TIME WARNER CABLE INC.
Form S-1/A
December 07, 2006

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As filed with the Securities and Exchange Commission on December 7, 2006

Registration No. 333-138052

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 1
to
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)*

290 Harbor Drive
Stamford, CT 06902-7441
(203) 328-0600
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Marc Lawrence-Apfelbaum, Esq.
Executive Vice President, General Counsel and Secretary
Time Warner Cable Inc.
290 Harbor Drive
Stamford, CT 06902-7441
(203) 328-0600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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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(2)
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.

(2) Previously paid.

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.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. 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 DECEMBER 7, 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. Because Time Warner Inc. holds in excess of 50% of the combined voting power of all classes of our common stock, we will be a controlled company within the meaning of the New York Stock Exchange s rules and, as a result, we are permitted to, and we intend to, rely on exemptions from certain of the New York Stock Exchange s corporate governance requirements.

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. References to information presented as legacy or on a legacy basis, mean, for all periods presented, our operations and systems (1) excluding the systems and subscribers that we transferred to Comcast in connection with the transactions, (2) excluding the systems and subscribers that we acquired in the transactions with Adelphia and Comcast and (3) with respect to subscriber data, including our consolidated entities and only the TKCCP systems that we expect to receive in the dissolution of TKCCP. Unless otherwise specified, references to our systems and operations cover our consolidated systems and the Kansas City Pool. 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 September 30, 2006, 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 September 30, 2006, we had over 14.6 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 September 30, 2006, approximately 7.0 million (or 52%) of our 13.5 million basic video customers subscribed to our digital video services; 6.4 million (or 25%) of our high-speed data service-ready homes subscribed to our residential high-speed data service; and 1.6 million (or nearly 11%) of our voice service-ready homes subscribed to Digital Phone, our newest service, which we launched broadly during 2004. As of September 30, 2006, in our legacy systems, approximately 54% of our 9.5 million basic video customers subscribed to our digital video services and 29% of our high-speed data service-ready homes subscribed to a residential high-speed data service. We have been able to increase our average monthly subscription revenue (which includes video, high-speed data and voice revenues) per basic video subscriber (subscription ARPU), driven in large part through the expansion of our service offerings. In the quarter ended September 30, 2006, our subscription ARPU was approximately $89, which we believe was above the cable industry average. In our legacy systems, our subscription ARPU increased to approximately $93 in the third quarter of 2006 from approximately $70 for the quarter ended March 31, 2004. This represents an increase of 33% and a compound annual growth rate of 12%. 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 September 30, 2006, approximately 40% of our customers purchased two or more of our video, high-speed data and Digital Phone services, and approximately 8% purchased all three of these services. As of September 30, 2006, in our legacy systems, approximately 44% of our customers purchased two or more of our services and approximately 13% purchased all three. 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 number 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 September 30, 2006, homes passed in the systems acquired from Adelphia and Comcast represented approximately 36% 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 September 30, 2006, penetration rates for basic video services and advanced services were generally lower in the acquired systems than in our legacy 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, on a legacy basis, our RGU net additions have increased from 1.5 million for the nine months ended September 30, 2005 to 2.0 million for the nine months ended September 30, 2006, representing a 33% increase.

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 legacy 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.

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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 former Adelphia cable systems we acquired, 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 cable systems serving approximately 751,000 basic video subscribers (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 former Comcast cable systems we acquired from Comcast in the Exchange as the Comcast Acquired Systems, and to the collective systems acquired from Adelphia and Comcast and subsequently retained as the Acquired Systems.

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

In connection with the Transactions, immediately after the closing of the Redemptions but prior to the closing of the Adelphia Acquisition, we paid a stock dividend to holders of record of our Class A and Class B common stock of 999,999 shares of Class A or Class B common stock, respectively, per share of Class A or Class B common stock held at that time. For additional information, see Dividend Policy.

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 September 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 (referred to in this prospectus as the Kansas City Pool), which collectively served approximately 782,000 basic video subscribers as of September 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.

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.

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The following chart illustrates our corporate structure after giving 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 September 30, 2006. The guarantee structure reflected below gives effect to certain transactions completed during the fourth quarter of 2006. 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.

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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 separate 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 separate 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 separate class, 100% of the vote in matters where the holders of Class B common stock vote as a separate 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. Because Time Warner Inc. holds in excess of 50% of the combined voting power of all classes of our common stock, we will be a controlled company within the meaning of the New York Stock Exchange s rules and, as a result, we are permitted to, and we intend to, rely on exemptions from certain of the New York Stock Exchange s corporate governance requirements. See Risk Factors Risks Related to Our Relationship with Time Warner 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 rules

and, as a result, our stockholders will not have the protections afforded by these corporate governance requirements.

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.

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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 September 30, 2006 and the statement of operations data for the nine months ended September 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 September 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 nine months ended September 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 September 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.

The subscriber data set forth below covers cable systems serving 12.7 million basic video subscribers, as of September 30, 2006, whose results are consolidated with ours, as well as approximately 782,000 basic video subscribers served by cable systems in the Kansas City Pool that are managed by us but whose results are not consolidated with ours. As of September 30, 2006, approximately 791,000 basic video subscribers served by cable systems in the Houston area that Comcast will receive in the pending dissolution of TKCCP, which are also managed by us but whose results are not consolidated with ours, are not included in the subscriber data presented below. Subscriber amounts for all periods presented have been recast to include the subscribers in the Kansas City Pool that we will receive in the dissolution of TKCCP and to exclude the subscribers that were transferred to Comcast in connection with the Redemptions and the Exchange, which have been presented as discontinued operations in our consolidated financial statements.

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), the restatement of our financial statements resulting from a settlement between Time Warner and the Securities and Exchange Commission (the SEC) as is described in more detail under Management s Discussion and Analysis of Results of Operations and Financial Condition Overview Restatement of Prior Financial Information, and the presentation of certain cable systems transferred to Comcast in connection with the Redemptions and the Exchange as discontinued operations. 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 former Comcast Los Angeles, Dallas and Cleveland cable system operations and related notes, each of which is included elsewhere in this prospectus.

	Year Ended December 31,				Nine Months Ended September 30,		
	2003	2004	2005	Pro Forma 2005	2005	2006	Pro Forma 2006
	(restated, except pro forma and current period data) (in millions, except per share data)						
Statement of Operations Data:[1]							
Revenues:							
Video	$ 5,351	$ 5,706	$ 6,044	$ 9,229	$ 4,509	$ 5,289	$ 7,347
High-speed data	1,331	1,642	1,997	2,694	1,460	1,914	2,405
Voice[2]	1	29	272	379	166	493	578
Advertising	437	484	499	782	362	420	592
Total revenues	7,120	7,861	8,812	13,084	6,497	8,116	10,922
Costs and expenses:							
Costs of revenues	3,101	3,456	3,918	6,283	2,909	3,697	5,230
Selling, general and administrative expenses	1,355	1,450	1,529	2,190	1,131	1,456	1,869
Merger-related and restructuring costs	15		42	42	33	43	43
Depreciation	1,294	1,329	1,465	2,253	1,088	1,281	1,709
Amortization	53	72	72	292	54	93	223
Impairment of long-lived assets				4			9
Total costs and expenses	5,818	6,307	7,026	11,064	5,215	6,570	9,083
Operating Income	1,302	1,554	1,786	2,020	1,282	1,546	1,839
Interest expense, net	(492)	(465)	(464)	(917)	(347)	(411)	(674)
Income (loss) from equity investments, net	33	41	43	(6)	26	79	(2)
Minority interest expense, net	(59)	(56)	(64)	(58)	(45)	(73)	(87)
Other income (expense), net		11	1	(20)	1	1	(5)
Income before income taxes, discontinued operations and cumulative effect of accounting change	784	1,085	1,302	1,019	917	1,142	1,071
Income tax provision	(327)	(454)	(153)	(50)	(168)	(452)	(429)
Income before discontinued operations and cumulative effect of accounting change	457	631	1,149	$ 969	749	690	$ 642
Discontinued operations, net of tax	207	95	104		75	1,018	

Cumulative effect of accounting change, net of tax						2	
Net income	$ 664	$ 726	$ 1,253		$ 824	$ 1,710	
Basic and diluted income per common share before discontinued operations and cumulative effect of accounting change	$ 0.48	$ 0.63	$ 1.15	$ 0.99	$ 0.75	$ 0.69	$ 0.66
Discontinued operations	0.22	0.10	0.10		0.07	1.03	
Cumulative effect of accounting change							
Net income per common share	$ 0.70	$ 0.73	$ 1.25		$ 0.82	$ 1.72	
Cash dividend declared per common share	$	$	$	$	$	$	$
Weighted average common shares outstanding	955	1,000	1,000	977	1,000	995	977
OIBDA[3]	$ 2,649	$ 2,955	$ 3,323	$ 4,565	$ 2,424	$ 2,920	$ 3,771

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	As of December 31,			As of September 30,		
	2003	2004	2005	2005	2006	Pro Forma 2006
	(restated, except pro forma and current period data) (in millions)					
Balance Sheet Data:[1]						
Cash and equivalents	$ 329	$ 102	$ 12	$	$	$ 38
Total assets	42,902	43,138	43,677	43,318	55,467	55,063
Total debt and preferred equity[4]	8,368	7,299	6,863	6,901	14,983	14,352

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions)				
Other Operating Data:[1]					
Cash provided by operating activities	$ 2,128	$ 2,661	$ 2,540	$ 1,814	$ 2,561
Free Cash Flow[5]	118	851	435	327	732
Capital expenditures from continuing operations	(1,524)	(1,559)	(1,837)	(1,305)	(1,720)

	As of December 31,				As of September 30,	
	2003	2004	2005	Pro Forma 2005	2005	2006
	(in thousands, except percentages)					
Subscriber Data:[1][6]						
Customer relationships[7]	9,748	9,904	10,088	14,367	10,044	14,619
Revenue generating units[8]	15,958	17,128	19,301	26,720	18,643	28,886
Video:						
Homes passed[9]	15,681	15,977	16,338	25,456	16,240	25,892
Basic subscribers[10]	9,378	9,336	9,384	13,408	9,368	13,471
Basic penetration[11]	59.8%	58.4%	57.4%	52.7%	57.7%	52.0%
Digital subscribers	3,661	4,067	4,595	6,461	4,420	7,024
Digital penetration[12]	39.0%	43.6%	49.0%	48.2%	47.2%	52.1%
High-speed data:						
Service-ready homes passed[13]	15,470	15,870	16,227	25,042	16,113	25,481
Residential subscribers	2,795	3,368	4,141	5,517	3,912	6,398
Residential high-speed data penetration[14]	18.1%	21.2%	25.5%	22.0%	24.3%	25.1%
Commercial accounts	112	151	183	196	177	222

Voice:[15]						
Service-ready homes passed[16]	NM	8,814	14,308	14,308	13,564	15,622
Subscribers	NM	206	998	998	766	1,649
Penetration[17]	NM	2.3%	7.0%	7.0%	5.6%	10.6%

NM Not meaningful

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

Our 2003 results include the treatment of the TWE non-cable businesses that were transferred to Time Warner in the TWE Restructuring as discontinued operations.

Our 2006 results include the impact of the Transactions for periods subsequent to the closing of the Transactions, which was July 31, 2006.

(2) Pro forma voice revenues include revenues of $78 million and $56 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, associated with subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (approximately 140,000 and 122,000 subscribers at December 31, 2005 and September 30, 2006, respectively). Additionally, voice revenues for the nine months ended September 30, 2006 include approximately $12 million of revenues associated with approximately 122,000 subscribers receiving traditional, circuit-switched telephone service. We continue to provide traditional, circuit-switched service to those subscribers and will continue to do so for some period of time, while we simultaneously market our Digital Phone product to those customers. After some period of time, we intend to discontinue the circuit-switched offering in accordance with regulatory requirements, at which time the only voice service provided by us in those systems will be our Digital Phone service.

(3) OIBDA is a financial measure not calculated and 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 utilizes OIBDA, among other measures, in evaluating the performance of our business and as a significant component of our annual incentive compensation programs because OIBDA eliminates the uneven effect across our business of considerable amounts of depreciation of tangible assets and amortization of intangible assets recognized in business combinations. OIBDA is also a measure used by our parent, Time Warner, to evaluate our performance and is an important metric in the Time Warner reportable segment disclosures. Management also uses OIBDA in evaluating our ability to provide cash flows to service debt and fund capital expenditures because OIBDA removes the impact of depreciation and amortization, which do not contribute to our ability to provide cash flows to service debt and fund capital expenditures. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. To compensate for this limitation, management evaluates the investments in such tangible and intangible assets through other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis. Additionally, 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 Net income and Operating Income to OIBDA:

	Year Ended December 31,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions)				
Net income	$ 664	$ 726	$ 1,253	$ 824	$ 1,710
Reconciling items:					
Discontinued operations, net of tax	(207)	(95)	(104)	(75)	(1,018)
Cumulative effect of accounting change, net of tax					(2)
Income tax provision	327	454	153	168	452
Other income, net		(11)	(1)	(1)	(1)
Minority interest expense, net	59	56	64	45	73
Income from equity investments, net	(33)	(41)	(43)	(26)	(79)
Interest expense, net	492	465	464	347	411
Operating Income	1,302	1,554	1,786	1,282	1,546
Depreciation	1,294	1,329	1,465	1,088	1,281
Amortization	53	72	72	54	93
OIBDA	$ 2,649	$ 2,955	$ 3,323	$ 2,424	$ 2,920

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

	Pro Forma Year Ended December 31, 2005	Nine Months Ended September 30, 2006
	(in millions)	
Income before discontinued operations and cumulative effect of accounting change	$ 969	$ 642
Reconciling items:		
Income tax provision	50	429
Other expense, net	20	5
Minority interest expense, net	58	87
Loss from equity investments, net	6	2
Interest expense, net	917	674
Operating Income	2,020	1,839
Depreciation	2,253	1,709
Amortization	292	223
OIBDA	$ 4,565	$ 3,771

(4) Total debt and preferred equity include debt due within one year of $4 million and $1 million at December 31, 2003 and 2004, respectively (none at December 31, 2005, September 30, 2005 and September 30, 2006), long-term debt, mandatorily redeemable preferred equity issued by a subsidiary and mandatorily redeemable preferred membership units issued by a subsidiary.

(5) Free Cash Flow is a non-GAAP financial measure. 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 uses Free Cash Flow to evaluate our business and as a component of our annual incentive compensation programs. We believe this measure is an important indicator of our liquidity, including our ability to reduce net debt and make strategic investments, because it reflects our operating cash flow after considering the significant capital expenditures required to operate our business. A limitation of this measure, however, is that it does not reflect payments made in connection with investments and acquisitions, which reduce liquidity. To compensate for this limitation, management evaluates such expenditures through other financial measures, such as capital expenditure budget variances and return on investments analyses. 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,			Nine Months Ended September 30,	
	2003	2004	2005	2005	2006
			(in millions)		
Cash provided by operating activities	$ 2,128	$ 2,661	$ 2,540	$ 1,814	$ 2,561
Reconciling items:					
Discontinued operations, net of tax	(207)	(95)	(104)	(75)	(1,018)
Operating cash flow adjustments relating to discontinued operations	(246)	(145)	(133)	(85)	929
Cash provided by continuing operating activities	1,675	2,421	2,303	1,654	2,472
Capital expenditures from continuing operations	(1,524)	(1,559)	(1,837)	(1,305)	(1,720)
Partnership distributions and principal payments on capital leases of continuing operations	(33)	(11)	(31)	(22)	(20)
Free Cash Flow	$ 118	$ 851	$ 435	$ 327	$ 732

(6) In connection with the Transactions, we acquired approximately 3.2 million net basic video subscribers consisting of approximately 4.0 million acquired subscribers and approximately 0.8 million subscribers transferred to Comcast. Adelphia and Comcast employed methodologies that differed slightly from those used by us to determine homes passed and subscriber numbers. As of September 30, 2006, we had converted such data for most of the Adelphia and Comcast systems to our methodology and expect to complete this process during the fourth quarter of 2006. Although not expected to be significant, any adjustments to the homes passed and subscriber numbers resulting from the conversion of the remaining systems will be recast to make all periods comparable.

(7) 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.

(8) 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.

(9) 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.

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

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

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

(13) 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.

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

(15) Pro forma voice subscriber data exclude subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (approximately 140,000 at December 31, 2005). In addition, voice subscriber data exclude approximately 122,000 subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service at September 30, 2006.

(16) 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.

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

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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. Some of our principal competitors in particular, 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, based on our observations, that these competitors are offering services over these fiber upgrades in systems representing approximately 5% of our homes passed as of September 30, 2006. 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 operate our cable systems under franchises that are non-exclusive. State and local franchising authorities can grant additional franchises and foster additional competition.

Our cable systems are constructed and operated under non-exclusive franchises granted by state or local governmental authorities. Federal law prohibits franchising authorities from unreasonably denying requests for additional franchises. Consequently, competing operators may build systems in areas in which we hold franchises. In the past, competing operators most of them relatively small have obtained such franchises and offered competing services in some areas in which we hold franchises. More recently, incumbent local telephone companies with significant resources, particularly Verizon and AT&T, have obtained or have sought to obtain such franchises in connection with or in preparation for offering of video, high speed data and digital voice services in some of our service areas. See We face a wide range of competition, which could affect our future results of operations above. The existence of more than one cable system operating in the same territory is referred to as an overbuild.

We face competition from incumbent local telephone companies and other overbuilders in many of the areas we serve, including within each of our five major geographic operating areas. In New York City, we face competition from Verizon and another overbuilder, RCN. In upstate New York, overbuild activity is focused primarily in the Binghamton and Rochester areas, where competitors include Delhi Telephone and Empire Video Corporation, respectively. In the Carolinas, a number of local telephone companies, including Horry Telephone Cooperative, Southern Coastal Cable and Knology, are offering competing services, principally in South Carolina. Our Ohio operations face competition from local telephone companies such as New Knoxville Telephone Company, Wide Open West, Telephone Service Company and Columbus Grove Telephone Company. Recently, AT&T was granted franchises in the Columbus area. There is also local telephone company and other overbuild competition in our Texas region in the areas of Dallas, San Antonio, Waco, Austin and other areas in south and west Texas that we serve. Competing providers include Texas Phonoscope, FISION, Grande Communications, Wide Open West, and Western Integrated Networks. AT&T and Verizon have also been granted state-wide franchises in Texas. In southern California, we face competition from RCN, AT&T and Verizon.

Additional overbuild situations may occur in these and our other operating areas. In particular, Verizon and AT&T have both indicated that they will continue to upgrade their networks to enable the delivery of video and high-speed data services, in addition to their existing telephone services. In addition, companies that traditionally have not provided cable services and that have substantial financial resources may also decide to obtain franchises and seek to provide competing services.

Increased competition from any source, including overbuilders, could require us to charge lower prices for existing or future services than we otherwise might or require us to invest in or otherwise obtain additional services more quickly or at higher costs than we otherwise might. These actions, or the failure to take steps to allow us to compete effectively, could adversely affect our growth, financial condition and results of operations.

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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 was the winning bidder of 137 licenses. The FCC awarded these licenses to the venture on November 29, 2006. 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 has 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 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 have planned for certain capital expenditures for, among other things, improvements to plant and technical performance and upgrading system capacity of the Acquired Systems, we may be required to spend more than anticipated for those purposes. 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.

