWE Redemption as the acquisition of a minority interest under purchase business combination accounting rules and we accounted for the TWC Redemption as a distribution to an owner, and reduced our equity by the fair value of the distribution. In addition, Time Warner accounted for the TWC Redemption as an acquisition of a minority interest. The impact of applying purchase accounting at the Time Warner level was a reduction in goodwill which has been pushed down to our pro forma condensed combined balance sheet.

(h) The fair value of the Redemptions and the related reduction of goodwill are computed as follows:

		(in millions)
Fair value		
Cash	$	2,004
Systems transferred		3,100
Total redemption fair value	$	5,104
Carrying Value of the Redeemed Comcast Interests		
Comcast minority interest in TWE	$	808
Comcast minority interest in TWC		5,022
Carrying value of Comcast minority interests	$	5,830
Decrease in goodwill related to the excess of the carrying value of the Comcast interests over the total Redemptions fair value	$	(726)
Deferred tax liabilities related to the TWE Redemption		12
Net adjustment to goodwill	$	(714)

(i) The increase in long-term debt relates to the $2.004 billion of incremental consolidated debt for the TWC Redemption ($1.857 billion) and TWE Redemption ($147 million).

(j) The TWC Redemption was designed to qualify as a tax-free split-off under section 355 of the Internal Revenue Code of 1986, as amended, resulting in a reversal of historical net deferred tax liabilities that had been established on the systems transferred to Comcast in the TWC Redemption totaling $839 million. In addition, we recorded a $26 million deferred tax liability on the TWE Redemption and a deferred tax liability of $12 million resulting from the tax adjustment in note (h) above. The following table summarizes the change in deferred income taxes, net, as a result of the Redemptions:

(in millions)

TWC Redemption		
Reversal of historical net deferred tax liabilities	$	839
TWE Redemption		
Deferred tax on book gain		(26)
Deferred tax liabilities related to the TWE Redemption		(12)
Net adjustment to deferred income taxes	$	801

(k) The decrease in the minority interest liability reflects the elimination of the historical book value of the minority interest liability related to Comcast s residual equity interest in TWE totaling $808 million.

(l) This adjustment reflects the reclassification of our mandatorily redeemable Class A common stock held by Comcast from other liabilities to equity.

(m) The following table summarizes the pro forma change in shareholders equity at June 30, 2006 as a result of the Adelphia Acquisition, the Exchange, the Redemptions and the dissolution of TKCCP:

	(in millions)
Historical TWC shareholders equity	$ 20,872
Adelphia Acquisition and the Exchange	
Issuance of stock representing a 16% interest in TWC	5,500
Gain on the exchange of Urban Cable Works, net of tax	21
Redemptions	
Fair value of TWC Redemption	(4,327)
Decrease in goodwill associated with TWC Redemption	(695)
Reclassification of TWC mandatorily redeemable Class A common stock to shareholders equity	984
Gain on the transfer of systems to Comcast in the Redemptions, net of tax	936
Gain relating to the dissolution of TKCCP, net of tax	44
Pro Forma TWC shareholders equity	$ 23,335

Note 4: Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Year Ended December 31, 2005 Adelphia Acquisition and Exchange

The pro forma adjustments to the statement of operations for the year ended December 31, 2005 relating to the Adelphia Acquisition and the Exchange are as follows:

(n) The adjustments to historical depreciation and amortization expense reflect the impact of using the fair values and useful lives of the underlying assets based on a preliminary independent valuation analysis.

(o) The increase in interest expense reflects incremental borrowings to finance the Adelphia Acquisition, net of the impact of the ATC Contribution. The following table illustrates the allocation of borrowings to various financing arrangements and the computation of incremental interest expense.

	Long-term Debt (in millions)	Annual Rate	Full Year Interest Expense (in millions)
TW NY Series A Preferred Membership Units[1]	$ 300	8.21%	$ 25
Other debt[1]	8,822	5.74%	506
Total incremental borrowing	9,122		531
Redemption of mandatorily redeemable preferred equity	(2,400)	8.06%	(193)

Net increase in debt/redeemable preferred equity	$ 6,722	$ 338

(1) This table reflects borrowings from our revolving credit facility and term loans and the issuance of commercial paper. The interest rate utilized in the pro forma information for Other debt is a weighted-average rate based on the borrowings used to finance the Adelphia Acquisition. The rates for Other debt and the TW NY Series A Preferred Membership Units are estimated based on actual borrowing rates when the loans were made and the TW NY Series A Preferred Membership Units was issued. A 1/8% change in the annual interest rate for the Other debt noted above would change interest expense by $11 million per year.