Additionally, to the extent we encounter significant difficulties in integrating systems or other operations, our customer care efforts may be hampered. For instance, we may experience higher-than-normal call volumes under such circumstances, which might interfere with our ability to take orders, assist customers not impacted by the integration difficulties, and conduct other ordinary course activities. In addition, depending on the scope of the difficulties, we may be the subject of negative press reports or customer perception.

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 to applicable 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 applicable Acquired Systems to be delayed and may increase the amount of time and money we need to devote to the integration of the applicable 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,

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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

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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 identified intangibles could result in future asset impairments, which would be recorded as operating losses.

As of September 30, 2006, we had approximately $41.1 billion of unamortized intangible assets, including goodwill of $2.2 billion and cable franchises of $38.0 billion on our balance sheet. At September 30, 2006, these intangible assets represented approximately 74% of our total assets.

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 noncash 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 and Finite-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

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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 September 30, 2006, we had $14.7 billion in long-term debt. 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.

As a result of the indebtedness incurred in connection with the Transactions, we will be required to use an increased amount of the cash provided by our operating activities to service our debt obligations, which could limit our flexibility to grow our business and take advantage of new business opportunities.

Borrowings under our bank credit agreements and commercial paper program increased from $1.1 billion at December 31, 2005 to $11.3 billion at September 30, 2006, primarily in order to fund a large portion of the cash payments made in connection with the Transactions. As a result, our obligations to make principal and interest payments related to our indebtedness have increased. Our increased amount of indebtedness and debt servicing obligations will require us to dedicate a larger amount of our cash flow from operations to making payments on our indebtedness than we have in the past. This reduces the availability of our cash flow to fund working capital and capital expenditures and for other general corporate purposes, may increase our vulnerability to general adverse economic and industry conditions, may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, may limit our ability to make strategic acquisitions or pursue other business opportunities and may limit our ability to borrow additional funds and may increase the cost of any such borrowings.

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

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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 September 30, 2006, approximately 52% 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. At the federal level, various provisions have been introduced in connection with broader Communications Act reform that would streamline the video franchising process to facilitate entry by new competitors. To date, no such measures have been adopted. In addition, in November 2005, the FCC released a Notice of Proposed Rulemaking seeking comment on whether the local franchising process unreasonably impedes entry by new video competitors, including incumbent telephone companies, and what steps the FCC is authorized to take and should take pursuant to Section 621(a)(1) of the Communications Act to remedy any such impediments. This matter remains pending.

At the state level, several states, including California, New Jersey, North Carolina and Texas have enacted statutes intended to streamline entry by additional video competitors. Some of these statutes provide more favorable treatment to new entrants than to existing providers. Similar bills are pending or may be enacted in additional states. To the extent federal or state laws or regulations facilitate additional competitive entry or create more favorable regulatory treatment for new entrants, our operations could be materially and adversely affected.

A la carte Video Services. There has from time to time been federal legislative interest in requiring cable operators to offer historically bundled programming services on an à la carte basis. Currently, no such legislation is pending. In November 2004, the FCC released a study concluding that à la carte would raise costs for consumers and reduce programming choices. In February 2006, the FCC s Media Bureau issued a revised report that concluded, contrary to the findings of the earlier study, that à la carte could be beneficial in some instances. There are no pending proceedings related to à la carte at the FCC.

Carriage Regulations. In 2005, the FCC reaffirmed its earlier decisions rejecting multicasting (i.e., carriage of more than one program stream per broadcaster) and dual carriage (i.e., carriage of both digital and analog broadcast signals) requirements. Certain parties filed petitions for reconsideration. To date, no action has been taken on these reconsideration petitions, and we are unable to predict what requirements, if any, the FCC might adopt. In addition, the FCC is expected to launch proceedings related to leased access and program carriage. With respect to leased access, the FCC is expected to seek comment on how leased access is being used in the marketplace, and whether any rule changes are necessary to better effectuate statutory objectives. With respect to program carriage, the FCC is expected to examine its procedural rules, and assess whether modifications are needed to achieve more timely decisions. We are unable to predict whether these expected proceedings will lead to any changes in existing regulations.

Voice Communications. Traditional providers of voice services generally are subject to significant regulations. It is unclear to what extent those regulations (or other regulations) apply to providers of nontraditional voice services, including ours. In 2004, the FCC broadly inquired how Voice-over Internet Protocol (VoIP) should be classified for purposes of the Communications Act, and how it should be regulated. To date, however, the FCC has not issued an order comprehensively resolving that inquiry. Instead, the FCC has addressed certain individual issues on a piecemeal basis. In particular, the FCC declared in 2004 that certain nontraditional voice services are not subject to state certification or tariffing obligations. The full extent of this preemption is unclear and the validity of the preemption order has been appealed to a federal appellate court where a decision is pending. In orders in 2005 and 2006, the FCC subjected nontraditional voice service providers to obligations to provide 911 emergency service, to accommodate law enforcement requests for information and wiretapping and to contribute to the federal universal service fund. We were already operating in accordance with these requirements at that time. To the extent that the FCC (or the United States Congress (Congress)) imposes additional burdens, our operations could be adversely affected.

Net neutrality legislation or regulation could limit our ability to operate our high-speed data business profitably, to manage our broadband facilities efficiently and to make upgrades to those facilities sufficient to respond to growing bandwidth usage by our high-speed data customers.

Several disparate groups have adopted the term net neutrality in connection with their efforts to persuade Congress and regulators to adopt rules that could limit the ability of broadband providers to manage their networks efficiently and profitably. Although the positions taken by these groups are not well defined and sometimes inconsistent with another, most would directly or indirectly limit the ability of broadband providers to apply differential pricing or network management policies to different uses of the Internet. Proponents of such regulation also seek to prohibit broadband providers from recovering the costs of rising bandwidth usage from any parties other than retail customers. The average bandwidth usage of our high-speed data customers has been increasing significantly in recent years as the amount of high-bandwidth content and the number of applications available on the Internet continues to grow. In order to continue to provide quality service at attractive prices, we need the continued flexibility to develop and refine business models that respond to changing consumer uses and demands, to manage bandwidth usage efficiently and to make upgrades to our broadband facilities. As a result, depending on the form it might take, net neutrality legislation or regulation could impact our ability to operate our high-speed data network profitably and to undertake the upgrades that may be needed to continue to provide high quality high-speed data services. We are unable to predict the likelihood that such regulatory proposals will be adopted. For a description of current regulatory proposals, see Business Regulatory Matters Communications Act and FCC Regulation.

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 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.

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The FCC has initiated a rulemaking proceeding to explore the consequences of its March 2002 order. 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 prior to incurring additional debt or rental expense (other than with respect to certain approved leases) or issuing preferred equity, 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. On September 30, 2006, this ratio exceeded 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 (other than with respect to certain approved leases) 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 (other than with respect to certain approved leases) 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. For instance, on November 13, 2006, Time Warner issued $5 billion principal amount of notes and debentures with maturity dates ranging from November 2009 to November 2036. As of September 30, 2006, Time Warner had $2.5 billion of available borrowing capacity under its $7.0 billion committed credit facility, and we had approximately $2.5 billion of available borrowing capacity under our $14.0 billion committed credit facilities.

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

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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.

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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 agreements entered into in connection with Adelphia Acquisition, 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, subject to certain exceptions, prohibits a publicly held Delaware corporation from engaging in a business combination transaction with an interested stockholder for a period of three years after the interested stockholder became such. 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.

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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 o 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;

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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.

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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 Warner Communications Inc. (WCI), a wholly owned subsidiary of Time Warner and the only holder of record of our outstanding Class A and Class B common stock at that time of 999,999 shares of Class A or Class B common stock, as applicable, per share of Class A or Class B common stock. An aggregate of 745,999,254 shares of Class A common stock and 74,999,925 shares of Class B common stock were issued to WCI in connection with the stock dividend. The stock dividend was declared and paid in anticipation of our becoming a public company.

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CAPITALIZATION

The following table sets forth our cash position and capitalization as of September 30, 2006 on an historical basis and a pro forma basis giving effect to 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, each of which is included elsewhere in this prospectus.

	As of September 30, 2006		
	Historical	Adjustments (in millions)	Pro Forma
Cash and equivalents	$	$ 38	$ 38
Debt:			
Bank credit agreements and commercial paper program[1]	$ 11,329	$ (631)[2]	$ 10,698
TWE notes and debentures:[3]			
$600 million 7.250% senior debentures due 2008	603		603
$250 million 10.150% senior notes due 2012	272		272
$350 million 8.875% senior notes due 2012	369		369
$1.0 billion 8.375% senior debentures due 2023	1,044		1,044
$1.0 billion 8.375% senior debentures due 2033	1,056		1,056
Capital leases and other	10		10
Total debt	14,683	(631)	14,052
Mandatorily redeemable non-voting Series A Preferred Equity Membership Units issued by Time Warner NY Cable LLC[4]	300		300
Minority interests	1,589		1,589
Shareholders equity:			
Class A common stock, par value $0.01 per share; 20 billion shares authorized, 902 million shares issued and outstanding, actual and 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	19,408		19,408
Accumulated other comprehensive loss, net	(7)		(7)
Retained earnings	4,104	80[5]	4,184
Total shareholders equity	23,515	80	23,595
Total capitalization	$ 40,087	$ (551)	$ 39,536

(1) This represents amounts borrowed under our $6.0 billion senior unsecured revolving credit facility, with a maturity date of February 15, 2011, two $4.0 billion term loans with maturity dates of February 24, 2009 and February 21, 2011, respectively, and our $2.0 billion commercial paper program. On December 4, 2006, we entered into a new $6.0 billion unsecured commercial paper program to replace our existing $2.0 billion unsecured 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) This represents the repayment of outstanding loans we had made to TKCCP and accrued interest related to these loans. For more information, please see Unaudited Pro Forma Condensed Combined Financial Information Notes to Unaudited Pro Forma Condensed Combined Financial Information Note 4: TKCCP Dissolution.

(3) 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 $144 million as of September 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.

(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 adjustment consists of the gain (net of tax) on the disposition of systems as part of the dissolution of TKCCP ($80 million).

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The accompanying unaudited pro forma condensed combined balance sheet of our company as of September 30, 2006 is presented as if the dissolution of TKCCP had occurred on September 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 nine months ended September 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 September 30, 2006 and our historical operating results for the nine months ended September 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. In addition, our historical results have been recast to reflect the presentation of certain cable systems transferred to Comcast in the Redemptions and the Exchange as discontinued operations.

Historical Adelphia

This column reflects Adelphia s historical operating results for the seven months ended July 31, 2006, and represents Adelphia s unaudited interim financial statements as reported by Adelphia in its Form 10-Q for the nine months ended September 30, 2006, which were prepared by Adelphia. 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 and retained 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 operating results for the seven months ended July 31, 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). The operating results for the first six months of 2006 were derived from 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, prior to any adjustments for the Transactions. The operating results for the month ended July 31, 2006 were prepared by and provided to us by Comcast, prior to any adjustments for the Transactions. See Note 6 to our unaudited pro forma condensed combined financial information for additional information on the historical operating results for the seven months ended July 31, 2006. The historical operating results for the year ended December 31, 2005 were derived from 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 operating results of the Adelphia systems up to the closing of the Transactions 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 items and allocated costs that were included in the Comcast Historical Systems financial information and the Adelphia Acquired Systems 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 Acquired Systems that were not transferred to us and, therefore, are included as part of this column:

- Adelphia s and Comcast s parent and subsidiary interest expense;
- Intercompany management fees related to the Comcast Historical Systems;
- A 2005 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;
- Intercompany charges between Adelphia cable systems that we acquired and Adelphia cable systems that Comcast acquired that will be discontinued as a result of the Transactions;
- The gain on sale recognized by Adelphia in connection with the Transactions; and
- Income tax provision for the Adelphia and Comcast Historical Systems.

For additional information on the Items Not Acquired see Note 5 to our unaudited pro forma condensed combined financial information.

Subtotal of Net Acquired Systems

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

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Pro Forma Adjustments The Transactions

This column represents pro forma adjustments related to the consummation of the Transactions, as more fully described in the notes to the unaudited pro forma condensed combined financial information.

TKCCP Dissolution/Pro Forma Adjustments TKCCP

This column reflects the consolidation of 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 TKCCP Dissolution column reflects the reversal of historical equity income and the consolidation of the operations of the Kansas City Pool. The Pro Forma Adjustments TKCCP column reflects the elimination of intercompany transactions between us and TKCCP. 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 4 to our unaudited pro forma condensed combined financial information.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	As of September 30, 2006		
	Historical TWC	TKCCP Dissolution	Pro Forma TWC
	(in millions)		
Assets			
Current assets			
Cash and equivalents	$	$ 38	$ 38
Receivables, net	655	30	685
Other current assets	66	1	67
Current assets of discontinued operations	41		41
Total current assets	762	69	831
Investments	2,269	(2,005)(i)	264
Property, plant and equipment	11,048	732	11,780
Goodwill	2,159		2,159
Intangible assets subject to amortization, net	933	2	935
Intangible assets not subject to amortization	37,982	796	38,778
Other assets	314	2	316
Noncurrent assets of discontinued operations			
Total assets	$ 55,467	$ (404)	$ 55,063
Liabilities and Shareholders Equity			
Current liabilities			
Accounts payable	$ 362	$ 19	$ 381
Deferred revenue and subscriber related liabilities	148	12	160
Accrued programming expense	458	15	473
Other current liabilities	1,207	37	1,244
Current liabilities of discontinued operations	9		9
Total current liabilities	2,184	83	2,267
Long-term debt	14,683	(631)(j)	14,052
Mandatorily redeemable preferred equity of a subsidiary	300		300
Deferred income tax obligations, net	12,848	53(k)	12,901
Other liabilities	338	11	349
Noncurrent liabilities of discontinued operations	10		10
Minority interests	1,589		1,589
Total liabilities	31,952	(484)	31,468
Total shareholders equity	23,515	80	23,595

Total liabilities and shareholders equity	$ 55,467	$ (404)	$ 55,063

See accompanying notes.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Year Ended December 31, 2005								
	Historical TWC	Historical Adelphia	Comcast Historical Systems	Less Items Not Acquired	Subtotal of Net Acquired Systems	Pro Forma Adjustments The Transactions	TKCCP Dissolution	Pro Forma Adjustments TKCCP	Pro Forma TWC
	(in millions, except per share data)								
Total revenues	$ 8,812	$ 4,365	$ 1,188	$ (1,904)	$ 3,649	$	$ 691	$ (68)	$ 13,084
Costs of revenues	3,918	2,690	465	(1,101)	2,054		352	(41)	6,283
Selling, general and administrative expenses	1,529	351	387	(217)	521		117	23	2,190
Depreciation	1,465	804	218	(345)	677	(17)[(a)]	128		2,253
Amortization	72	141	36	(47)	130	89[(a)]	1		292
Merger-related and restructuring costs	42								42
Impairment of long-lived assets		23		(19)	4				4
(Gain) loss on disposition of long-lived assets		(6)		6					
Investigation and re-audit related fees		66		(66)					
Provision for uncollectible Rigas amounts		13		(13)					
Operating Income (Loss)	1,786	283	82	(102)	263	(72)	93	(50)	2,020
Interest expense, net	(464)	(591)	(6)	597		(453)[(b)]	[(j)]		(917)
Income (loss) from equity investments,	43		(5)		(5)		(44)[(i)]		(6)

net									
Minority interest (expense) income, net	(64)	8		(8)		6(c)			(58)
Other income (expense), net	1	494	(23)	(492)	(21)				(20)
Reorganization expenses due to bankruptcy		(59)		59					
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	1,302	135	48	54	237	(519)	49	(50)	1,019
Income tax (provision) benefit	(153)	(100)	(18)	118		103(d)	(20)	20(l)	(50)
Dividend requirements applicable to preferred stock		(1)		1					
Income (loss) before discontinued operations and cumulative effect of accounting change	$ 1,149	$ 34	$ 30	$ 173	$ 237	$ (416)	$ 29	$ (30)	$ 969
Basic and diluted income per common share before discontinued operations and cumulative effect of accounting change	$ 1.15	$	$	$	$	$	$	$	$ 0.99
Basic and diluted common shares	1,000					(23)			977

See accompanying notes.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

	Nine Months Ended September 30, 2006								
	Historical TWC	Historical Adelphia[1]	Comcast Historical Systems[1]	Less Items Not Acquired[1]	Subtotal of Net Acquired Systems[1]	Pro Forma Adjustments The Transactions	TKCCP Dissolution	Pro Forma Adjustments TKCCP	Pro Forma TWC
	(in millions, except per share data)								
Total revenues	$ 8,116	$ 2,745	$ 740	$ (1,203)	$ 2,282	$	$ 586	$ (62)	$ 10,922
Costs of revenues	3,697	1,641	289	(660)	1,270		300	(37)	5,230
Selling, general and administrative expenses	1,456	204	238	(135)	307		91	15	1,869
Depreciation	1,281	443	124	(194)	373	(33)[e]	88		1,709
Amortization	93	77	6	(21)	62	67[e]	1		223
Merger-related and restructuring costs	43								43
Impairment of long-lived assets		17	9	(17)	9				9
(Gain) loss on disposition of long-lived assets		(2)		2					
Investigation and re-audit related fees		32		(32)					
Operating Income (Loss)	1,546	333	74	(146)	261	(34)	106	(40)	1,839
Interest expense, net	(411)	(438)	(4)	442		(263)[f]	[j]		(674)
Income (loss) from equity investments, net	79	(2)	(3)		(5)		(76)[i]		(2)
Minority interest	(73)	13		(13)		(14)[g]			(87)

(expense) income, net									
Other income (expense), net	1	(109)	(2)	105	(6)				(5)
Reorganization expenses due to bankruptcy		53		(53)					
Gain on the Transactions		6,130		(6,130)					
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	1,142	5,980	65	(5,795)	250	(311)	30	(40)	1,071
Income tax (provision) benefit	(452)	(273)	2	271		19(h)	(12)	16(l)	(429)
Income (loss) before discontinued operations and cumulative effect of accounting change	$ 690	$ 5,707	$ 67	$ (5,524)	$ 250	$ (292)	$ 18	$ (24)	$ 642
Basic and diluted income per common share before discontinued operations and cumulative effect of accounting change	$ 0.69	$	$	$	$	$	$	$	$ 0.66
Basic and diluted common shares	995					(18)			977

(1) Reflects operating results for the seven months ended July 31, 2006.

See accompanying notes.

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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 16% interest reflects 155,913,430 shares of Class A common stock issued to Adelphia, which were valued at $35.28 per share for purposes of the Adelphia Acquisition. The original cash cost of $9.154 billion was preliminarily reduced at closing by $219 million as a result of 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 management using a discounted cash flow and market comparable valuation model. The discounted cash flow valuation model was based upon our estimated future cash flows derived from our business plan and utilized a discount rate consistent with the inherent risk in the business.

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 cable systems serving approximately 589,000 subscribers, 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 cable systems serving approximately 162,000 subscribers, 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 $113 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.

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.

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).

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Financing Arrangements

We incurred incremental debt and redeemable preferred equity of approximately $11.1 billion associated with the cash used in executing the Transactions. In connection with the dissolution of TKCCP, in October 2006, we received approximately $631 million of cash in repayment of outstanding loans we had made to TKCCP (which have been assumed by Comcast). The cash that was received was 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	$ 14,683	$ 300
Reductions:		
Proceeds from the dissolution of TKCCP (see Note 4)	(631)	
Pro Forma TWC	$ 14,052	$ 300

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 Statement of Operations Adjustments Year Ended December 31, 2005 The Transactions

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

(a) 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 valuation analysis performed by management. The discounted cash flow approach was based upon management s estimated future cash flows from the acquired assets and utilized a discount rate consistent with the inherent risk of each of the acquired assets.

(b) The increase in interest expense reflects incremental borrowings to finance our portion of the Adelphia Acquisition and the Redemptions, net of the impact of the ATC Contribution. The following tables illustrate the allocation of borrowings to various financing arrangements and the computation of incremental interest expense.

Adelphia Acquisition

	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 our portion of 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 were 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.

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Redemptions

	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 under 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 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.

(c) 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%, the elimination of ATC s historical minority interest in TWE and the elimination of Comcast s residual equity interest in TWE.

	(in millions)
Eliminate ATC s historical minority interest in TWE	$ 12
Record ATC s minority interest in TW NY Holding	(62)
Eliminate Comcast s residual equity interest in TWE	56
Net adjustment	$ 6

(d) 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 The Transactions 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 3: Unaudited Pro Forma Condensed Combined Statement of Operations Adjustments Nine Months Ended September 30, 2006 The Transactions

The pro forma adjustments to the statement of operations relating to the Transactions are as follows:

(e) 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 valuation analysis performed by management. The discounted cash flow approach was based upon management s estimated future cash flows from the acquired assets and utilized a discount rate consistent with the inherent risk of each of the acquired assets.

(f) The increase in interest expense reflects incremental borrowings to finance our portion of the Adelphia Acquisition and the Redemptions, net of the impact of the ATC Contribution. The following tables illustrate the allocation of borrowings to various financing arrangements and the computation of incremental interest expense:

Adelphia Acquisition

	Long-term Debt (in millions)	Annual Rate	Interest Expense for the Seven Months Ended July 31, 2006 (in millions)
TW NY Series A Preferred Membership Units[1]	$ 300	8.21%	$ 14
Other debt[1]	8,822	5.74%	295
Total incremental borrowing	9,122		309
Redemption of mandatorily redeemable preferred equity	(2,400)	8.06%	(113)
Net increase in debt/redeemable preferred equity	$ 6,722		$ 196

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(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 our portion of 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 were 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 seven-month period.

Redemptions

	Long-term Debt (in millions)	Annual Rate	Interest Expense for the Seven Months Ended July 31, 2006 (in millions)
Other debt[1]	$ 2,004	5.74%	$ 67

(1) This table reflects borrowings under 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 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 seven-month period.

(g) 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%, the elimination of ATC s historical minority interest in TWE and the elimination of Comcast s residual equity interest in TWE.

	(in millions)
Eliminate ATC s historical minority interest in TWE	$ 9
Record ATC s minority interest in TW NY Holding	(62)
Eliminate Comcast s residual equity interest in TWE	39
Net adjustment	$ (14)

(h) 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 The Transactions 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 4: 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 estimate of this after-tax gain of $80 million is not reflected in the accompanying unaudited pro forma condensed combined statements of operations.

(i) 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.

(j) As part of the dissolution of TKCCP, in October 2006 we received $631 million in cash ($494 million in repayment of outstanding loans we had made to TKCCP, which had been allocated to Comcast, and $137 million for accrued interest thereon). The cash received is assumed to be used to pay down our existing credit facilities and, therefore, we have included a $631 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.

(k) In addition to the consolidation of historical other current liabilities totaling $37 million, we recorded a $53 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.

(l) 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%.

Note 5: Items Not Acquired

The following tables represent the unaudited historical operating results of the Adelphia systems up to the closing of the Transactions 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. The Other Adjustments columns include certain items and allocated costs that were included in the Comcast Historical Systems financial information and the Adelphia Acquired Systems that were not acquired by us. Specifically, the following items relate to the Comcast Historical Systems and the Adelphia Acquired Systems that were not transferred to us and, therefore, are included as part of the Other Adjustments columns:

Adelphia s and Comcast s parent and subsidiary interest expense;

Intercompany management fees related to the Comcast Historical Systems;

A 2005 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;

Intercompany charges between Adelphia cable systems that we acquired and Adelphia cable systems that Comcast acquired that will be discontinued as a result of the Transactions;

The gain on sale recognized by Adelphia in connection with the Transactions; and

Income tax provision for the Adelphia and Comcast Historical Systems.

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ITEMS NOT ACQUIRED
Year Ended December 31, 2005
(in millions)

	Adelphia Systems Purchased by TWC Transferred to Comcast	Adelphia Systems Purchased by Comcast Retained by Comcast	Historical Adelphia Not Purchased by TWC or Comcast	Other Adjustments Adelphia Acquired Systems	Other Adjustments Comcast Historical Systems	Total Items Not Acquired
Total revenues	$ 1,754	$ 121	$ 29	$	$	$ 1,904
Costs of revenues	1,034	67	32	(32)		1,101
Selling, general and administrative expenses	159	8	(3)	(17)	70	217
Depreciation	315	24	6			345
Amortization	37	3	7			47
Impairment of long-lived assets	4	15				19
Gain on disposition of long-lived assets			(6)			(6)
Investigation and re-audit related fees	27	2		37		66
Provision for uncollectible Rigas amounts			13			13
Operating Income (Loss)	178	2	(20)	12	(70)	102
Interest expense, net	(242)	(20)		(329)	(6)	(597)
Minority interest income, net			8			8
Other income (expense), net	(2)	5	15	474		492
Reorganization income (expenses) due to bankruptcy	(30)	2	(1)	(30)		(59)
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	(96)	(11)	2	127	(76)	(54)
Income tax (provision) benefit	(85)	1	47	(63)	(18)	(118)
Dividend requirements applicable to preferred stock			(1)			(1)
Income (loss) before discontinued operations and cumulative effect of accounting change	$ (181)	$ (10)	$ 48	$ 64	$ (94)	$ (173)

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ITEMS NOT ACQUIRED
Seven Months Ended July 31, 2006
(in millions)

	Adelphia Systems Purchased by TWC Transferred to Comcast	Adelphia Systems Purchased by Comcast Retained by Comcast	Historical Adelphia Not Purchased by TWC or Comcast	Other Adjustments Adelphia Acquired Systems	Other Adjustments Comcast Historical Systems	Total Items Not Acquired
Total revenues	$ 1,113	$ 76	$ 14	$	$	$ 1,203
Costs of revenues	629	40	7	(16)		660
Selling, general and administrative expenses	90	6	7	(11)	43	135
Depreciation	178	13	3			194
Amortization	20	1				21
Impairment of long-lived assets		17				17
Gain on disposition of long-lived assets			(2)			(2)
Investigation and re-audit related fees	13	1		18		32
Operating Income (Loss)	183	(2)	(1)	9	(43)	146
Interest expense, net	(158)	(13)		(267)	(4)	(442)
Minority interest income, net			13			13
Other expense, net	(2)		(103)			(105)
Reorganization income due to bankruptcy	21	3	1	28		53
Gain on the Transactions				6,130		6,130
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	44	(12)	(90)	5,900	(47)	5,795
Income tax (provision) benefit	(47)	(4)	3	(225)	2	(271)
Income (loss) before discontinued operations and cumulative effect of accounting change	$ (3)	$ (16)	$ (87)	$ 5,675	$ (45)	$ 5,524

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Note 6: Comcast Historical Systems Supplemental Information

The following table represents the unaudited historical operating results of the Comcast Historical Systems for the seven months ended July 31, 2006, which have been separated into the six months ended June 30, 2006 and the one month period ended July 31, 2006.

	Comcast Historical Systems		
	Six Months Ended June 30, 2006	One Month Ended July 31, 2006	Seven Months Ended July 31, 2006
		(in millions)	
Total revenues	$ 630	$ 110	$ 740
Costs of revenues	248	41	289
Selling, general and administrative expenses	205	33	238
Depreciation	106	18	124
Amortization	5	1	6
Impairment of long-lived assets	9		9
Operating Income	57	17	74
Interest expense, net	(4)		(4)
Loss from equity investments, net	(3)		(3)
Other expense, net	(1)	(1)	(2)
Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change	49	16	65
Income tax (provisions) benefit	8	(6)	2
Income before discontinued operations and cumulative effect of accounting change	$ 57	$ 10	$ 67

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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 September 30, 2006 and the statement of operations data for the nine months ended September 30, 2005 and 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The balance sheet data as of September 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 nine months ended September 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 to our unaudited consolidated financial statements for the nine months ended September 30, 2006 and Note 3 to our audited consolidated financial statements for the year ended December 31, 2005, each of which is included elsewhere in this prospectus, 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 to our unaudited consolidated financial statements for the nine months ended September 30, 2006 and our audited consolidated financial statements for the year ended December 31, 2005, each of which is included elsewhere in this prospectus, 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.

In addition, our financial statements reflect the treatment of certain cable systems transferred to Comcast in connection with the Redemptions and the Exchange as discontinued operations for all periods presented.

The subscriber data set forth below covers cable systems serving 12.7 million basic video subscribers, as of September 30, 2006, whose results are consolidated with ours, as well as approximately 782,000 basic video subscribers served by cable systems in the Kansas City Pool that are managed by us but whose results are not consolidated with ours. As of September 30, 2006, approximately 791,000 basic video subscribers served by cable systems in the Houston area that Comcast will receive in the pending dissolution of TKCCP, which are also managed by us but whose results are not consolidated with ours, are not included in the subscriber data presented

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below. Subscriber amounts for all periods presented have been recast to include the subscribers in the Kansas City Pool that we will receive in the dissolution of TKCCP and to exclude subscribers that were transferred to Comcast in connection with the Redemptions and the Exchange, which have been presented as discontinued operations in our consolidated financial statements. 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,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions, except per share data)						
Statement of Operations Data:(1)							
Revenues:							
Video	$ 4,530	$ 4,923	$ 5,351	$ 5,706	$ 6,044	$ 4,509	$ 5,289
High-speed data	505	949	1,331	1,642	1,997	1,460	1,914
Voice(2)			1	29	272	166	493
Advertising	398	504	437	484	499	362	420
Total revenues	5,433	6,376	7,120	7,861	8,812	6,497	8,116
Costs and expenses:							
Costs of revenues	2,275	2,830	3,101	3,456	3,918	2,909	3,697
Selling, general and administrative expenses	941	1,350	1,355	1,450	1,529	1,131	1,456
Merger-related and restructuring costs			15		42	33	43
Depreciation	821	1,114	1,294	1,329	1,465	1,088	1,281
Amortization	2,583	6	53	72	72	54	93
Impairment of goodwill		9,210					
Gain on sale of cable system		(6)					
Total costs and expenses	6,620	14,504	5,818	6,307	7,026	5,215	6,570
Operating Income (Loss)	(1,187)	(8,128)	1,302	1,554	1,786	1,282	1,546
Interest expense, net	(476)	(385)	(492)	(465)	(464)	(347)	(411)
Income (loss) from equity investments, net	(280)	13	33	41	43	26	79
Minority interest (expense) income, net	75	(118)	(59)	(56)	(64)	(45)	(73)
Other income (expense)		(420)		11	1	1	1
	(1,868)	(9,038)	784	1,085	1,302	917	1,142

Income (loss) before income taxes, discontinued operations and cumulative effect of accounting change							
Income tax (provision) benefit	111	(118)	(327)	(454)	(153)	(168)	(452)
Income (loss) before discontinued operations and cumulative effect of accounting change	(1,757)	(9,156)	457	631	1,149	749	690
Discontinued operations, net of tax	(376)	(443)	207	95	104	75	1,018
Cumulative effect of accounting change, net of tax		(28,031)					2
Net income	$ (2,133)	$ (37,630)	$ 664	$ 726	$ 1,253	$ 824	$ 1,710
Basic and diluted income (loss) per common share before discontinued operations and cumulative effect of accounting change	$ (2.14)	$ (11.15)	$ 0.48	$ 0.63	$ 1.15	$ 0.75	$ 0.69
Discontinued operations	(0.46)	(0.54)	0.22	0.10	0.10	0.07	1.03
Cumulative effect of accounting change		(34.14)					
Net income (loss) per common share	$ (2.60)	$ (45.83)	$ 0.70	$ 0.73	$ 1.25	$ 0.82	$ 1.72
Cash dividends declared per common share	$	$	$	$	$	$	$
Weighted average common shares outstanding	821	821	955	1,000	1,000	1,000	995
OIBDA[3]	$ 2,217	$ (7,008)	$ 2,649	$ 2,955	$ 3,323	$ 2,424	$ 2,920

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	As of December 31,					As of September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions)						
Balance Sheet Data:[1]							
Cash and equivalents	$ 94	$ 868	$ 329	$ 102	$ 12	$	$
Total assets	108,409	62,146	42,902	43,138	43,677	43,318	55,467
Total debt and preferred equity[4]	6,390	6,976	8,368	7,299	6,863	6,901	14,983

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions)						
Other Operating Data:[1]							
Cash provided by operating activities	$ 2,415	$ 2,592	$ 2,128	$ 2,661	$ 2,540	$ 1,814	$ 2,561
Free Cash Flow[5]	(219)	275	118	851	435	327	732
Capital expenditures from continuing operations	(1,678)	(1,672)	(1,524)	(1,559)	(1,837)	(1,305)	(1,720)

	As of December 31,					As of September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(in thousands, except percentages)						
Subscriber Data:[1][6]							
Customer relationships[7]	9,361	9,620	9,748	9,904	10,088	10,044	14,619
Revenue generating units[8]	12,893	14,696	15,958	17,128	19,301	18,643	28,886
Video:							
Homes passed[9]	15,080	15,404	15,681	15,977	16,338	16,240	25,892
Basic subscribers[10]	9,235	9,375	9,378	9,336	9,384	9,368	13,471
Basic penetration[11]	61.2%	60.9%	59.8%	58.4%	57.4%	57.7%	52.0%
Digital subscribers	2,285	3,121	3,661	4,067	4,595	4,420	7,024
Digital penetration[12]	24.7%	33.3%	39.0%	43.6%	49.0%	47.2%	52.1%
High-speed data:							
Service-ready homes passed[13]	13,894	14,910	15.470	15,870	16,227	16,113	25,481
Residential subscribers	1,325	2,121	2,795	3,368	4,141	3,912	6,398
Residential high-speed data penetration[14]	9.5%	14.2%	18.1%	21.2%	25.5%	24.3%	25.1%
Commercial accounts	42	74	112	151	183	177	222

Voice:[15]							
Service-ready homes passed[16]	NA	NA	NM	8,814	14,308	13,564	15,622
Subscribers	NA	NA	NM	206	998	766	1,649
Penetration[17]	NA	NA	NM	2.3%	7.0%	5.6%	10.6%

NM Not meaningful

NA Not applicable

(1) 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. We recorded a $28 billion charge as a cumulative effect of accounting change upon the adoption of FAS 142.

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

Our 2003 and prior results include the treatment of the TWE non-cable businesses that were transferred to Time Warner in the TWE Restructuring as discontinued operations.

Our 2006 results include the impact of the Transactions for periods subsequent to the closing of the Transactions, which was July 31, 2006.

(2) Voice revenues for the nine months ended September 30, 2006 include approximately $12 million of revenues associated with subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (approximately 122,000 subscribers at September 30, 2006). We continue to provide traditional, circuit-switched services to those subscribers and will continue to do so for some period of time, while we simultaneously market our Digital Phone product to those customers. After some period of time, we intend to

discontinue the circuit-switched offering in accordance with regulatory requirements, at which time the only voice service provided by us in those systems will be our Digital Phone service.

(3) OIBDA is a non-GAAP financial measure. We define OIBDA as Operating Income (Loss) before depreciation of tangible assets and amortization of intangible assets. Management utilizes OIBDA, among other measures, in evaluating the performance of our business and as a significant component of our annual incentive compensation programs because OIBDA eliminates the uneven effect across our business of considerable amounts of depreciation of tangible assets and amortization of intangible assets recognized in business combinations. OIBDA is also a measure used by our parent, Time Warner, to evaluate our performance and is an important metric in the Time Warner reportable segment disclosures. Management also uses OIBDA in evaluating our ability to provide cash flows to service debt and fund capital expenditures because OIBDA removes the impact of depreciation and amortization, which do not contribute to our ability to provide cash flows to service debt and fund capital expenditures. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. To compensate for this limitation, management evaluates the investments in such tangible and intangible assets through other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis. Additionally, 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 $9.2 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 Net income (loss) and Operating Income (Loss) to OIBDA:

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
	(restated, except current period data) (in millions)						
Net income (loss)	$ (2,133)	$ (37,630)	$ 664	$ 726	$ 1,253	$ 824	$ 1,710
Reconciling items:							
Discontinued operations, net of tax	376	443	(207)	(95)	(104)	(75)	(1,018)
Cumulative effect of accounting change, net of tax		28,031					(2)
Income tax provision (benefit)	(111)	118	327	454	153	168	452
Other (income) expense		420		(11)	(1)	(1)	(1)
Minority interest expense (income), net	(75)	118	59	56	64	45	73
(Income) loss from equity investments, net	280	(13)	(33)	(41)	(43)	(26)	(79)
Interest expense, net	476	385	492	465	464	347	411
Operating Income (Loss)	(1,187)	(8,128)	1,302	1,554	1,786	1,282	1,546
Depreciation	821	1,114	1,294	1,329	1,465	1,088	1,281
Amortization	2,583	6	53	72	72	54	93

OIBDA	$ 2,217	$ (7,008)	$ 2,649	$ 2,955	$ 3,323	$ 2,424	$ 2,920

(4) Total debt and preferred equity include 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, September 30, 2005 and September 30, 2006), long-term debt, mandatorily redeemable preferred equity issued by a subsidiary and TW NY Series A Preferred Membership Units.

(5) Free Cash Flow is a non-GAAP financial measure. 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 uses Free Cash Flow to evaluate our business and as a component of our annual incentive compensation programs. We believe this measure is an important indicator of our liquidity, including our ability to reduce net debt and make strategic investments, because it reflects our operating cash flow after considering the significant capital expenditures required to operate our business. A limitation of this measure, however, is that it does not reflect payments made in connection with investments and acquisitions, which reduce liquidity. To compensate for this limitation, management evaluates such expenditures through other financial measures, such as capital expenditure budget variances and return on investments analyses. 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.