(p) The net increase in minority interest expense reflects an adjustment to record ATC s direct non-voting common ownership interest in TW NY Holding of approximately 12.4% and the elimination of ATC s historical minority interest in TWE.

	(in millions)
Eliminate ATC s historical minority interest in TWE	$ 12
Record ATC s minority interest in TW NY Holding	(62)
Net adjustment	$ (50)

(q) The adjustment to the income tax provision is required to adjust the historical income taxes on both the Subtotal of Net Acquired Systems and the Pro Forma Adjustments Adelphia Acquisition & Exchange at our marginal tax rate of 40.2% and, considering the impact of the non-deductible interest expense related to the TW NY Series A Preferred Membership Units.

Note 5: Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Year Ended December 31, 2005 Redemptions

The Pro Forma Adjustments Redemptions column primarily relates to purchase accounting adjustments applicable to the Redemptions as follows:

(r) The increase in interest expense reflects incremental borrowings to finance the Redemptions as set forth in the following table:

	Long-term Debt (in millions)	Annual Rate	Full Year Interest Expense (in millions)
Other debt[1]	$ 2,004	5.74%	$ 115

(1) This table reflects borrowings from our revolving credit facility and term loans and the issuance of commercial paper. The interest rate utilized in the pro forma information for Other debt is a weighted-average rate based on the borrowings under these financing arrangements. The rates for Other debt are estimated based on actual borrowing rates when the loans were made. A 1/8% change in the annual interest rate for the Other debt noted above would change interest expense by $3 million per year.

(s) The adjustment to minority interest expense reflects the elimination of Comcast s residual equity interest in TWE.

(t) The adjustment to the income tax provision is required to adjust the historical income taxes on both the Redemptions and the Pro Forma Adjustments Redemptions at our marginal tax rate of 40.2%.

Note 6: Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Six Months Ended June 30, 2006 Adelphia Acquisition and Exchange

The pro forma adjustments to the statement of operations relating to the Adelphia Acquisition and the Exchange are as follows:

(u) The adjustments to historical depreciation and amortization expense reflect the impact of using the fair values and useful lives of the underlying assets based on a preliminary independent valuation analysis.

(v) The increase in interest expense reflects incremental borrowings to finance the Adelphia Acquisition, net of the impact of the ATC Contribution. The following table illustrates the allocation of borrowings to various financing arrangements and the computation of incremental interest expense:

	Long-term Debt (in millions)	Annual Rate	Six Months Interest Expense (in millions)
TW NY Series A Preferred Membership Units[1]	$ 300	8.21%	$ 12
Other debt[1]	8,822	5.74%	253
Total incremental borrowing	9,122		265
Redemption of mandatorily redeemable preferred equity	(2,400)	8.06%	(97)
Net increase in debt/redeemable preferred equity	$ 6,722		$ 168

(1) This table reflects borrowings from our revolving credit facility and term loans and the issuance of commercial paper. The interest rate utilized in the pro forma information for Other debt is a weighted-average rate based on the projected borrowings used to finance the Adelphia Acquisition. The rates for Other debt and the TW NY Series A Preferred Membership Units are based on actual borrowing rates when the loans were made and the TW NY Series A Preferred Membership Units was issued. A 1/8% change in the annual interest rate for the Other debt noted above would change interest expense by $6 million for the six-month period.

(w) The net increase in minority interest expense reflects an adjustment to record ATC s direct common ownership interest in TW NY Holding of approximately 12.4% and the elimination of ATC s historical minority interest in TWE.

	(in millions)
Eliminate ATC s historical minority interest in TWE	$ 8
Record ATC s minority interest in TW NY Holding	(53)
Net adjustment	$ (45)

(x) The adjustment to the income tax provision is required to adjust the historical income taxes on both the Subtotal of Net Acquired Systems and the Pro Forma Adjustments Adelphia Acquisition & Exchange at our marginal tax rate of 40.2%, and considering the impact of the non-deductible interest expense related to the TW NY Series A Preferred Membership Units.