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

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
				(in millions)			
Cash provided by operating activities	$ 2,415	$ 2,592	$ 2,128	$ 2,661	$ 2,540	$ 1,814	$ 2,561
Reconciling items:							
Discontinued operations, net of tax	376	443	(207)	(95)	(104)	(75)	(1,018)
Operating cash flow adjustments relating to discontinued operations	(1,332)	(1,081)	(246)	(145)	(133)	(85)	929
Cash provided by continuing operating activities	1,459	1,954	1,675	2,421	2,303	1,654	2,472
Capital expenditures from continuing operations	(1,678)	(1,672)	(1,524)	(1,559)	(1,837)	(1,305)	(1,720)
Partnership distributions and principal payments on capital leases of continuing operations		(7)	(33)	(11)	(31)	(22)	(20)
Free Cash Flow	$ (219)	$ 275	$ 118	$ 851	$ 435	$ 327	$ 732

(6) In connection with the Transactions, we acquired approximately 3.2 million net basic video subscribers consisting of approximately 4.0 million acquired subscribers and approximately 0.8 million subscribers transferred to Comcast. Adelphia and Comcast employed methodologies that differed slightly from those used by us to determine homes passed and subscriber numbers. As of September 30, 2006, we had converted such data for most of the Adelphia and Comcast systems to our methodology and expect to complete this process during the fourth quarter of 2006. Although not expected to be significant, any adjustments to the homes passed and subscriber numbers resulting from the conversion of the remaining systems will be recast to make all periods comparable.

(7) 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.

(8) 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.

(9) 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.

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

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

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

(13) 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.

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

(15) Voice subscriber data at September 30, 2006 exclude subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (approximately 122,000 subscribers at September 30, 2006).

(16) 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.

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

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

You should read the following discussion in conjunction with Selected Historical Consolidated Financial and Subscriber Data, Unaudited Pro Forma Condensed Combined Financial Information and our historical 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 former Comcast Los Angeles, Dallas and Cleveland cable system operations and related notes, each of which is included elsewhere in this prospectus. Some of the statements in the following discussion are forward-looking statements. For more information, please see Forward-Looking Statements. The following discussion and analysis of our results of operations includes periods prior to the TWE Restructuring and the consummation of the Transactions. Accordingly, our historical results of operations are not indicative of what our future results of operations will be.

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 September 30, 2006, 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, 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 September 30, 2006, we had over 14.6 million customer relationships through which we provided one or more of our services.

Time Warner currently holds an 84.0% economic interest in us (representing a 90.6% voting interest). ACC currently holds a 16.0% economic interest in us through ownership of 17.3% of our outstanding Class A common stock (representing a 9.4% voting interest). The financial results of our operations are consolidated by Time Warner.

We principally offer three products video, high-speed data and voice. Video is our largest product in terms of revenues generated. We expect to continue to increase our video revenues through our offerings of advanced digital video services such as VOD, SVOD, HDTV and set-top boxes equipped with digital video recorders, as well as through rate increases and subscriber growth. Our digital video subscribers provide a broad base of potential customers for additional advanced services. Providing basic video services is an established and highly penetrated business, and, as a result, we continue to expect slower incremental growth in the number of our basic video subscribers compared to the growth in our advanced service offerings. Video programming costs represent a major component of our expenses and are expected to continue to increase, reflecting contractual rate increases, subscriber growth and the expansion of service offerings.

High-speed data service has been one of our fastest-growing products over the past several years and is a key driver of our results. We expect continued strong growth in residential high-speed data subscribers and revenues for the foreseeable future; however, the rate of growth of both subscribers and revenue could be adversely impacted by intensified competition from other service providers and by the continued increase in high-speed data market penetration.

Voice is our newest product, and approximately 1.6 million subscribers (including approximately 125,000 managed subscribers in the Kansas City Pool) received the service as of September 30, 2006. For a monthly fixed fee, voice customers typically receive the following services: unlimited local, in-state and U.S., Canada and Puerto Rico long-distance calling, as well as call waiting, caller ID and E911 services. We also are currently deploying a lower-priced unlimited in-state-only calling plan to serve those of our customers that do not extensively use long-distance services and, in the future, intend to offer additional plans with a variety of local and long-distance options. Our voice services product enables us to offer our customers a convenient package, or bundle, of video, high-speed data and voice services, and to compete effectively against similar bundled products available from our competitors. We expect strong increases in voice subscribers and revenues for the foreseeable future.

Some of our principal competitors, in particular, 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 comparable features and functions to the video, data and/or voice services that we offer and they are aggressively seeking to offer them in bundles similar to ours. We expect that the availability of these service offerings will intensify competition.

In addition to the subscription services described above, we also earn revenue by selling advertising time to national, regional and local businesses. For the nine months ended September 30, 2006, approximately one-half of our Advertising revenues were derived from sales to the automotive and media and entertainment industries, with no other individual industry providing a significant portion of our revenues.

As of July 31, 2006, the date the Transactions closed, the overall penetration rates for basic video, digital video and high-speed data services were lower in the Acquired Systems than in our legacy systems. Furthermore, certain advanced services were not available in some of the Acquired Systems, and IP-based telephony service was not available in any of the Acquired Systems. To increase the penetration of these services in the Acquired Systems, we are in the process of a significant integration effort that includes upgrading the capacity and technical performance of these systems to levels that will allow the delivery of these advanced services and features. We believe that by upgrading the plant, there is a significant opportunity to increase penetration rates of our service offerings in the Acquired Systems.

Restatement of Prior Financial Information

As previously disclosed by our parent company, Time Warner, the SEC had been conducting an investigation into certain accounting and disclosure practices of Time Warner. On March 21, 2005, Time Warner announced that the SEC had approved Time Warner s proposed settlement, which resolved the SEC s investigation of Time Warner. Under the terms of the settlement with the SEC, Time Warner agreed, without admitting or denying the SEC s allegations, to be enjoined from future violations of certain provisions of the securities laws and to comply with the cease-and-desist order issued by the SEC to AOL, a subsidiary of Time Warner, in May 2000. Time Warner also agreed to appoint an independent examiner, who was to either be or hire a certified public accountant. The independent examiner was to review whether Time Warner s historical accounting for certain transactions (as well as any subsequent amendments) with 17 counterparties identified by the SEC staff, principally involving online advertising revenues and including three cable programming affiliation agreements with related online advertising elements, was appropriate, and provide a report to Time Warner s Audit and Finance Committee of its conclusions, originally within 180 days of being engaged. The transactions that were to be reviewed were entered into (or amended) between June 1, 2000 and December 31, 2001, including subsequent amendments thereto, and involved online advertising and related transactions for which the majority of the revenue was recognized by Time Warner before January 1, 2002.

During the third quarter of 2006, the independent examiner completed his review, in which he concluded that certain of the transactions under review with 15 counterparties, including three cable programming affiliation agreements with advertising elements, had been accounted for improperly because the historical accounting did not reflect the substance of the arrangements. Under the terms of its SEC settlement, Time Warner was required to restate any transactions that the independent examiner determined were accounted for improperly. Accordingly, Time Warner restated its consolidated financial results for each of the years ended December 31, 2000 through December 31, 2005 and for the six months ended June 30, 2006. The impact of the adjustments is reflected in amendments to Time Warner s Annual Report on Form 10-K for the year ended December 31, 2005 and Time Warner s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006 and June 30, 2006, each of which was filed with the SEC on September 13, 2006. In addition, we restated our consolidated financial results for the years ended December 31, 2001 through December 31, 2005 and for the six months ended June 30, 2006. The financial statements presented herein reflect the impact of the adjustments made in our financial results.

The three transactions impacting us are ones in which we entered into cable programming affiliation agreements at the same time we committed to deliver (and did subsequently deliver) network and online advertising services to those same counterparties. Total advertising revenues recognized by us under these transactions was approximately $274 million (approximately $134 million in 2001 and approximately $140 million in 2002). Included in the $274 million was $56 million related to operations that have been subsequently classified as discontinued operations. In addition to reversing the recognition of revenue, based on the independent examiner s conclusions, we have recorded corresponding reductions in the cable programming costs over the life of the related

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cable programming affiliation agreements (which range from 10 to 12 years) that were acquired contemporaneously with the execution of the advertising agreements. This has the effect of increasing earnings beginning in 2003 and continuing through future periods.

The net effect of restating these transactions is that our net income was reduced by approximately $60 million in 2001 and $61 million in 2002 and was increased by approximately $12 million in each of 2003, 2004 and 2005, and by approximately $6 million for the first six months of 2006 (the impact for the year ended December 31, 2006 is estimated to be an increase to our net income of approximately $12 million). While the restatement resulted in changes in the classification of cash flows within cash provided by operating activities, it has not impacted total cash flows during the periods.

Business Transactions and Developments

Adelphia Acquisition

On July 31, 2006, the Adelphia Acquisition closed. At the closing of the Adelphia Acquisition, TW NY paid approximately $8.9 billion in cash, after giving effect to certain purchase price adjustments, and shares representing 17.3% of our Class A common stock (16% of our outstanding common stock) for our portion of the Adelphia Acquisition. In addition, on July 28, 2006, in the ATC Contribution, ATC, a subsidiary of Time Warner, contributed its 1% common equity interest and $2.4 billion preferred equity interest in TWE to TW NY Holding, a newly created subsidiary of ours and the parent of TW NY, in exchange for an approximately 12.4% non-voting common stock interest in TW NY Holding.

At the closing of the Adelphia Acquisition, we and Adelphia entered into a registration rights and sale agreement (the Adelphia Registration Rights and Sale Agreement). Under the Adelphia Registration Rights and Sale Agreement, ACC is required to sell, in a single underwritten firm commitment public offering (the Offering), at least one-third of the shares of our Class A common stock (including any shares sold pursuant to any over-allotment option granted to the underwriters) it received in the Adelphia Acquisition no later than three months after the registration statement covering those shares is declared effective, subject to rights to delay for a limited period of time under certain circumstances, unless a termination event occurs. We are required to use our commercially reasonable efforts to (i) file a registration statement covering these shares as promptly as practicable and (ii) cause such registration statement to be declared effective as promptly as practicable after filing, but in any event not later than January 31, 2007. The registration statement of which this prospectus forms a part has been filed in order to fulfill, in part, this obligation. Any shares of our Class A common stock received by ACC in the Adelphia Acquisition that are not included in the Offering are expected to be distributed to Adelphia s creditors pursuant to a subsequent plan of reorganization under chapter 11 of the Bankruptcy Code (a Remainder Plan) to be filed by Adelphia with the Bankruptcy Court, which, in accordance with the agreement governing the Adelphia Acquisition, must be reasonably satisfactory to us in all material respects to the extent it affects the terms of the Transactions or the Adelphia Acquired Systems. The shares distributed to Adelphia s creditors under the Remainder Plan would be freely transferable, subject to certain exceptions.

The Redemptions

On July 31, 2006, immediately before the closing of the Adelphia Acquisition, each of the TWC Redemption and the TWE Redemption was consummated. Specifically, in the TWC Redemption, Comcast s 17.9% interest in us was redeemed in exchange for 100% of the capital stock of a subsidiary of ours holding cable systems serving approximately 589,000 subscribers and approximately $1.9 billion in cash. In addition, in the TWE Redemption, Comcast s 4.7% interest in TWE was redeemed in exchange for 100% of the equity interests in a subsidiary of TWE holding cable systems serving approximately 162,000 subscribers and approximately $147 million in cash. For accounting purposes, the Redemptions were treated as an acquisition of Comcast s minority interests in us and TWE and a sale of the cable systems that were transferred to Comcast. The purchase of the minority interests resulted in a reduction of goodwill of $730 million related to the excess of the carrying value of the Comcast minority interests over the total fair value of the Redemptions. In addition, the sale of the cable systems resulted in an after-tax gain of $930 million, which is comprised of a $113 million pretax gain (calculated as the difference between the carrying

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value of the systems acquired by Comcast in the Redemptions totaling $2.987 billion and the estimated fair value of $3.100 billion) and the net reversal of deferred tax liabilities of approximately $817 million.

The Exchange

Following the Redemptions and the Adelphia Acquisition, on July 31, 2006, we, Comcast and certain of our subsidiaries consummated the Exchange, under which we exchanged certain cable systems to enhance our respective geographic clusters of subscribers and TW NY paid Comcast approximately $67 million for certain adjustments related to the Exchange. We did not record a gain or loss on systems TW NY acquired from Adelphia and transferred to Comcast in the Exchange because such systems were recorded at fair value in the Adelphia Acquisition. We did, however, record a pretax gain of $32 million ($19 million net of tax) on the Exchange related to the disposition of Urban Cable Works of Philadelphia, L.P. (Urban Cable). This gain is included as a component of discontinued operations in the accompanying consolidated statement of operations for the nine months ended September 30, 2006.

The results of the systems acquired in connection with the Transactions have been included in the accompanying consolidated statement of operations since the closing of the Transactions on July 31, 2006. The systems transferred to Comcast in connection with the Redemptions and the Exchange (the Transferred Systems), including the gains discussed above, have been reflected as discontinued operations in the accompanying consolidated statement of operations for all periods presented. See Notes 1 and 3 to our unaudited consolidated financial statements for the nine months ended September 30, 2006 and Note 2 to our audited consolidated financial statements for the year ended December 31, 2005, each of which is included elsewhere in this prospectus, for additional information regarding the discontinued operations.

As a result of the closing of the Transactions, we gained systems with approximately 3.2 million basic subscribers. As of July 31, 2006, Time Warner owns 84% of our outstanding common stock (including 82.7% of our outstanding Class A common stock and all outstanding shares of our Class B common stock), as well as an approximately 12.4% non-voting common stock interest in TW NY Holding. As of July 31, 2006, the remaining 17.3% of our Class A common stock (16% of our outstanding common stock) is held by Adelphia, and Comcast has no interest in us or TWE.

See The Transactions for additional information on the Transactions.

Tax Benefits from 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 depreciation and amortization deductions resulting from this step-up in the tax basis of the assets would reduce future net cash tax payments and thereby increase our future cash flows. We believe that most cable operators have a tax basis that is below the fair market value of their cable systems and, accordingly, we have viewed a portion of our tax basis in the acquired assets as incremental value above the amount of basis more generally associated with cable systems. The value of the tax benefit of such incremental step-up on a net present value basis would be approximately $2.5 billion (reducing net cash tax payments by more than $300 million per year), assuming the following: (i) a 10% discount rate, (ii) incremental step-up relating to 85% of a $14.4 billion purchase price (which assumes that 15% of the fair market value of cable systems represents a typical amount of basis), (iii) straight-line amortization deductions over 15 years, (iv) sufficient taxable income over the next 15 years to utilize the amortization deductions, and (v) a 40% effective tax rate over the 15-year period. The IRS or state or local tax authorities might challenge the anticipated tax characterizations or related valuations, and any successful challenge 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.

Also, 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. If the IRS were successful in challenging the tax-free characterization of the

TWC Redemption, an additional cash liability on account of taxes of up to an estimated $900 million could become payable by us.

For a discussion of these and other tax issues, see the tenth risk factor under Risk Factors Additional Risks of Our Operations.

FCC Order Approving the Transactions

In its order approving the Adelphia Acquisition, the FCC imposed conditions on us related to regional sports networks (RSNs), as defined in the order, and the resolution of disputes pursuant to the FCC s leased access regulations. In particular, the order provides that:

- neither we nor our affiliates may offer an affiliated RSN on an exclusive basis to any multichannel video programming distributor (MVPD);
- we may not unduly or improperly influence:
  - the decision of any affiliated RSN to sell programming to an unaffiliated MVPD; or
  - the prices, terms, and conditions of sale of programming by an affiliated RSN to an unaffiliated MVPD;
- if an MVPD and an affiliated RSN cannot reach an agreement on the terms and conditions of carriage, the MVPD may elect commercial arbitration to resolve the dispute;
- if an unaffiliated RSN is denied carriage by us, it may elect commercial arbitration to resolve the dispute; and
- with respect to leased access, if an unaffiliated programmer is unable to reach an agreement with us, that programmer may elect commercial arbitration to resolve the dispute, with the arbitrator being required to resolve the dispute using the FCC s existing rate formula relating to pricing terms.

The application and scope of these conditions, which will expire in July 2011, have not yet been tested. We retain the right to obtain FCC and judicial review of any arbitration awards made pursuant to these conditions.

Joint Venture Dissolution

TKCCP is a 50-50 joint venture between TWE-A/N (a partnership of TWE and the Advance/Newhouse Partnership) and Comcast serving approximately 1.6 million basic video subscribers as of September 30, 2006. In accordance with the terms of the TKCCP partnership agreement, on July 3, 2006, Comcast notified us of its election to trigger the dissolution of the partnership and its decision to allocate all of TKCCP s debt, which totaled approximately $2 billion, to the pool of assets consisting of the Houston cable systems. On August 1, 2006, we notified Comcast of our election to receive the Kansas City Pool, which served approximately 782,000 basic video subscribers as of September 30, 2006. As a result, Comcast will receive the pool of assets consisting of the Houston cable systems, which served approximately 791,000 basic video subscribers as of September 30, 2006. On October 2, 2006, we received approximately $630 million from Comcast due to the repayment of debt owed by TKCCP to TWE-A/N that had been allocated to the Houston cable systems. The consummation of the dissolution of TKCCP is subject to customary closing conditions, including regulatory and franchise review and approvals. It is expected that the dissolution of TKCCP will be completed during the first quarter of 2007. Upon the closing, we will consolidate the results of the Kansas City Pool. Effective July 1, 2006, we are entitled to 100% of the economic interest in the Kansas City Pool (and recognize such interest pursuant to the equity method of accounting), and are no longer entitled to any economic benefits of ownership from the Houston cable systems. As a result of the pending TKCCP dissolution, we have revised our managed subscriber numbers to include only the managed subscribers in the Kansas City Pool. Accordingly, the subscribers from the Houston cable systems have been eliminated from our managed subscriber numbers for all periods presented.

TWE Notes Indenture

On October 18, 2006, we, together with TWE, TW NY Holding, certain other subsidiaries of Time Warner and The Bank of New York, as Trustee, entered into the Tenth Supplemental Indenture to the indenture (the TWE Indenture) governing $3.2 billion of notes and debentures issued by TWE (the TWE Notes). Pursuant to the Tenth Supplemental Indenture to the TWE Indenture, TW NY Holding fully, unconditionally and irrevocably guaranteed the payment of principal and interest on the TWE Notes. Also on October 18, 2006, TW NY contributed all of its general partnership interests in TWE to TWE GP Holdings LLC, its wholly owned subsidiary. In addition, on November 2, 2006, a consent solicitation to amend the TWE Indenture was completed. See Financial Condition and Liquidity TWE Notes and Debentures for further details.

Income Tax Changes

During 2005, our tax provision was impacted favorably by state tax law changes in Ohio, an ownership restructuring in Texas and certain other methodology changes. The state law changes in Ohio relate to the changes in the method of taxation as the income tax is being phased-out and replaced with a gross receipts tax. These tax law changes resulted in a reduction in certain deferred tax liabilities related to Ohio. Accordingly, we have recognized these reductions as noncash tax benefits totaling approximately $205 million in 2005. In addition, an ownership restructuring of our partnership interests in Texas and certain methodology changes resulted in a reduction of deferred state tax liabilities. We have also recognized this reduction as a noncash tax benefit of approximately $174 million in the fourth quarter of 2005.

Restructuring of Time Warner Entertainment Company, L.P.

TWE is a Delaware limited partnership formed in 1992 that was owned by Time Warner and other third parties that, prior to the TWE Restructuring, which is described below, was engaged in three business cable systems, filmed entertainment and programming.

As part of the TWE Restructuring in March 2003, (i) substantially all the assets of TWI Cable, Inc. (a wholly owned subsidiary of Time Warner) and TWE were acquired by us, (ii) TWE s non-cable businesses, including Warner Bros., Home Box Office, and TWE s interests in The WB Television Network, Comedy Central (which was subsequently sold) and the Courtroom Television Network (collectively, the Non-cable Businesses) were distributed to Time Warner, and (iii) Comcast restructured its holdings in TWE, the result of which was a decreased interest in TWE and an increased ownership interest in us. As a result of the TWE Restructuring, TWE became a consolidated subsidiary of ours, and we indirectly held 94.3% of TWE s residual equity interest, with the remaining interest held indirectly by Time Warner and Comcast. See Certain Relationships and Related Transactions TWE for more information.

Prior to the Redemptions but subsequent to the TWE Restructuring, Comcast s 21% economic interest in us was held through a 17.9% direct common stock ownership interest in us and a limited partnership interest in TWE (representing a 4.7% residual equity interest). Time Warner s 79% economic interest in us was held through an 82.1% direct common stock ownership interest in us (representing an 89.3% voting interest) and a limited partnership interest in TWE (representing a 1% residual equity interest). Time Warner also held a $2.4 billion mandatorily redeemable preferred equity interest in TWE through ATC. In connection with the TWE Restructuring, Time Warner effectively increased its economic ownership interest in TWE from approximately 73% to approximately 79%. The acquisition by Time Warner of this additional 6% interest in TWE, as well as the reorganization of Comcast s interest in TWE resulting in a 17.9% interest in us, were accounted for at fair value as step acquisitions. The total purchase consideration for the additional 6% interest in TWE was approximately $4.6 billion ($3.2 billion of the total purchase consideration was related to the discontinued operations of the Non-cable Businesses). These step acquisitions resulted in a fair value adjustment of $2.4 billion which is reflected as an increase in cable franchise intangibles and franchise-related customer relationships, with a corresponding increase in contributed capital. Time Warner s purchase accounting adjustments for the TWE Restructuring were pushed down to our financial statements. See The Transactions TWC/Comcast Agreements The TWE Redemption Agreement and The TWC Redemption Agreement.

In the TWE Redemption, TWE redeemed all of the residual equity interest of TWE held by Comcast in exchange for 100% of the limited liability company interests of one of its subsidiaries. As a result of the TWE Redemption, Comcast no longer has an interest in TWE. See The Transactions TWC/Comcast Agreements The TWE Redemption Agreement.

The ATC Contribution was consummated on July 28, 2006. In the ATC Contribution, ATC contributed its 1% residual equity interest and $2.4 billion preferred equity interest in TWE that it received in the TWE Restructuring to TW NY Holding, the direct parent of TW NY and an indirect, wholly owned subsidiary of ours, for a 12.4% non-voting common stock interest in TW NY Holding.

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As a result of the TWE Redemption and the ATC Contribution, two of our subsidiaries are the sole general and limited partners of TWE.

Financial Statement Presentation

Revenues

Our revenues consist of video, high-speed data, voice and advertising revenues.

Video revenues include monthly fees for basic, standard and digital services, together with related equipment rental charges, charges for set-top boxes and charges for premium channels and SVOD services. Video revenues also include installation, Pay-Per-View and VOD charges and franchise fees relating to video charges collected on behalf of local franchising authorities. Several ancillary items are also included within video revenues, such as commissions related to the sale of merchandise by home shopping services and rental income earned on the leasing of antenna attachments on our transmission towers. In each period presented, these ancillary items constitute less than 2% of video revenues.

High-speed data revenues include monthly subscriber fees from both residential and commercial subscribers, which account for nearly 99% of such revenues, along with related equipment rental charges, home networking fees and installation charges, which account for approximately 1% of such revenues. High-speed data revenues also include fees received from TKCCP (our unconsolidated joint venture), third parties and certain cable systems owned by a subsidiary of TWE-A/N and managed by the Advance/Newhouse Partnership (A/N).

Voice revenues include monthly subscriber fees from voice subscribers, including Digital Phone and circuit-switched subscribers, which account for over 99% of such revenues, along with related installation charges, which account for less than 1% of such revenues.

Advertising revenues include the fees charged to local, regional and national advertising customers for advertising placed on our video and high-speed data services. Substantially all advertising revenues are attributable to our video service.

Costs and Expenses

Costs of revenues include: video programming costs (including fees paid to the programming vendors net of certain amounts received from the vendors); high-speed data connectivity costs; voice services network costs; other service-related expenses, including non-administrative labor costs directly associated with the delivery of products and services to subscribers, maintenance of our delivery systems; franchise fees; and other related expenses. Our programming agreements are generally multi-year agreements that require us to make payments to the programming vendors at agreed upon rates based on the number of subscribers to which we provide the service.

Selling, general and administrative expenses include amounts not directly associated with the delivery of products and services to subscribers or the maintenance of our delivery systems, such as administrative labor costs, marketing expenses, billing charges, repair and maintenance costs, management fees paid to Time Warner and other administrative overhead costs, net of management fees received from TKCCP, our unconsolidated joint venture. Effective August 1, 2006, as a result of the pending dissolution of TKCCP, we no longer receive management fees from TKCCP.

Use of OIBDA and Free Cash Flow

OIBDA is a non-GAAP financial measure. We define OIBDA as Operating Income (Loss) before depreciation of tangible assets and amortization of intangible assets. Management utilizes OIBDA, among other measures, in evaluating the performance of our business and as a significant component of our annual incentive compensation programs because OIBDA eliminates the uneven effect across our business of considerable amounts of depreciation of tangible assets and amortization of intangible assets recognized in business combinations. OIBDA is also a measure used by our parent, Time Warner, to evaluate our performance and is an important metric in the Time Warner reportable segment disclosures. Management also uses OIBDA in evaluating our ability to provide cash flows to service debt and fund capital expenditures because OIBDA removes the impact of depreciation and

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amortization, which do not contribute to our ability to provide cash flows to service debt and fund capital expenditures. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. To compensate for this limitation, management evaluates the investments in such tangible and intangible assets through other financial measures, such as capital expenditure budget variances, investment spending levels and return on capital analysis. Additionally, 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.

Free Cash Flow is a non-GAAP financial measure. 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 uses Free Cash Flow to evaluate our business and as a component of our annual incentive compensation programs. We believe this measure is an important indicator of our liquidity, including our ability to reduce net debt and make strategic investments, because it reflects our operating cash flow after considering the significant capital expenditures required to operate our business. A limitation of this measure, however, is that it does not reflect payments made in connection with investments and acquisitions, which reduce liquidity. To compensate for this limitation, management evaluates such expenditures through other financial measures, such as capital expenditure budget variances and return on investment analyses. 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.

Both OIBDA and Free Cash Flow should be considered in addition to, not as a substitute for, our Operating Income, net income and various cash flow measures (e.g., cash provided by operating activities), as well as other measures of financial performance and liquidity reported in accordance with GAAP. A reconciliation of OIBDA to both Operating Income and net income is presented under Results of Operations. A reconciliation of Free Cash Flow to cash provided by operating activities is presented under Financial Condition and Liquidity.

Anticipated Future Trends

Video Services

Management expects that video revenues will continue to grow in the future, reflecting rate increases and increased revenue from new digitally-based services, such as VOD, SVOD, HDTV and set-top boxes equipped with digital video recorders, which we have introduced over the past few years. Digital video subscribers are expected to continue to grow, but at relatively slower rates as penetration increases. Providing basic video services is an established and highly penetrated business, and, as a result, we expect slower incremental growth in the number of our basic video subscribers compared to the growth of our advanced service offerings. Video programming costs are expected to remain one of our largest single expense items for the foreseeable future. Video programming costs have risen in recent years due to several factors, including industry-wide programming cost increases (especially for sports programming), increased demand for premium services, the addition of quality programming for more extensive programming packages and service offerings and the launch of VOD services. For these reasons, programming costs will continue to rise, and we expect that our video product margins will decline over the next few years as programming cost increases outpace growth in video revenue. Video programming costs are expected to increase during the fourth quarter of 2006 at a rate higher than that experienced during the first nine months of 2006 reflecting the impact of the Transactions, and, to a lesser extent, contractual rate increases, subscriber growth and the continued expansion of service offerings.

High-speed Data Services

High-speed data services continue to be a source of high revenue growth. In total, consolidated high-speed data revenues grew from $1.3 billion for the year ended December 31, 2003 to $2.0 billion for the year ended December 31, 2005 and from $1.5 billion for the nine months ended September 30, 2005 to $1.9 billion for the nine months ended September 30, 2006. Strong growth rates for subscription revenues associated with the high-speed data services product are expected to continue for the remainder of 2006. High-speed data costs decreased from

$126 million for the year ended December 31, 2003 to $102 million for the year ended December 31, 2005 as connectivity costs decreased on a per subscriber basis due to industry-wide cost reductions. High-speed data costs increased from $75 million for the nine months ended September 30, 2005 to $115 million for the nine months ended September 30, 2006 as a result of the Transactions, subscriber growth and an increase in per subscriber connectivity costs. We anticipate that per subscriber costs will continue to rise as connectivity costs and customer usage continue to increase. In addition, as narrowband Internet users continue to migrate to broadband connections, we anticipate that an increasing percentage of our new high-speed data customers will elect to purchase our entry-level of high-speed data service, which is generally less expensive than our flagship service level. As a result, over time, our average high-speed data revenue per subscriber may reflect this shift in mix.

Voice Services

Our voice services product was rolled out across our footprint during 2004. Consolidated voice revenues grew from $1 million for the year ended December 31, 2003 to $272 million for the year ended December 31, 2005 and from $166 million for the nine months ended September 30, 2005 to $493 million for the nine months ended September 30, 2006. Strong growth rates for subscription revenues associated with voice services are expected to continue for the remainder 2006.

Merger-related and Restructuring Costs

For the nine months ended September 30, 2006, we expensed approximately $29 million of non-capitalizable merger-related costs associated with the Redemptions, the Adelphia Acquisition and the Exchange. Such costs are expected to continue into the fourth quarter of 2006. In addition, our results for the nine months ended September 30, 2006 include approximately $14 million of restructuring costs, primarily due to a reduction in headcount associated with efforts to reorganize our operations in a more efficient manner. These charges are part of our broader plans to simplify our organizational structure and enhance our customer focus. We are in the process of executing these initiatives and expect to incur additional costs as these plans are implemented during the remainder of 2006 and throughout 2007.

Recently Adopted Accounting Principles

Stock-based Compensation

Historically, our employees participated in various Time Warner equity plans. We have established the Time Warner Cable Inc. 2006 Stock Incentive Plan (the 2006 Plan). We expect that our employees will participate in the 2006 Plan starting in 2007 and thereafter will not continue to participate in Time Warner s equity plan. Our employees who have outstanding equity awards under the Time Warner equity plans will retain any rights under those Time Warner equity awards pursuant to their terms regardless of their participation in the 2006 Plan. We have adopted the provisions of FAS 123R as of January 1, 2006. The provisions of FAS 123R require a company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is recognized in the statement of operations over the period during which an employee is required to provide service in exchange for the award. FAS 123R also amends FASB Statement No. 95, *Statement of Cash Flows*, to require that excess tax benefits, as defined, realized from the exercise of stock options be reported as a financing cash inflow rather than as a reduction of taxes paid in cash flow from operations.

Prior to the adoption of FAS 123R, we had followed the provisions of FAS 123, which allowed us to follow the intrinsic value method set forth in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and disclose the pro forma effects on net income (loss) had the fair value of the equity awards been expensed. In connection with adopting FAS 123R, 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 FAS 123 (see Note 1 to our unaudited consolidated financial statements for the nine months ended September 30, 2006 and Note 3 to our audited consolidated financial statements for the year ended December 31, 2005, each of which is included elsewhere in this prospectus, for a discussion on the impact of the adoption of FAS 123R).

Prior to the adoption of FAS 123R, for disclosure purposes, we recognized stock-based compensation expense for awards with graded vesting by treating each vesting tranche as a separate award and recognizing compensation expense ratably for each tranche. For equity awards granted subsequent to the adoption of FAS 123R, we treat such awards as a single award and recognize stock-based compensation expense on a straight-line basis (net of estimated forfeitures) over the employee service period. Stock-based compensation expense is recorded in costs of revenues or selling, general and administrative expense depending on the employee s job function.

Additionally, when recording compensation cost for equity awards, FAS 123R requires companies to estimate the number of equity awards granted that are expected to be forfeited. Prior to the adoption of FAS 123R, for disclosure purposes, we recognized forfeitures when they occurred, rather than using an estimate at the grant date and subsequently adjusting the estimated forfeitures to reflect actual forfeitures. Accordingly, a pretax cumulative effect adjustment totaling $4 million ($2 million, net of tax) has been recorded for the nine months ended September 30, 2006 to adjust for awards granted prior to January 1, 2006 that are not expected to vest. The total impact of the adoption of FAS 123R on Operating Income for the nine months ended September 30, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003 was $24 million, $44 million, $53 million, $66 million and $93 million, respectively. Total equity-based compensation expense (which includes expense recognized related to Time Warner stock options, restricted stock and restricted stock units) recognized for the nine months ended September 30, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003 was $27 million, $44 million, $53 million, $70 million and $97 million, respectively.

Accounting For Sabbatical Leave and Other Similar Benefits

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on EITF Issue No. 06-02, *Accounting for Sabbatical Leave and Other Similar Benefits* (EITF 06-02). EITF 06-02 provides that an employee s right to a compensated absence under a sabbatical leave or similar benefit arrangement in which the employee is not required to perform any duties during the absence is an accumulating benefit. Therefore, such arrangements should be accounted for as a liability with the cost recognized over the service period during which the employee earns the benefit. The provisions of EITF 06-02 will be effective for us as of January 1, 2007 and will impact the accounting for certain of our employment arrangements. The cumulative impact of this guidance, which will be applied retrospectively to all prior periods, is expected to result in a reduction to retained earnings on January 1, 2007 of approximately $60 million ($36 million, net of tax). The retrospective impact on Operating Income for calendar years 2006, 2005 and 2004 is expected to be approximately $5 million, $5 million and $7 million, respectively.

Income Statement Classification of Taxes Collected from Customers

In June 2006, the EITF reached a consensus on EITF Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* (EITF 06-03). EITF 06-03 provides that the presentation of taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on either a gross basis (included in revenues and costs) or on a net basis (excluded from revenues) is an accounting policy decision that should be disclosed. The provisions of EITF 06-03 will be effective for us as of January 1, 2007. We are currently evaluating the impact of adopting EITF 06-03 on our consolidated financial statements.

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in income tax positions. FIN 48 requires that we recognize in our consolidated financial statements the impact of a tax position that is more likely than not to be sustained upon examination based on the technical merits of the position. The provisions of FIN 48 will be effective for us as of the beginning of our 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our consolidated financial statements.

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Consideration Given By a Service Provider to Manufacturers or Resellers of Equipment

In September 2006, the EITF reached a consensus on EITF Issue No. 06-01, *Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider* (EITF 06-01). EITF 06-01 provides that consideration provided to the manufacturers or resellers of specialized equipment should be accounted for as a reduction of revenue if the consideration provided is in the form of cash and the service provider directs that such cash be provided directly to the customer. Otherwise, the consideration should be recorded as an expense. EITF 06-01 will be effective for us as of January 1, 2008 and is not expected to have a material impact on our consolidated financial statements.

Quantifying Effects of Prior Years Misstatements in Current Year Financial Statements

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108). SAB 108 requires that registrants quantify errors using both a balance sheet and income statement approach and evaluate whether either approach results in a misstated amount that, when all relevant quantitative and qualitative factors are considered, is material. SAB 108 is effective for us in the fourth quarter of 2006 and is not expected to have a material impact on our consolidated financial statements.

Employers Accounting for Defined Benefit Pension and Other Postretirement Plans

In September 2006, the FASB issued FASB Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Benefits* (FAS 158). FAS 158 addresses the accounting for defined benefit pension plans and other postretirement benefit plans (plans). Specifically, FAS 158 requires companies to recognize an asset for a plan s overfunded status or a liability for a plan s underfunded status and to measure a plan s assets and its obligations that determine its funded status as of the end of the company s fiscal year, the offset of which is recorded, net of tax, as a component of other comprehensive income in shareholders equity. FAS 158 will be effective for us as of December 31, 2006 and applied prospectively. Using information as of our last measurement date, December 31, 2005, we would have recorded an after-tax decrease of approximately $186 million in other comprehensive income in shareholders equity. These amounts may change when we actually adopt FAS 158 on December 31, 2006, as a result of changes in the underlying market information during the past year.

Fair Value Measurements

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* (FAS 157). FAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and expands on required disclosures about fair value measurement. FAS 157 is effective for us on January 1, 2008 and will be applied prospectively. The provisions of FAS 157 are not expected to have a material impact on our consolidated financial statements.

Discontinued Operations

As previously noted under Business Transactions and Developments, we have reflected the operations of the Transferred Systems as discontinued operations for all periods presented.

Reclassifications

Certain reclassifications have been made to our prior year s financial information to conform to the September 30, 2006 presentation.

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Results of Operations

Nine months ended September 30, 2006 compared to nine months ended September 30, 2005

Revenues. Revenues by major category were as follows (in millions):

	Nine Months Ended September 30,		
	2006	2005	% Change
Video	$ 5,289	$ 4,509	17%
High-speed data	1,914	1,460	31%
Voice	493	166	197%
Advertising	420	362	16%
Total revenues	$ 8,116	$ 6,497	25%

Adelphia and Comcast employed methodologies that differed slightly from those used by us to determine subscriber numbers. As of September 30, 2006, we had converted subscriber numbers for most of the Adelphia and Comcast systems to our methodology and expect to complete this process during the fourth quarter of 2006. Although not expected to be significant, any adjustments to the subscriber numbers resulting from the conversion of the remaining systems will be recast to make all periods comparable. Our subscriber results are as follows (in thousands):

	Consolidated Subscribers as of September 30,			Managed Subscribers[b] as of September 30,		
	2006	2005[a]	% Change	2006	2005[a]	% Change
Subscribers:						
Basic video[c]	12,689	8,593	48%	13,471	9,368	44%
Digital video[d]	6,700	4,127	62%	7,024	4,420	59%
Residential high-speed data[e]	6,041	3,628	67%	6,398	3,912	64%
Commercial high-speed data[e]	206	162	27%	222	177	25%
Voice[f]	1,524	697	119%	1,649	766	115%

(a) Subscriber numbers as of September 30, 2005 have been recast to reflect the Transferred Systems as discontinued operations.

(b) Managed subscribers include consolidated subscribers and the Kansas City Pool selected by us on August 1, 2006 in connection with the dissolution of TKCCP.

(c) Basic video subscriber numbers reflect billable subscribers who receive basic video service.

(d) Digital video subscriber numbers reflect billable subscribers who receive any level of video service via digital technology.

(e) High-speed data subscriber numbers reflect billable subscribers who receive our Road Runner high-speed data service or any of the other high-speed data services offered by us.

(f) Voice subscriber numbers reflect billable subscribers who receive IP-based telephony service. Voice subscribers exclude subscribers acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service (which totaled approximately 122,000 consolidated subscribers at September 30, 2006).