Note 7: Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Six Months Ended June 30, 2006 Redemptions

The Pro Forma Adjustments Redemptions column primarily relates to the income statement impact of the purchase accounting adjustments related to the Redemptions, as follows:

(y) The increase in interest expense reflects incremental borrowings to finance the Redemptions as set forth in the following table:

	Long-term Debt (in millions)	Annual Rate	Six Months Interest Expense (in millions)
Other debt[(1)]	$ 2,004	5.74%	$ 58

(1) This table reflects borrowings from our revolving credit facility and term loans and the issuance of commercial paper. The interest rate utilized in the pro forma information for Other debt is a weighted-average rate based on the projected borrowings under these financing arrangements. The rates for Other debt are estimated based on actual borrowing rates when the loans were made. A 1/8% change in the annual interest rate for the Other debt noted above would change interest expense by $1 million for the six-month period.

(z) The adjustment to minority interest expense reflects the elimination of Comcast s residual equity interest in TWE.

(aa) The adjustment to the income tax provision is required to adjust the historical income taxes on both the Redemptions and the Pro Forma Adjustments Redemptions at our marginal tax rate of 40.2%.

Note 8: TKCCP Dissolution

We will consolidate the Kansas City Pool upon the consummation of the dissolution of TKCCP. Such amounts are reflected in the pro forma condensed combined financial information as we believe that the transaction is probable of occurring. The dissolution procedure commenced on July 3, 2006 and is subject to certain regulatory approvals, which are expected to be received no later than the first quarter of 2007. Upon the dissolution of TKCCP, we will receive the Kansas City Pool and Comcast will receive the Houston systems. All debt of TKCCP (inclusive of debt provided by us and Comcast) has been allocated to the Houston systems and has become the responsibility of Comcast. We will account for the dissolution of TKCCP as a sale of our 50% interest in the Houston systems in exchange for acquiring an additional 50% interest in the Kansas City Pool. We will record a gain based on the difference between the carrying value and the fair value of our 50% investment in the Houston systems surrendered in connection with the dissolution of TKCCP. The preliminary after-tax gain of $44 million is not reflected in the accompanying unaudited pro forma condensed combined statements of operations.

(bb) We have historically accounted for our investment in TKCCP under the equity method of accounting and will continue to do so until the consummation of the dissolution of TKCCP. The adjustment to the unaudited pro forma condensed combined balance sheet reflects the reversal of our historical investment in TKCCP and the consolidation of the assets and liabilities of the Kansas City Pool, reflecting the incremental 50% interest in these systems as a step acquisition. The purchase price allocation with respect to the acquisition

of the remaining 50% interest in the Kansas City Pool, is preliminary. The adjustments to the unaudited pro forma condensed combined statements of operations reflect the reversal of historical equity income and the consolidation of the operations of the Kansas City Pool.

(cc) As part of the dissolution of TKCCP, we will receive cash in repayment of outstanding loans we had made to TKCCP (which have been assumed by Comcast). The cash that will be received is assumed to be used to pay down our existing credit facilities and, therefore, we have included a $627 million reduction to the debt balance on the unaudited pro forma condensed combined balance sheet. The adjustments to the unaudited pro forma condensed combined statements of operations reflect the elimination of historical interest expense due to the assumed pay down of debt.

(dd) In addition to the consolidation of historical other current liabilities totaling $35 million, we incurred taxes of $166 million, which we have reclassified from deferred tax liabilities to current taxes payable (within other current liabilities). Additionally, we recorded a $29 million deferred tax liability associated with the gain on the dissolution of TKCCP. This gain is not reflected in the accompanying unaudited pro forma condensed combined statements of operations.

(ee) The adjustment to the income tax provision is required to adjust the historical income taxes on the dissolution of TKCCP at our marginal tax rate of 40.2%.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND SUBSCRIBER DATA

Our selected financial and subscriber data are set forth in the following tables. The balance sheet data as of December 31, 2001 and 2002 and the statement of operations data for the years ended December 31, 2001 and 2002 have been derived from our unaudited consolidated financial statements for such periods not included in this prospectus. The balance sheet data as of December 31, 2003 have been derived from our audited financial statements not included in this prospectus. The balance sheet data as of December 31, 2004 and 2005 and the statement of operations data for the years ended December 31, 2003, 2004 and 2005 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The balance sheet data as of June 30, 2006 and the statement of operations data for the six months ended June 30, 2005 and 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The balance sheet data as of June 30, 2005 have been derived from our unaudited financial statements not included in this prospectus. In the opinion of management, the unaudited financial data reflect all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of our results of operations for those periods. Our results of operations for the six months ended June 30, 2006 are not necessarily indicative of the results that can be expected for the full year or for any future period.