The increase in video revenues for the nine months ended September 30, 2006 was primarily due to the impact of the Transactions, continued penetration of advanced digital services and video rate increases, as well as an increase in consolidated basic video subscribers between September 30, 2005 and September 30, 2006. Aggregate revenues associated with our advanced digital video services, including digital tiers, Pay-Per-View, VOD, SVOD and set-top boxes with digital video recorders, increased 32% to $705 million from $535 million for the nine months ended September 30, 2006 and 2005, respectively.

High-speed data revenues for the nine months ended September 30, 2006 increased primarily due to the Transactions and growth in high-speed data subscribers. Consolidated commercial high-speed data revenues increased to $227 million for the nine months ended September 30, 2006 from $175 million for the nine months ended September 30, 2005. Consolidated residential high-speed data penetration, expressed as a percentage of service-ready homes, increased to 25.3% at September 30, 2006 from 24.9% at September 30, 2005. Strong growth rates for high-speed data service revenues are expected to continue for the remainder of 2006.

The increase in voice services revenues for nine months ended September 30, 2006 was primarily due to growth in voice subscribers. Voice services revenues also include approximately $12 million of revenues associated with subscribers acquired from Comcast who receive traditional circuit-switched telephone service. Excluding the circuit-switched telephone services revenues, the growth in voice services revenues does not include any impact from the Transactions because the Acquired Systems did not offer IP-based telephony service as of September 30, 2006. Consolidated voice services penetration, expressed as a percentage of service-ready homes, increased to 10.8% at September 30, 2006 from 5.7% at September 30, 2005. Strong growth rates for voice services revenues are expected to continue for the remainder of 2006.

Our subscription ARPU increased approximately 13% to $90 for the nine months ended September 30, 2006 from approximately $80 for the nine months ended September 30, 2005 as a result of the increased penetration in advanced services and higher video rates, as discussed above.

Advertising revenues increased for the nine months ended September 30, 2006 as a result of the Transactions. This increase reflected an approximate $45 million increase in local advertising and a $13 million increase in national advertising. Excluding the Transactions, Advertising revenues were relatively flat.

Costs of revenues. The major components of costs of revenues were as follows (in millions):

	Nine Months Ended September 30,		
	2006	2005 (restated)	% Change
Video programming	$ 1,749	$ 1,429	22%
Labor	1,028	856	20%
High-speed data	115	75	53%
Voice	217	74	193%
Other	588	475	24%
Total	$ 3,697	$ 2,909	27%

For the nine months ended September 30, 2006, costs of revenues increased 27% and, as a percentage of revenues, were 46% for the nine months ended September 30, 2006 compared to 45% for the nine months ended September 30, 2005. The increase in costs of revenues is primarily related to the impact of the Transactions, increases in video programming costs, telephony service costs and labor costs. The increase in costs of revenues as a percentage of revenues reflects the items noted above and lower margins for the Acquired Systems.

Video programming costs increased 22% for the nine months ended September 30, 2006. This increase was due primarily to the impact of the Transactions, contractual rate increases (especially with respect to sports programming), the ongoing deployment of new digital video services and higher regional sports network programming costs. Per subscriber programming costs increased 11%, to $20.55 per month in 2006 from $18.53 per month in 2005. The increase in per subscriber programming costs was primarily due to contractual rate increases (especially with respect to sports programming), the ongoing deployment of new digital video services and higher regional sports network programming costs. Programming costs for the nine months ended September 30, 2006 included an $11 million benefit reflecting an adjustment in the amortization of certain launch support payments. In addition, programming costs for the nine months ended September 30, 2005 included a $10 million benefit related to the resolution of terms with a programming vendor and a $14 million charge related to the resolution of contractual terms with another program vendor. Video programming costs are expected to increase during the fourth quarter of 2006 at a rate higher than that experienced during the first nine months of 2006, reflecting the impact of the Transactions, and, to a lesser extent, contractual rate increases, subscriber growth and the continued expansion of service offerings.

Labor costs for the nine months ended September 30, 2006 increased primarily due to the impact of the Transactions, salary increases and higher headcount resulting from the roll-out of advanced services. These increases were partially offset by a $16 million benefit due to changes in estimates related to certain medical benefit accruals.

High-speed data service costs consist of the direct costs associated with the delivery of high-speed data services, including network connectivity and certain other costs. High-speed data service costs increased due to the Transactions, subscriber growth and an increase in per subscriber connectivity costs.

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Voice services costs consist of the direct costs associated with the delivery of voice services, including network connectivity and certain other costs. Voice costs for the three and nine months ended September 30, 2006 increased due to the growth in voice subscribers.

Other costs increased due to revenue driven increases in fees paid to local franchise authorities, as well as increases in other costs associated with the continued roll-out of advanced services, including voice services. For the nine months ended September 30, 2006, these increases were partially offset by a $10 million benefit related to third-party maintenance support payment fees, reflecting the resolution of terms with an equipment vendor. In addition, other costs for the nine months ended September 30, 2005 included a $10 million benefit reflecting a reduction in accrued expenses related to changes in estimates of certain accruals.

Selling, general and administrative expenses. The major components of selling, general and administrative expenses were as follows (in millions):

	Nine Months Ended September 30,		
	2006	2005	% Change
Labor	$ 631	$ 496	27%
Marketing	268	231	16%
Other	557	404	38%
Total	$ 1,456	$ 1,131	29%

Selling, general and administrative expenses increased for the nine months ended September 30, 2006 as a result of higher labor and other costs. Labor costs increased primarily due to the impact of the Transactions and increased headcount resulting from the continued roll-out of advanced services and salary increases, partially offset by a $5 million benefit due to changes in estimates related to certain medical benefit accruals. Other costs increased primarily due to the impact of the Transactions and increases in administrative costs associated with the increase in headcount discussed above. In addition, other costs for the nine months ended September 30, 2006 included an $11 million charge (with an additional $2 million charge included in costs of revenues) reflecting an adjustment to prior period facility rent expense. The nine months ended September 30, 2005 also reflect $8 million in reserves related to legal matters.

Merger-related and Restructuring Costs. For the nine months ended September 30, 2006 and 2005, we expensed $29 million and $2 million, respectively, of non-capitalizable merger-related costs associated with the Transactions. These merger-related costs are related primarily to consulting fees concerning integration planning for the Transactions and other costs incurred in connection with notifying new customers of the change in cable providers. Such costs are expected to continue into the fourth quarter of 2006. In addition, the results for the nine months ended September 30, 2006 include $14 million of restructuring costs, primarily due to a reduction in headcount resulting from efforts to reorganize our operations in a more efficient manner. The results for the nine months ended September 30, 2005 included $31 million, of restructuring costs, primarily associated with the early retirement of certain senior executives and the closing of several local news channels. These actions are part of our broader plans to simplify our organizational structure and enhance our customer focus. We are in the process of executing these initiatives and expect to incur additional costs as these plans are implemented during the remainder of 2006 and throughout 2007.

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Reconciliation of Net income and Operating Income to OIBDA

The following table reconciles Net income and Operating Income to OIBDA for purposes of the discussions that follow (in millions):

	Nine Months Ended September 30,		
	2006	2005 (restated)	% Change
Net income	$ 1,710	$ 824	108%
Discontinued operations, net of tax	(1,018)	(75)	NM
Cumulative effect of accounting change, net of tax	(2)		NM
Income before discontinued operations and cumulative effect of accounting change	690	749	(8)%
Income tax provision	452	168	169%
Income before income taxes, discontinued operations and cumulative effect of accounting change	1,142	917	25%
Interest expense, net	411	347	18%
Income from equity investments, net	(79)	(26)	204%
Minority interest expense, net	73	45	62%
Other income	(1)	(1)	
Operating Income	1,546	1,282	21%
Depreciation	1,281	1,088	18%
Amortization	93	54	72%
OIBDA	$ 2,920	$ 2,424	20%

OIBDA. OIBDA increased by $496 million, or 20%, to $2.9 billion for the nine months ended September 30, 2006 from $2.4 billion for the nine months ended September 30, 2005. This increase was attributable to the impact of the Transactions and revenue growth (particularly growth in high margin high-speed data revenues), partially offset by higher costs of revenues and selling, general and administrative expenses, as discussed above. OIBDA for the nine months ended September 30, 2006 also included integration costs related to the Transactions, including such items as transitional employee costs and marketing and special event spending to increase our overall brand awareness.

Depreciation Expense. Depreciation expense increased 18% to $1.3 billion for the nine months ended September 30, 2006 from $1.1 billion for the nine months ended September 30, 2005. Depreciation expense increased primarily due to the impact of the Transactions and demand-driven increases in recent years of purchases of customer premise equipment, which generally have a significantly shorter useful life compared to the mix of assets previously purchased.

Amortization Expense. Amortization expense increased to $93 million for the nine months ended September 30, 2006 from $54 million for the nine months ended September 30, 2005. This increase was as a result of amortization of intangible assets associated with customer relationships acquired as part of the Transactions.

Operating Income. Operating Income increased to $1.5 billion for the nine months ended September 30, 2006 from $1.3 billion for the nine months ended September 30, 2005. This increase was primarily due to the increase in OIBDA, partially offset by an increase in depreciation and amortization expense, as discussed above.

Interest Expense, Net. Interest expense, net, increased to $411 million for the nine months ended September 30, 2006 from $347 million for the nine months ended September 30, 2005. This increase was due primarily to an increase in debt levels attributable to the Transactions.

Income from Equity Investments, Net. Income from equity investments, net, increased to $79 million for the nine months ended September 30, 2006 from $26 million for the nine months ended September 30, 2005. This increase was primarily due to an increase in the profitability of TKCCP, as well as changes in the economic benefit of TWE s partnership interest in TKCCP due to the anticipated dissolution triggered by Comcast on July 3, 2006.

Beginning in the third quarter of 2006, the income from TKCCP reflects 100% of the operations of the Kansas City Pool and does not reflect any of the economic benefits of the Houston cable systems.

Minority Interest Expense, Net. Minority interest expense increased to $73 million for the nine months ended September 30, 2006 from $45 million for the nine months ended September 30, 2005. This increase primarily reflects a change in our ownership structure and the ownership structure of TWE. At September 30, 2005, ATC, a subsidiary of Time Warner, and Comcast had residual equity ownership interests in TWE of 1% and 4.7%, respectively. On July 31, 2006, we and TWE redeemed Comcast s ownership interests in us and TWE, respectively. On July 28, 2006, ATC contributed its 1% common equity interest (as well as its $2.4 billion preferred equity interest) in TWE to TW NY Holding in exchange for an approximately 12.4% non-voting common stock interest in TW NY Holding.

Income Tax Provision. Our income tax provision has been prepared as if we operated as a stand-alone taxpayer for all periods presented. For the nine months ended September 30, 2006 and 2005, we recorded income tax provisions of $452 million and $168 million, respectively. The effective tax rate was approximately 40% for the nine months ended September 30, 2006 compared to approximately 18% for the nine months ended September 30, 2005. The increase in the effective tax rate was primarily due to the favorable impact of a state tax law change in Ohio, which resulted in a noncash tax benefit of approximately $215 million in the second quarter of 2005.

Income before Discontinued Operations and Cumulative Effect of Accounting Change. Income before discontinued operations and cumulative effect of accounting change was $690 million for the nine months ended September 30, 2006 compared to $749 million for the nine months ended September 30, 2005. This decrease was driven by the increase in the income tax provision resulting from the absence in 2006 of the noncash tax benefit related to the previously discussed state tax law change in Ohio and higher interest expense, partially offset by increased Operating Income and income from equity investments.

Discontinued Operations, Net of Tax. Discontinued operations, net of tax reflect the impact of treating the Transferred Systems as discontinued operations. For the nine months ended September 30, 2006 and 2005, we recognized pretax income of $265 million and $117 million, respectively, ($1.0 billion and $75 million, respectively, net of tax). Included in the results for the nine months ended September 30, 2006 are a pretax gain of approximately $145 million on the Transferred Systems and a tax benefit of approximately $804 million comprised of a tax benefit of $817 million on the Redemptions, partially offset by a provision of $13 million on the Exchange. The tax benefit of $817 million results primarily from the reversal of historical deferred tax liabilities that existed on systems transferred to Comcast in the TWC Redemption, which was designed to qualify as a tax-free split-off under section 355 of the Tax Code. As a result, such liabilities were no longer required. We believe all requirements under section 355 of the Tax Code have been met. However, if the IRS were to succeed in challenging the tax-free characterization of the TWC Redemption, an additional cash tax liability of up to an estimated $900 million could result. See Business Transactions and Developments Tax Benefits from the Transaction.

Cumulative Effect of Accounting Change, Net of Tax. For the nine months ended September 30, 2006, we recorded a $4 million pretax benefit ($2 million, net of tax) as the cumulative effect of a change in accounting principle upon the adoption of FAS 123R to recognize the effect of estimating the number of Time Warner equity-based awards granted to our employees prior to January 1, 2006 that are not ultimately expected to vest.

Net Income. Net income was $1.7 billion for the nine months ended September 30, 2006 compared to $824 million for the nine months ended September 30, 2005. This increase was driven by the increase in income before discontinued operations and cumulative effect of accounting change and income from discontinued operations, net of tax.

Full year 2005 compared to full year 2004

Revenues. Revenues by major category were as follows (in millions):

	Year Ended December 31,		
	2005	2004	% Change
Video	$ 6,044	$ 5,706	6%
High-speed data	1,997	1,642	22%
Voice	272	29	NM
Advertising	499	484	3%
Total revenues	$ 8,812	$ 7,861	12%

NM Not meaningful

Subscriber results were as follows (in thousands):

	Consolidated Subscribers as of December 31,			Managed Subscribers[b] as of December 31,		
	2005[a]	2004[a]	% Change	2005[a]	2004[a]	% Change
Subscribers:						
Basic video	8,603	8,561	0.5%	9,384	9,336	0.5%
Digital video	4,294	3,773	14%	4,595	4,067	13%
Residential high-speed data	3,839	3,126	23%	4,141	3,368	23%
Commercial high-speed data	169	140	21%	183	151	21%
Voice	913	180	NM	998	206	NM

NM Not meaningful

(a) Subscriber numbers as of December 31, 2005 and 2004 have been recast to reflect the Transferred Systems as discontinued operations.

(b) Managed subscribers include consolidated subscribers and the Kansas City Pool selected by TWC on August 1, 2006 in connection with the dissolution of TKCCP.

Total video revenues increased by $338 million, or 6%, over 2004, primarily due to continued penetration of advanced digital services and video rate increases, as well as an increase in basic video subscribers between December 31, 2004 and December 31, 2005. Aggregate revenues associated with our advanced digital services, including digital tiers, Pay-Per-View, VOD, SVOD and digital video recorders, increased 19% from $612 million to $727 million for the years ended December 31, 2004 and 2005, respectively.

High-speed data revenues increased in 2005 primarily due to growth in high-speed data subscribers. Consolidated residential high-speed data penetration, expressed as a percentage of service-ready homes, increased from 21.8% at December 31, 2004 to 26.1% at December 31, 2005. Commercial high-speed data revenues increased from $181 million in 2004 to $241 million in 2005.

The increase in voice services revenues in 2005 was primarily due to the full-scale launch of voice services across our footprint. Our voice services were available to nearly 88% of our consolidated homes passed as of December 31, 2005.

Our subscription ARPU increased approximately 13% to $81 for the year ended December 31, 2005 from approximately $72 for the year ended December 31, 2004 as a result of the increased penetration in advanced services and higher video rates, as discussed above.

Advertising revenues in 2005 increased as a result of an approximate $19 million increase in national advertising, partially offset by a $4 million decline in local advertising. This increase in national advertising was driven by growth in both rate and volume of advertising spots sold. Local advertising declined as a result of a decrease in political advertising.

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Costs of revenues. The primary components of costs of revenues were as follows (restated, in millions):

	Year Ended December 31,		
	2005	2004	% Change
Video programming	$ 1,889	$ 1,709	11%
Employee	1,156	1,002	15%
High-speed data	102	128	(20)%
Voice	122	14	NM
Other	649	603	8%
Total	$ 3,918	$ 3,456	13%

NM Not meaningful

Total video programming costs increased by 11% in 2005. On a per subscriber basis, programming costs increased by 11%, from $16.60 per month in 2004 to $18.35 per month in 2005. These increases were primarily attributable to contractual rate increases and the ongoing deployment of new service offerings, including VOD and SVOD.

Employee costs increased in 2005, in part, as a result of increased headcount driven by new product deployment initiatives, including voice services. Salary increases also contributed to the increase in employee costs.

High-speed data costs have benefited as connectivity costs have continued to decrease on a per subscriber basis due to industry-wide cost reductions.

Voice service costs increased due to the ongoing deployment of our voice services product.

Other costs increased due largely to the revenue-driven increase in fees paid to local franchise authorities.

Selling, general and administrative expenses. The primary components of selling, general and administrative expenses were as follows (in millions):

	Year Ended December 31,		
	2005	2004	% Change
Employee	$ 678	$ 632	7%
Marketing	306	272	13%
Other	545	546	
Total	$ 1,529	$ 1,450	5%

Employee costs increased primarily due to an increase in headcount associated with the continued roll-out of advanced services, as well as salary increases, partially offset by a decease in equity-based compensation expense. Marketing costs increased due to a continued focus on aggressive marketing of our broad range of products and services. Other costs increased slightly primarily due to an increase in legal fees, partially offset by $34 million of costs incurred in 2004 in connection with a settlement related to Urban Cable.

Merger-related and restructuring costs. In 2005, we expensed approximately $8 million of non-capitalizable merger-related costs associated with the Adelphia Acquisition and the Exchange. In addition, the 2005 results include approximately $35 million of restructuring costs, primarily associated with the early retirement of certain senior executives and the closing of several local news channels, partially offset by a $1 million reduction in restructuring charges, reflecting changes to previously established restructuring accruals. These charges are part of our broader plans to simplify our organizational structure and enhance our customer focus.

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Reconciliation of Net income and Operating Income to OIBDA

The following table reconciles Net income and Operating Income to OIBDA for purposes of the discussion that follows (restated, in millions):

	Year Ended December 31,		
	2005	**2004**	**% Change**
Net income	$ 1,253	$ 726	73%
Discontinued operations, net of tax	(104)	(95)	9%
Income before discontinued operations	1,149	631	82%
Income tax provision	153	454	(66)%
Income before income taxes and discontinued operations	1,302	1,085	20%
Interest expense, net	464	465	
Income from equity investments, net	(43)	(41)	5%
Minority interest expense, net	64	56	14%
Other income	(1)	(11)	(91)%
Operating Income	1,786	1,554	15%
Depreciation	1,465	1,329	10%
Amortization	72	72	
OIBDA	$ 3,323	$ 2,955	12%

NM Not meaningful

OIBDA. OIBDA increased $368 million, or 12%, from $3.0 billion in 2004 to $3.3 billion in 2005. This increase was driven by revenue growth (particularly high margin high-speed data revenues), partially offset by increases in costs of revenues, selling, general and administrative expenses and the $42 million of merger-related and restructuring charges in 2005, discussed above.

Depreciation expense. Depreciation expense increased 10% to $1.5 billion in 2005 from $1.3 billion in 2004. This increase was primarily due to the increased spending on customer premise equipment in recent years. Such equipment generally has a shorter useful life compared to the mix of assets previously purchased.