Our financial statements for all periods prior to the TWE Restructuring, which was completed in March 2003, represent the combined consolidated financial statements of the cable assets of TWE and TWI Cable Inc. (TWI Cable), each of which was an entity under the common control of Time Warner. The operating results of all the non-cable businesses of TWE that were transferred to Time Warner in the TWE Restructuring have been reflected as a discontinued operation. For additional information regarding the TWE Restructuring, see Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Restructuring of Time Warner Entertainment Company, L.P. The financial statements include all push-down accounting adjustments resulting from the merger in 2001 between AOL and Historic TW Inc. (formerly known as Time Warner Inc., Historic TW) (the AOL Merger) and account for the economic stake in TWE that was held by Comcast as a minority interest. Additionally, the income tax provisions, related tax payments, and current and deferred tax balances have been presented as if we operated as a stand-alone taxpayer. In the first quarter of 2006, we elected to adopt the modified retrospective application method provided by FAS 123R and, accordingly, financial statement amounts for all prior periods presented herein reflect results as if the fair value method of expensing had been applied from the original effective date of FASB Statement No. 123, *Accounting for Stock-Based Compensation* (FAS 123) (see Note 1 of our unaudited consolidated financial statements for the six months ended June 30, 2006 and Note 3 of our audited consolidated financial statements for the year ended December 31, 2005 for a discussion on the impact of the adoption of FAS 123R). See Management s Discussion and Analysis of Results of Operations and Financial Condition Recently Adopted Accounting Principles Stock-based Compensation.

In the third quarter of 2006, we determined we would restate our consolidated financial results for the years ended December 31, 2001 through December 31, 2005 and for the six months ended June 30, 2006, as a result of the findings of an independent examiner appointed under the terms of a settlement between Time Warner and the SEC (see Note 1 of our unaudited consolidated financial statements for the six months ended June 30, 2006 and our audited consolidated financial statements for the year ended December 31, 2005 for a discussion on the impact of the restatement on our consolidated financial statements). See Management s Discussion and Analysis of Results of Operations and Financial Condition Overview Restatement of Prior Financial Information.

References to subscriber data refer to cable systems serving 9.5 million basic video subscribers, as of June 30, 2006, on an historical basis, whose results are consolidated with ours. As of June 30, 2006, we also managed an additional 1.6 million subscribers served by TKCCP, a 50-50 joint venture with Comcast whose results are not consolidated with

ours. For additional discussion of this joint venture, see Management s Discussion and Analysis of Results of Operations and Financial Condition Business Transactions and Developments Joint Venture Dissolution.

The following information should be read in conjunction with Management s Discussion and Analysis of Results of Operations and Financial Condition below and our audited and unaudited consolidated financial statements and related notes included elsewhere in this prospectus.

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, in millions, except per share data)						
Statement of Operations Data:[2]							
Revenues:							
Video	$ 4,946	$ 5,365	$ 5,810	$ 6,180	$ 6,537	$ 3,241	$ 3,475
High-speed data	536	1,009	1,422	1,760	2,145	1,018	1,258
Voice			1	29	282	89	309
Advertising	431	539	466	515	534	255	259
Total revenues	5,913	6,913	7,699	8,484	9,498	4,603	5,301
Costs and expenses:							
Costs of revenues	2,461	3,040	3,339	3,714	4,211	2,066	2,369
Selling, general and administrative expenses	1,019	1,430	1,438	1,538	1,626	810	935
Merger-related and restructuring costs			15		42	30	22
Depreciation	895	1,207	1,403	1,438	1,588	762	829
Amortization	2,819	7	58	76	76	39	40
Impairment of goodwill		10,490					
Gain on sale of cable system		(6)					
Total costs and expenses	7,194	16,168	6,253	6,766	7,543	3,707	4,195
Operating Income (Loss)	(1,281)	(9,255)	1,446	1,718	1,955	896	1,106
Interest expense, net	(476)	(385)	(492)	(465)	(464)	(235)	(225)
Income (loss) from equity investments, net	(280)	13	33	41	43	21	42
Minority interest (expense) income, net	75	(118)	(62)	(62)	(70)	(31)	(46)
Other income (expense)		(420)		11	1	1	1
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	(1,962)	(10,165)	925	1,243	1,465	652	878
Income tax (provision) benefit	90	(179)	(384)	(517)	(212)	(54)	(350)
Income (loss) before discontinued operations and	$ (1,872)	$ (10,344)	$ 541	$ 726	$ 1,253	$ 598	$ 528

cumulative effect of accounting change							
Basic and diluted income (loss) per common share before discontinued operations and cumulative effect of accounting change	$ (2.28)	$ (12.60)	$ 0.57	$ 0.73	$ 1.25	$ 0.60	$ 0.53
Cash dividends declared per common share	$	$	$	$	$	$	$
Weighted average common shares outstanding	821	821	955	1,000	1,000	1,000	1,000
OIBDA(1)	$ 2,433	$ (8,041)	$ 2,907	$ 3,232	$ 3,619	$ 1,697	$ 1,975

	As of December 31,					As of June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
	(restated, in millions)						
Balance Sheet Data:(2)							
Cash and cash equivalents	$ 94	$ 868	$ 329	$ 102	$ 12	$ 28	$ 26
Total assets	108,409	62,146	42,902	43,138	43,677	43,162	44,010
Total debt and mandatorily redeemable preferred equity(3)	6,390	6,976	8,368	7,299	6,863	6,971	6,523

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, in millions)						
Other Operating Data of Continuing Operations:[2]							
Cash provided by operating activities	$ 2,422	$ 2,592	$ 2,128	$ 2,661	$ 2,540	$ 1,239	$ 1,541
Free Cash Flow[4]	(115)	383	262	938	534	329	459
Capital expenditures	(1,813)	(1,813)	(1,637)	(1,712)	(1,975)	(899)	(1,066)

	As of December 31,					As of June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands, except percentages)						
Subscriber Data:[2]							
Customer relationships[5]	9,350	9,601	9,727	9,891	10,111	9,978	10,278
Revenue generating units[6]	12,865	14,653	15,907	17,069	19,317	17,987	20,722
Video:							
Homes passed[7]	14,989	15,337	15,578	15,869	16,384	16,013	16,603
Basic subscribers[8]	9,223	9,362	9,347	9,315	9,400	9,316	9,478
Basic penetration[9]	61.5%	61.0%	60.0%	58.7%	57.4%	58.2%	57.1%
Digital subscribers	2,266	3,101	3,651	4,059	4,641	4,285	5,007
Digital penetration[10]	24.6%	33.1%	39.1%	43.6%	49.4%	46.0%	52.8%
High-speed data:							
Service-ready homes passed[11]	13,646	14,920	15,396	15,770	16,299	15,911	16,427
Residential subscribers	1,326	2,110	2,785	3,362	4,141	3,700	4,636
Residential high-speed data penetration[12]	9.7%	14.1%	18.1%	21.3%	25.4%	23.3%	28.2%
Commercial accounts	43	76	115	151	185	168	200
Voice:							
Service-ready homes passed[13]	NA	NA	NM	8,630	14,049	12,140	14,917
Subscribers	NA	NA	NM	182	950	518	1,401
Penetration[14]	NA	NA	NM	2.1%	6.8%	4.3%	9.4%

NM Not meaningful

NA Not applicable

(1) OIBDA is a measurement not recognized in financial statements presented in accordance with GAAP. We define OIBDA as Operating Income (Loss) before depreciation of tangible assets and amortization of intangible assets. Management considers OIBDA an important indicator of the operational strength and performance of our

businesses, including our ability to provide cash flows to service debt and fund capital expenditures. In addition, OIBDA eliminates the uneven effect of considerable amounts of depreciation of tangible assets and amortization of intangible assets recognized in business combinations accounted for by the purchase method and is a meaningful measure of performance commonly used in the cable industry and by the investment community and our lenders to analyze and compare companies such as ours. However, OIBDA should be considered in addition to, and not as a substitute for, Operating Income (Loss), net income (loss) and other measures of financial performance reported in accordance with GAAP and may not be comparable to similarly titled measures used by other companies. Operating Income (Loss) includes an impairment of goodwill of $10.5 billion and a gain on sale of cable systems of $6 million for the year ended December 31, 2002.