Operating Income. Operating Income increased to $1.8 billion in 2005 from $1.6 billion in 2004, due to the increase in OIBDA, partially offset by the increase in depreciation expense.

Interest expense, net. Net interest expense decreased slightly from $465 million in 2004 to $464 million in 2005, primarily due to an increase in interest income associated with loans to TKCCP, which was largely offset by an increase in interest expense related to long-term debt.

Income from equity investments, net. Income from equity investments, net, increased slightly from $41 million in 2004 to $43 million in 2005. This increase was primarily due to an increase in the profitability of iN DEMAND and a decrease in losses incurred by local news joint ventures, partially offset by a decline in profitability of TKCCP, as a result of higher interest expense associated with an increase in debt at the joint venture.

Minority interest expense, net. The results of TWE are consolidated by us for financial reporting purposes. Minority interest expense increased from $56 million in 2004 to $64 million in 2005. This increase primarily reflects an increase in the profitability of TWE, in which Time Warner and Comcast had residual equity ownership interests of 1% and 4.7%, respectively, at December 31, 2005.

Other income. Other income decreased from $11 million in 2004 to $1 million in 2005 due to a reversal of previously established reserves associated with the dissolution of a joint venture in 2004.

Income tax provision. Our income tax provision has been prepared as if we operated as a stand-alone taxpayer for all periods presented. The income tax provision decreased from $454 million in 2004 to $153 million in 2005. Our effective tax rate was approximately 42% in 2004 compared to 12% in 2005. The decrease in the tax provision and the effective tax rate was primarily a result of the favorable impact of state tax law changes in Ohio, an ownership restructuring in Texas and certain other methodology changes, partially offset by an increase in earnings during 2005 as compared to 2004. The income tax provision for 2005, absent the noted deferred tax impacts, would have been $532 million.

Discontinued operations, net of tax. Discontinued operations, net of tax reflect the impact of treating the Transferred Systems as discontinued operations. The increase to $104 million in 2005 from $95 million in 2004 was as a result of higher earnings at the Transferred Systems.

Net income. Net income was $1.3 billion in 2005 compared to $726 million in 2004. This increase was due to higher Operating Income and a lower income tax provision, partially offset by higher minority interest expense.

Full year 2004 compared to full year 2003

Revenues. Revenues by major category were as follows (in millions):

	Year Ended December 31,		
	2004	**2003**	**% Change**
Video	$ 5,706	$ 5,351	7%
High-speed data	1,642	1,331	23%
Voice	29	1	NM
Advertising	484	437	11%
Total revenues	$ 7,861	$ 7,120	10%

NM Not meaningful

Subscriber results were as follows (in thousands):

	Consolidated Subscribers as of December 31,			**Managed Subscribers[(b)] as of December 31,**		
	2004[(a)]	**2003[(a)]**	**% Change**	**2004[(a)]**	**2003[(a)]**	**% Change**
Subscribers:						
Basic video	8,561	8,583	(0.3)%	9,336	9,378	(0.4)%
Digital video	3,773	3,379	12%	4,067	3,661	11%
Residential high-speed data	3,126	2,595	20%	3,368	2,795	21%
Commercial high-speed data	140	107	31%	151	112	35%
Voice	180	NM	NM	206	NM	NM

NM Not meaningful

(a)

Subscriber numbers as of December 31, 2004 and 2003 have been recast to reflect the Transferred Systems as discontinued operations.

(b) Managed subscribers include consolidated subscribers and the Kansas City Pool selected by us on August 1, 2006 in connection with the dissolution of TKCCP.

Total video revenues increased $354 million, or 7%, over 2003, primarily due to increased penetration of advanced digital services and higher video rates. These increases were partially offset by a decline in basic video subscribers between December 31, 2003 and December 31, 2004. Aggregate revenues derived from our advanced digital services, including digital tiers, Pay-Per-View, VOD, SVOD and digital video recorders, increased 26% from $486 million in 2003 to $612 million in 2004.

High-speed data revenues increased in 2004 primarily due to growth in high-speed data subscribers, partially offset by a slight decline in the average revenue per subscriber which resulted from increased promotions. Consolidated residential high-speed data penetration, expressed as a percentage of service-ready homes, increased from 18.5% at December 31, 2003 to 21.8% at December 31, 2004. Commercial high-speed data revenues increased from $149 million in 2003 to $181 million in 2004.

Voice services revenues increased in 2004 as we launched our voice services product across our footprint during 2004.

Our subscription ARPU increased approximately 11% to $72 for the year ended December 31, 2004 from approximately $65 for the year ended December 31, 2003 as a result of the increased penetration in advanced services and higher video rates, as discussed above.

Total advertising revenues increased in 2004 primarily due to an increase in general third-party advertising. General third-party advertising revenues increased by 11% from $416 million in 2003 to $460 million in 2004 due to an increase in the volume of advertising spots sold and, to a lesser extent, an increase in the rates at which the spots were sold. Third-party programming vendor advertising decreased from $10 million in 2003 to $9 million in 2004 reflecting fewer new channel launches. Related party advertising revenues increased from $11 million in 2003 to $15 million in 2004, primarily due to increased advertising by Time Warner s Turner Broadcasting unit. For more information regarding programming vendor and related party advertising, please see Critical Accounting Policies Multiple-element Transactions.

Costs of revenues. The primary components of costs of revenues were as follows (restated, in millions):

	Year Ended December 31,		
	2004	2003	% Change
Video programming	$ 1,709	$ 1,520	12%
Employee	1,002	918	9%
High-speed data	128	126	2%
Voice	14	1	NM
Other	603	536	13%
Total	$ 3,456	$ 3,101	11%

NM Not meaningful

Total video programming costs increased 12% in 2004. On a per subscriber basis, programming costs increased by 13%, from $14.75 per month in 2003 to $16.60 per month in 2004. This increase was primarily attributable to contractual rate increases, especially for sports programming, and the expansion of service offerings including VOD and SVOD.

Employee costs rose in 2004, in part, as a result of increased headcount driven by customer care enhancement and new product deployment initiatives. Salary increases and the increased cost of employee benefits, including costs associated with group insurance, also contributed to the increase in employee costs.

High-speed data costs increased slightly due to an increase in high-speed data customers, partially offset by an industry-wide decline in per subscriber network costs.

Voice service costs increased due to the roll-out of our voice services product.

Other costs increased due to the largely revenue-driven increase in fees paid to local franchising authorities.

Selling, general and administrative expenses. The primary components of selling, general and administrative expenses were as follows (in millions):

	Year Ended December 31,		
	2004	2003	% Change
Employee	$ 632	$ 609	4%
Marketing	272	229	19%
Other	546	517	6%
Total	$ 1,450	$ 1,355	7%

Employee costs increased due to salary increases, the increased cost of certain employee benefits and, to a lesser extent, an increase in headcount associated with the roll-out of new services, partially offset by a decrease in equity-based compensation expense. Marketing costs increased due to a heightened focus on aggressive marketing of our broad range of products and services. Other costs increased primarily due to our $34 million settlement in 2004 of a dispute relating to Urban Cable.

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Merger-related and restructuring costs. In 2003, approximately $15 million of costs associated with the termination of certain employees of Time Warner s former Interactive Video Group Inc. (IVG) operations were expensed. No such costs were incurred in 2004.

Reconciliation of Net income and Operating Income to OIBDA

The following table reconciles Net income and Operating Income to OIBDA for purposes of the discussion that follows (restated, in millions):

	Year Ended December 31,		
	2004	2003	% Change
Net income	$ 726	$ 664	9%
Discontinued operations, net of tax	(95)	(207)	(54)%
Income before discontinued operations	631	457	38%
Income tax provision	454	327	39%
Income before income taxes and discontinued operations	1,085	784	38%
Interest expense, net	465	492	(5)%
Income from equity investments, net	(41)	(33)	24%
Minority interest expense, net	56	59	(5)%
Other income	(11)		NM
Operating Income	1,554	1,302	19%
Depreciation	1,329	1,294	3%
Amortization	72	53	36%
OIBDA	$ 2,955	$ 2,649	12%

NM Not meaningful

OIBDA. OIBDA increased by $306 million, or 12%, from $2.6 billion in 2003 to $3.0 billion in 2004. This increase was attributable to revenue growth, partially offset by increases in costs of revenues and selling, general and administrative expenses. We estimate that our 2004 OIBDA includes losses of approximately $45 million related to the roll-out of our voice services product. This estimate considers only incremental revenues and expenses deemed by management to be attributable to voice services and excludes any allocation of common infrastructure costs.

Depreciation expense. Depreciation expense increased 3% in 2004. This increase is the result of an increase in the amount of capital spending on customer premise equipment (and other relatively short-lived assets) in recent years. Due to the increase in such spending, a larger proportion of our property, plant and equipment consists of assets with shorter useful lives in 2004 than in 2003, resulting in an increase in depreciation expense.

Amortization expense. Amortization expense increased to $72 million in 2004 from $53 million in 2003, primarily due to the recognition of a subscriber list intangible of $246 million in conjunction with the TWE Restructuring. We had three quarters of amortization expense associated with this subscriber list intangible in 2003 as compared to a full year of amortization expense in 2004.

Operating Income. Operating Income in 2004 increased to $1.6 billion from $1.3 billion in 2003 due to the increase in OIBDA, partially offset by the increase in depreciation and amortization expense.

Interest expense, net. Net interest expense decreased from $492 million in 2003 to $465 million in 2004. This decrease of $27 million, or 5%, was primarily due to reduced average debt outstanding on our bank credit facilities. This decrease was partially offset by an increase in variable interest rates and increased interest paid on our $2.4 billion mandatorily redeemable preferred stock, which was outstanding for only three quarters in 2003.

Income from equity investments, net. Income from equity investments, net, increased to $41 million in 2004 compared to $33 million in 2003. This increase was primarily due to reduced losses associated with the Women s Professional Soccer League joint venture which was disbanded in 2003 and an increase in the profitability of iN DEMAND and TKCCP, partially offset by impairment charges recorded for certain local news joint ventures.

Minority interest expense, net. Minority interest expense was $56 million in 2004 compared to $59 million in 2003.

Other income. We recorded $11 million of other income in 2004 related to the reversal of a previously established reserve associated with the dissolution of a joint venture.

Income tax provision. Our income tax provision has been prepared as if we operated as a stand-alone taxpayer. We had an income tax provision of $454 million in 2004, compared to $327 million in 2003 and an effective tax rate of approximately 42% in both years. This increase in provision reflects the corresponding increase in earnings.

Income before discontinued operations. Our income before discontinued operations was $631 million in 2004 compared to $457 million in 2003. Our 2004 results benefited from an increase in Operating Income, reduced interest expense, an increase in income from equity investments and increased other income, partially offset by increased income tax expense.

Discontinued operations, net of tax. Discontinued operations, net of tax was $95 million in 2004 compared to $207 million in 2003. Our 2004 and 2003 results include the treatment of certain cable systems transferred to Comcast in the Redemptions as discontinued operations, and our 2003 results also include the treatment of the TWE Non-cable Businesses that were distributed to Time Warner in 2003 as part of the TWE Restructuring as discontinued operations.

Net income. Net income was $726 million in 2004 compared to $664 million in 2003. This increase was driven by the previously discussed increase in income before discontinued operations, partially offset by the decrease in income from discontinued operations.

Financial Condition and Liquidity

Current Financial Condition

Management believes that cash generated by operating activities or available to us from existing credit agreements should be sufficient to fund our capital and liquidity needs for the foreseeable future. Our sources of cash include cash provided by operating activities, the repayment of the TKCCP debt owed to TWE-A/N, available borrowing capacity under our committed credit facilities of $2.5 billion as of September 30, 2006, and availability under our commercial paper program. On December 4, 2006, we entered into a new $6.0 billion unsecured commercial paper program to replace our existing $2.0 billion unsecured commercial paper program.

At September 30, 2006, we had $15.0 billion of debt and TW NY Series A Preferred Membership Units, no cash and equivalents and $23.5 billion of shareholders equity. At December 31, 2005, we had $6.9 billion of debt and mandatorily redeemable preferred equity, $12 million of cash and equivalents and $20.3 billion of shareholders equity.

With the closing of the Adelphia Acquisition and the Redemptions, our outstanding debt has increased substantially. Accordingly, cash paid for interest is expected to negatively impact cash provided by operating activities. Management does not believe that the interest incurred with respect to funding the Transactions will result in a significant negative impact to net income because such incremental interest is expected to be substantially offset by the positive earnings before interest of the Acquired Systems.

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The following table shows the significant items contributing to the increase in net debt (defined as total debt, mandatorily redeemable preferred equity and TW NY Series A Preferred Membership Units less cash and equivalents) from December 31, 2005 to September 30, 2006 (in millions):

Balance at December 31, 2005	$ 6,851
Cash provided by operations	(2,561)
Capital expenditures from continuing operations	1,720
Capital expenditures from discontinued operations	56
Redemption of Comcast s interests in us and TWE	2,004
Cash used for the Adelphia Acquisition and the Exchange	9,065
Investment in Wireless Joint Venture	182
Issuance of TW NY Series A Preferred Membership Units	300
Elimination of mandatorily redeemable preferred equity interest in TWE held by ATC	(2,400)
Proceeds from the issuance of TW NY Series A Preferred Membership Units	(300)
All other, net	66
Balance at September 30, 2006	$ 14,983

On July 31, 2006, TW NY, a subsidiary of ours, acquired assets of Adelphia for a combination of cash and our stock. We also redeemed Comcast s interests in us and TWE, and subsidiaries of TW NY exchanged certain cable systems with Comcast. For additional details, see Business Transactions and Development.

In connection with the closing of the Adelphia Acquisition, TW NY paid approximately $8.9 billion in cash, after giving effect to certain purchase price adjustments, that was funded by an intercompany loan from us and the proceeds of the private placement issuance of $300 million of TW NY Series A Preferred Membership Units with a mandatory redemption date of August 1, 2013 and a cash dividend rate of 8.21% per annum. The intercompany loan was financed by borrowings under our $6.0 billion senior unsecured five-year revolving credit facility with a maturity date of February 15, 2011 (the Cable Revolving Facility), our two $4.0 billion term loan facilities (the Cable Term Facilities and, together with the Cable Revolving Facility, the Cable Facilities) with maturity dates of February 24, 2009 and February 21, 2011, respectively, and the issuance of commercial paper. In the TWC Redemption, Comcast received 100% of the capital stock of a subsidiary of ours holding cable systems and approximately $1.9 billion in cash that was funded through the issuance of commercial paper of our company and borrowings under the Cable Revolving Facility. In addition, in the TWE Redemption, Comcast received 100% of the equity interests in a subsidiary of TWE holding cable systems and approximately $147 million in cash that was funded by the repayment of a pre-existing loan TWE had made to us (which repayment we funded through the issuance of commercial paper and borrowings under the Cable Revolving Facility). Following these transactions, subsidiaries of TW NY also exchanged certain cable systems with Comcast and TW NY paid Comcast approximately $67 million for certain adjustments related to the Exchange. For more information on our credit facilities and commercial paper program, see Bank Credit Agreements and Commercial Paper Programs.

We are a participant in a wireless spectrum joint venture with several other cable companies and Sprint Nextel Corporation (the Wireless Joint Venture), which was a winning bidder in an FCC auction of certain advanced wireless spectrum licenses. In July 2006, we paid a deposit of approximately $182 million related to our investment in the Wireless Joint Venture. On October 18, 2006, we paid an additional $450 million relating to this investment. The licenses were awarded to the Wireless Joint Venture on November 29, 2006. There can be no assurance that the venture will develop mobile and related services or, if developed, that such services will be successful.

On October 2, 2006, we received approximately $630 million from Comcast for the repayment of debt owed by TKCCP to TWE-A/N that had been allocated to the Houston cable systems.

In connection with the Adelphia Acquisition and the Redemptions, TW NY issued $300 million of TW NY Series A Preferred Membership Units, and ATC s 1% common equity interest and $2.4 billion preferred equity interest in TWE were contributed to TW NY Holding in exchange for a 12.4% non-voting common stock interest in TW NY Holding. See Bank Credit Agreements and Commercial Paper Programs, Mandatorily Redeemable Preferred Equity and TW NY Mandatorily Redeemable Non-voting Series A Preferred Membership Units for additional information on the indebtedness incurred and preferred membership units issued in connection with the Adelphia Acquisition and the Redemptions.

Cash Flows

Operating activities. Cash provided by operating activities increased from $1.8 billion for the first nine months of 2005 to $2.6 billion for the first nine months of 2006. This increase is primarily related to a $496 million increase in OIBDA (attributable to the impact of the Transactions and revenue growth (particularly high margin high-speed data revenues), partially offset by higher costs of revenues and selling, general and administrative expenses), a $101 million decrease in net income taxes paid, and a $274 million decrease in working capital requirements, partially offset by a $71 million decrease related to discontinued operations and an increase in merger-related and restructuring payments.

Cash provided by operating activities decreased from $2.7 billion in 2004 to $2.5 billion in 2005. This decrease of $121 million was principally due to a $548 million increase in net cash tax payments, partially offset by a $368 million increase in OIBDA (attributable to revenue growth (particularly high margin high-speed data revenues), partially offset by increases in costs of revenues, selling, general and administrative expenses and merger-related and restructuring costs), and a $59 million decrease in contributions to our pension plans.

Cash provided by operating activities increased from $2.1 billion in 2003 to $2.7 billion in 2004. Excluding the $453 million and $240 million of cash flows provided from discontinued operations in 2003 and 2004, respectively, our cash provided by operating activities increased from $1.7 billion in 2003 to $2.4 billion in 2004. This increase of $746 million was principally due to a $389 million decrease in cash net tax payments, a $306 million increase in OIBDA (attributable to revenue growth, partially offset by increases in costs of revenues and selling, general and administrative expenses), and a $58 million decrease in contributions to our pension plans.

Investing activities. Cash used by investing activities increased from $1.5 billion for the first nine months of 2005 to $11.2 billion for the first nine months of 2006. This increase was principally due to $9.1 billion used in the Adelphia Acquisition and the Exchange and a $415 million increase in capital expenditures from continuing operations, driven by the continued roll-out of advanced digital services, including voice services, continued growth in high-speed data services and capital expenditures associated with the integration of the systems acquired in the Transactions, including upgrades. The increase also reflects a $182 million investment in the Wireless Joint Venture and $147 million of cash used in the TWE Redemption, partially offset by a $55 million decrease in investment spending related to our equity investments and other acquisition-related expenditures and a $49 million decrease in capital expenditures from discontinued operations.

Cash used by investing activities increased from $1.8 billion in 2004 to $2.1 billion in 2005. This increase was principally due to a $278 million increase in capital expenditures from continuing operations, a $44 million increase in cash used by investing activities of discontinued operations and a $25 million increase in acquisition-related expenditures, partially offset by a $15 million decrease in investment spending related to our equity investments and a $15 million decrease in capital expenditures from discontinued operations. The increase in capital expenditures in 2005 was primarily associated with increased spending associated with the continued roll-out of advanced digital services, including voice services.

Cash used by investing activities decreased from $1.9 billion in 2003 to $1.8 billion in 2004. This decline was principally due to the decrease in cash used by investing activities of discontinued operations and decreased investment and acquisition expenditures. This decline was partially offset by a $35 million increase in capital expenditures from continuing operations, which were primarily attributable to our roll-out of voice services.