The following is a reconciliation of Operating Income and Net Income to OIBDA:

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, in millions)						
Net Income (Loss)	$ (2,133)	$ (37,630)	$ 664	$ 726	$ 1,253	$ 598	$ 530
Reconciling items:							
(Income) loss from discontinued operations, net	261	(745)	(123)				
Cumulative effect of accounting change, net		28,031					(2)
Income tax provision (benefit)	(90)	179	384	517	212	54	350
Other (income) expense		420		(11)	(1)	(1)	(1)
Minority interest expense (income), net	(75)	118	62	62	70	31	46
(Income) loss from equity investments, net	280	(13)	(33)	(41)	(43)	(21)	(42)
Interest expense, net	476	385	492	465	464	235	225
Operating Income (Loss)	(1,281)	(9,255)	1,446	1,718	1,955	896	1,106
Depreciation	895	1,207	1,403	1,438	1,588	762	829
Amortization	2,819	7	58	76	76	39	40
OIBDA	$ 2,433	$ (8,041)	$ 2,907	$ 3,232	$ 3,619	$ 1,697	$ 1,975

(2) The following items impact the comparability of results from period to period:

In 2002, we adopted FAS 142, which required us to cease amortizing goodwill and intangible assets with an indefinite useful life.

For all years prior to 2002, Road Runner was accounted for as an equity investee. We consolidated Road Runner effective January 1, 2002.

(3) Total debt and mandatorily redeemable preferred equity includes debt due within one year of $605 million, $8 million, $4 million and $1 million at December 31, 2001, 2002, 2003 and 2004, respectively (none at December 31, 2005, June 30, 2005 and June 30, 2006), long-term debt and mandatorily redeemable preferred equity interests in TWE.

(4) Free Cash Flow is a measurement not recognized in financial statements presented in accordance with GAAP. We define Free Cash Flow as cash provided by operating activities (as defined under GAAP) less cash provided by (used by) discontinued operations, capital expenditures, partnership distributions and principal payments on capital leases. Management measures Free Cash Flow and believes that Free Cash Flow is useful to investors because it is a commonly used financial analysis tool for measuring and comparing cable companies liquidity and leverage, due to the capital-intensive nature of the cable business and the resulting significant level of depreciation and amortization expense. Free Cash Flow should not be considered as an alternative to net cash

provided by operating activities as a measure of liquidity, and may not be comparable to similarly titled measures used by other companies.

The following is a reconciliation of cash provided by operating activities to Free Cash Flow:

	Year ended December 31,					Six months ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
				(in millions)			
Cash provided by operating activities	$ 2,422	$ 2,592	$ 2,128	$ 2,661	$ 2,540	$ 1,239	$ 1,541
Reconciling items:							
Discontinued operations (income) loss	261	(745)	(123)				
Operating cash flow adjustments relating to discontinued operations	(985)	356	(73)				
Cash provided by continuing operating activities	1,698	2,203	1,932	2,661	2,540	1,239	1,541
Capital expenditures from continuing operations	(1,813)	(1,813)	(1,637)	(1,712)	(1,975)	(899)	(1,066)
Partnership distributions and principal payments on capital leases of continuing operations		(7)	(33)	(11)	(31)	(11)	(16)
Free Cash Flow	$ (115)	$ 383	$ 262	$ 938	$ 534	$ 329	$ 459

(5) The number of customer relationships is the number of subscribers that receive at least one level of service, encompassing video, high-speed data and voice services, without regard to the service(s) purchased. Therefore, a subscriber who purchases only high-speed data services and no video service will count as one customer relationship, and a subscriber who purchases both video and high-speed data services will also count as only one customer relationship.

(6) Revenue generating units are the sum of all analog video, digital video, high-speed data and voice subscribers. Therefore, a subscriber who purchases analog video, digital video and high-speed data services will count as three revenue generating units.

(7) Homes passed represent the estimated number of service-ready single residence homes, apartment and condominium units and commercial establishments passed by our cable systems without further extending the transmission lines.

(8) Basic subscriber amounts reflect billable subscribers who receive basic video service.

(9) Basic penetration represents basic subscribers as a percentage of homes passed.

(10) Digital penetration represents digital subscribers as a percentage of basic video subscribers.

(11) High-speed data service-ready homes passed represent the number of high-speed data service-ready single residence homes, apartment and condominium units and commercial establishments passed by our cable systems without further extending our transmission lines.

(12)