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Our capital expenditures from continuing operations included the following major categories (in millions):

	Nine Months Ended September 30,		Year Ended December 31,		
	2006	2005	2005	2004	2003
Customer premise equipment[(a)]	$ 782	$ 608	$ 805	$ 656	$ 666
Scalable infrastructure[(b)]	296	200	325	184	161
Line extensions[(c)]	195	180	235	218	199
Upgrades/rebuilds[(d)]	83	79	113	126	163
Support capital[(e)]	364	238	359	375	335
Total capital expenditures	$ 1,720	$ 1,305	$ 1,837	$ 1,559	$ 1,524

(a) Represents costs incurred in the purchase and installation of equipment that resides at a customer s home for the purpose of receiving/sending video, high-speed data and/or voice signals. Such equipment typically includes digital converters, remote controls, high-speed data modems, telephone modems and the costs of installing such equipment for new customers. Customer premise equipment also includes materials and labor incurred to install the drop cable that connects a customer s dwelling to the closest point of the main distribution network.

(b) Represents costs incurred in the purchase and installation of equipment that controls signal reception, processing and transmission throughout our distribution network as well as controls and communicates with the equipment residing at a customer s home. Also included in scalable infrastructure is certain equipment necessary for content aggregation and distribution (VOD equipment) and equipment necessary to provide certain video, high-speed data and voice product features (voicemail, email, etc.).

(c) Represents costs incurred to extend our distribution network into a geographic area previously not served. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable wiring and certain electronic equipment.

(d) Represents costs incurred to upgrade or replace certain existing components or an entire geographic area of our distribution network. These costs typically include network design, the purchase and installation of fiber optic and coaxial cable wiring and certain electronic equipment.

(e) Represents all other capital purchases required to run day-to-day operations. These costs typically include vehicles, land and buildings, computer equipment, office equipment, furniture and fixtures, tools and test equipment and software.

We incur expenditures associated with the construction of our cable systems. Costs associated with the construction of the cable transmission and distribution facilities and new cable service installations are capitalized. We generally capitalize expenditures for tangible fixed assets having a useful life of greater than one year. Capitalized costs include direct material, labor and overhead and interest. Sales and marketing costs, as well as the costs of repairing or maintaining existing fixed assets, are expensed as incurred. Major categories of capitalized expenditures include customer premise equipment, scalable infrastructure, line extensions, plant upgrades and rebuilds and support capital. With respect to customer premise equipment, which includes converters and cable modems, we capitalize installation charges only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects are expensed as incurred. Depreciation on these assets is provided, generally using the straight-line method, over their estimated useful lives. For converters and modems, the useful life is 3 to 4 years, and, for plant upgrades, the useful life is up to 16 years.

In connection with the Transactions, TW NY acquired significant amounts of property, plant and equipment, which was recorded at their estimated fair values. In addition, TW NY assigned remaining useful lives to such assets, which were generally shorter than the useful lives assigned to comparable new assets to reflect the age, condition and intended use of the acquired property, plant and equipment.

As a result of the Transactions, we anticipate making significant capital expenditures during the remainder of 2006 and over the following 12 to 24 months related to the continued integration of the Acquired Systems, including improvements to plant and technical performance and upgrading system capacity, which will allow us to offer our advanced services and features. We estimate that these expenditures will range from approximately $450 million to $550 million (including amounts incurred through September 30, 2006). We do not believe that these expenditures will have a material negative impact on our liquidity or capital resources.

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Financing activities. Cash provided by financing activities was $8.6 billion for the first nine months of 2006 compared to cash used by financing activities of $410 million for the first nine months of 2005. This increase in cash provided by financing activities was due to a $10.6 billion increase in net borrowings primarily associated with the Transactions and the issuance of $300 million of TW NY Series A Preferred Membership Units, partially offset by $1.9 billion of cash used in the TWC Redemption.

Cash used by financing activities decreased from $1.1 billion in 2004 to $498 million in 2005. This decrease was primarily due to a $636 million decline in net repayments of debt, partially offset by a $17 million increase in net partnership tax distributions and stock option distributions and $45 million of cash used by financing activities of discontinued operations in 2005.

Cash used by financing activities increased from $737 million for 2003 to $1.1 billion in 2004. This increase was primarily due to the $339 million increase in net repayments of debt, partially offset by a decline in cash used by financing activities of discontinued operations.

Free Cash Flow

Reconciliation of Cash Provided by Operating Activities to Free Cash Flow

The following table reconciles cash provided by operating activities to Free Cash Flow (in millions):

	Nine Months Ended September 30,		Year Ended December 31,		
	2006	2005	2005	2004	2003
Cash provided by operating activities	$ 2,561	$ 1,814	$ 2,540	$ 2,661	$ 2,128
Reconciling items:					
Discontinued operations, net of tax	(1,018)	(75)	(104)	(95)	(207)
Adjustments relating to the operating cash flow of discontinued operations	929	(85)	(133)	(145)	(246)
Cash provided by continuing operating activities	2,472	1,654	2,303	2,421	1,675
Less:					
Capital expenditures from continuing operations	(1,720)	(1,305)	(1,837)	(1,559)	(1,524)
Partnership tax distributions, stock option distributions and principal payments on capital leases of continuing operations	(20)	(22)	(31)	(11)	(33)
Free Cash Flow	$ 732	$ 327	$ 435	$ 851	$ 118

Our Free Cash Flow increased to $732 million during the first nine months of 2006, as compared to $327 million during the first nine months of 2005. This increase of $405 million was primarily driven by a $496 million increase in OIBDA, as previously discussed, and a $101 million decrease in net income taxes paid and a decrease in working capital requirements, partially offset by a $415 million increase in capital expenditures from continuing operations.

Our Free Cash Flow decreased to $435 million during 2005 as compared to $851 million during 2004. This decrease of $416 million was primarily driven by a $548 million increase in net cash tax payments and a $278 million increase in capital expenditures from continuing operations, partially offset by a $368 million increase in OIBDA, as previously discussed, and a $59 million decrease in contributions to our pension plans.

Our Free Cash Flow increased to $851 million during 2004 as compared to $118 million during 2003. This increase of $733 million was primarily driven by a $389 million decrease in net cash tax payments, a $306 million increase in OIBDA, as previously discussed, and a $58 million decrease in contributions to our pension plans, partially offset by a $35 million increase in capital expenditures from continuing operations.

Outstanding Debt and Mandatorily Redeemable Preferred Equity and Available Financial Capacity

Our debt, mandatorily redeemable preferred equity and unused borrowing capacity, as of September 30, 2006 were as follows (in millions):

	Interest Rate at September 30, 2006	Maturity	Outstanding Balance	Unused Capacity
Bank credit agreements and commercial paper program	5.660%	2009-2011	$ 11,329(a)	$ 2,502(b)
TWE Notes(c)	7.250%(d)	2008	603	
	10.150%(d)	2012	272	
	8.875%(d)	2012	369	
	8.375%(d)	2023	1,044	
	8.375%(d)	2033	1,056	
TW NY Series A Preferred Membership Units	8.210%	2013	300	
Capital leases and other			10	
Total			$ 14,983	$ 2,502

(a) Amount excludes unamortized discount on commercial paper of $10 million at September 30, 2006.

(b) Reflects a reduction of unused capacity for $159 million of outstanding letters of credit backed by the Cable Revolving Facility.

(c) Includes an unamortized fair value adjustment of $144 million.

(d) Rate represents the stated rate at original issuance. The effective weighted-average interest rate for the TWE notes and debentures in the aggregate is 7.60% at September 30, 2006.

Primarily as a result of the Adelphia Acquisition and the Redemptions, our borrowings under our Cable Revolving Facility, Cable Term Facilities and commercial paper program increased to approximately $1.9 billion, $8.0 billion and $1.5 billion, respectively, at September 30, 2006. Additionally, TW NY issued $300 million of TW NY Series A Preferred Membership Units, and ATC s 1% common equity interest and $2.4 billion preferred equity interest in TWE were contributed to TW NY Holding in exchange for a 12.4% non-voting common stock interest in TW NY Holding. See Bank Credit Agreements and Commercial Paper Programs, Mandatorily Redeemable Preferred Equity and TW NY Mandatorily Redeemable Non-voting Series A Preferred Membership Units for additional information on the indebtedness incurred and preferred membership units issued in connection with the Adelphia Acquisition and the Redemptions.

Bank Credit Agreements and Commercial Paper Programs

As of December 31, 2005, we and TWE were borrowers under a $4.0 billion senior unsecured five-year revolving credit agreement and maintained unsecured commercial paper programs of $2.0 billion and $1.5 billion, respectively, which were supported by unused capacity under the credit facility. In the first quarter of 2006, we entered into $14.0 billion of new bank credit agreements, which refinanced $4.0 billion of previously existing committed bank financing, and provided additional commitments to finance, in part, the cash portions of the payments made in the Adelphia Acquisition and the Redemptions. The increased commitments became available concurrently with the closing of the Adelphia Acquisition.

Following the financing transactions described above, we have a $6.0 billion senior unsecured five-year revolving credit facility with a maturity date of February 15, 2011. This represents an extension of the maturity of our previous $4.0 billion of revolving bank commitments from November 23, 2009, plus a contingent increase of $2.0 billion that became effective concurrent with the closing of the Adelphia Acquisition. Also effective concurrent with the closing of the Adelphia Acquisition were two $4.0 billion term loan facilities with maturity dates of February 24, 2009 and February 21, 2011, respectively. TWE is no longer a borrower in respect of any of the Cable Facilities, although TWE has guaranteed our obligations under the Cable Facilities. Additionally, as of October 18, 2006, TW NY Holding unconditionally guaranteed our obligations under the Cable Facilities and TW NY was released from its guaranties of our obligations under the Cable Facilities. As noted below, prior to November 2, 2006, WCI and ATC, subsidiaries of Time Warner, guaranteed our obligations under the Cable Facilities.

Borrowings under the Cable Revolving Facility bear interest at a rate based on our credit rating, which rate was LIBOR plus 0.27% per annum as of September 30, 2006. In addition, we are required to pay a facility fee on the aggregate commitments under the Cable Revolving Facility at a rate determined by our credit rating, which rate was 0.08% per annum as of September 30, 2006. We also incur an additional usage fee of 0.10% per annum on the outstanding loans and other extensions of credit under the Cable Revolving Facility if and when such amounts exceed 50% of the aggregate commitments thereunder. Effective concurrent with the closing of the Adelphia Acquisition, borrowings under the Cable Term Facilities bear interest at a rate based on our credit rating, which rate was LIBOR plus 0.40% per annum as of September 30, 2006.

The Cable Revolving Facility provides same-day funding capability and a portion of the commitment, not to exceed $500 million at any time, may be used for the issuance of letters of credit. The Cable Facilities contain a maximum leverage ratio covenant of 5.0 times our EBITDA. The terms and related financial metrics associated with the leverage ratio are defined in the Cable Facility agreements. At September 30, 2006, we were in compliance with the leverage covenant, with a leverage ratio, calculated in accordance with the agreements, of approximately 3.7 times. The Cable Facilities do not contain any credit ratings-based defaults or covenants or any ongoing covenants or representations specifically relating to a material adverse change in the financial condition or results of operations of Time Warner or us. Borrowings under the Cable Revolving Facility may be used for general corporate purposes and unused credit is available to support borrowings under our commercial paper program. Borrowings under the Cable Term Facilities were used to assist in financing the cash portions of the payments made in the Adelphia Acquisition and the Exchange. As of September 30, 2006, there were borrowings of $1.875 billion and letters of credit of $159 million outstanding under our Cable Revolving Facility.

Additionally, we maintain a $2.0 billion unsecured commercial paper program. Our commercial paper borrowings are supported by the unused committed capacity of the Cable Revolving Facility. TWE is a guarantor of commercial paper issued by us. In addition, WCI and ATC previously guaranteed a pro-rata portion of TWE s obligations in respect of its guaranty of commercial paper issued by us. There were generally no restrictions on the ability of WCI and ATC to transfer material assets to parties that are not guarantors. The commercial paper issued by us ranks pari passu with our other unsecured senior indebtedness. As of September 30, 2006 and December 31, 2005, there was approximately $1.454 billion and $1.101 billion, respectively, of commercial paper outstanding under our commercial paper program. TWE s commercial paper program has been terminated.

On October 18, 2006, TW NY Holding executed and delivered unconditional guaranties of our obligations under the Cable Facilities. In addition, on October 18, 2006, TW NY was released from its guaranties of our obligations under the Cable Facilities in accordance with the terms of the Cable Facilities. Following the adoption of the amendments to the TWE Indenture on November 2, 2006, pursuant to the Eleventh Supplemental Indenture, as discussed below, the guaranties provided by ATC and WCI of our obligations under the Cable Facilities were automatically terminated in accordance with the terms of the Cable Facilities.

On December 4, 2006, we entered into a new unsecured commercial paper program (the New Program) to replace our existing $2.0 billion commercial paper program (the Prior Program). The New Program provides for the issuance of up to $6.0 billion of commercial paper at any time, and our obligations under the New Program will be guaranteed by TW NY Holding and TWE, both subsidiaries of ours, while our obligations under the Prior Program are guaranteed by ATC, WCI and TWE. Commercial paper borrowings under the Prior Program and the New Program are supported by the unused committed capacity of our Cable Revolving Facility.

No new commercial paper will be issued under the Prior Program after December 4, 2006. Amounts currently outstanding under the Prior Program have not been modified by the changes reflected in the New Program and will be repaid on the original maturity dates. Once all outstanding commercial paper under the Prior Program has been repaid, the Prior Program will terminate. Until all commercial paper outstanding under the Prior Program has been repaid, the aggregate amount of commercial paper outstanding under the Prior Program and the New Program will not exceed $6.0 billion at any time.

TW NY Mandatorily Redeemable Non-voting Series A Preferred Membership Units

In connection with the financing of the Adelphia Acquisition, TW NY issued $300 million of its Series A Preferred Membership Units to a number of third parties. The TW NY Series A Preferred Membership Units pay cash dividends at an annual rate equal to 8.21% of the sum of the liquidation preference thereof and any accrued but unpaid dividends thereon, on a quarterly basis. The TW NY Series A Preferred Membership Units are entitled to mandatory redemption by TW NY on August 1, 2013 and are not redeemable by TW NY at any time prior to that date. The redemption price of the TW NY Series A Preferred Membership Units is equal to their liquidation preference plus any accrued and unpaid dividends through the redemption date. Except under limited circumstances, holders of TW NY Series A Preferred Membership Units have no voting rights.

The terms of the TW NY Series A Preferred Membership Units require that holders owning a majority of the preferred units approve any agreement for a material sale or transfer by TW NY and its subsidiaries of assets at any time during which TW NY and its subsidiaries maintain, collectively, cable systems serving fewer than 500,000 cable subscribers, or that would (after giving effect to such asset sale) cause TW NY to maintain, directly or indirectly, fewer than 500,000 cable subscribers, unless the net proceeds of the asset sale are applied to fund the redemption of the TW NY Series A Preferred Membership Units and the sale occurs on or immediately prior to the redemption date. Additionally, for so long as the TW NY Series A Preferred Membership Units remain outstanding, TW NY may not merge or consolidate with another company, or convert from a limited liability company to a corporation, partnership or other entity, unless (i) such merger or consolidation is permitted by the asset sale covenant described above, (ii) if TW NY is not the surviving entity or is no longer a limited liability company, the then holders of the TW NY Series A Preferred Membership Units have the right to receive from the surviving entity securities with terms at least as favorable as the TW NY Series A Preferred Membership Units and (iii) if TW NY is the surviving entity, the tax characterization of the TW NY Series A Preferred Membership Units would not be affected by the merger or consolidation. Any securities received from a surviving entity as a result of a merger or consolidation or the conversion into a corporation, partnership or other entity must rank senior to any other securities of the surviving entity with respect to dividends and distributions or rights upon a liquidation.

TWE Notes and Debentures

During 1992 and 1993, TWE issued the TWE Notes publicly in a number of offerings. The maturities of these outstanding issuances ranged from 15 to 40 years and the fixed interest rates range from 7.25% to 10.15%. The fixed-rate borrowings include an unamortized debt premium of $154 million and $167 million as of December 31, 2005 and 2004, respectively. The debt premium is amortized over the term of each debt issue as a reduction of interest expense. As discussed below, we and TW NY Holding have each guaranteed TWE s obligations under the TWE Notes. Prior to November 2, 2006, ATC and WCI each guaranteed pro rata portions of the TWE Notes based on the relative fair value of the net assets that each contributed to TWE prior to the TWE Restructuring. On September 10, 2003, TWE submitted an application with the SEC to withdraw its 7.25% Senior Debentures (due 2008) from listing and registration on the NYSE. The application to withdraw was granted by the SEC effective on October 17, 2003. As a result, TWE has no obligation to file reports with the SEC under the Securities Exchange Act of 1934, as amended (the Exchange Act).

Pursuant to the Ninth Supplemental Indenture to the TWE Indenture, TW NY, a subsidiary of ours and a successor in interest to Time Warner NY Cable Inc., agreed to waive, for so long as it remained a general partner of TWE, the benefit of certain provisions in the TWE Indenture which provided that it would not have any liability for the TWE Notes as a general partner of TWE (the TW NY Waiver). Also on October 18, 2006, TW NY contributed all of its general partnership interests in TWE to TWE GP Holdings LLC, its wholly owned subsidiary, and as a result, the TW NY Waiver, by its terms, ceased to be in effect.

On October 18, 2006, we, together with TWE, TW NY Holding, ATC, WCI and The Bank of New York, as Trustee, entered into the Tenth Supplemental Indenture to the TWE Indenture. Pursuant to the Tenth Supplemental Indenture to the TWE Indenture, TW NY Holding fully, unconditionally and irrevocably guaranteed the payment of principal and interest on the TWE Notes. On October 19, 2006, TWE commenced a consent solicitation to amend the TWE Indenture. On November 2, 2006, the consent solicitation was completed and we, TWE, TW NY Holding and The Bank of New York, as Trustee, entered into the Eleventh Supplemental Indenture to the TWE Indenture, which

(i) amended the guaranty of the TWE Notes previously provided by us to provide a direct guaranty of the TWE Notes by us rather than a guaranty of the TW Partner Guaranties (as defined below), (ii) terminated the guaranties (the TW Partner Guaranties) previously provided by ATC and WCI, which entities are subsidiaries of Time Warner, and (iii) amended TWE s reporting obligations under the TWE Indenture to allow TWE to provide holders of the TWE Notes with quarterly and annual reports that we (or any other ultimate parent guarantor, as described in the Eleventh Supplemental Indenture) would be required to file with the SEC pursuant to Section 13 of

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the Exchange Act, if it were required to file such reports with the SEC in respect of the TWE Notes pursuant to such section of the Exchange Act, subject to certain exceptions as described in the Eleventh Supplemental Indenture.

Mandatorily Redeemable Preferred Equity

In connection with the TWE Redemption, ATC, a subsidiary of Time Warner, contributed its $2.4 billion of mandatorily redeemable preferred equity interest and a 1% common equity interest in TWE to TW NY Holding in exchange for a 12.4% non-voting common equity interest in TW NY Holding. TWE originally issued the $2.4 billion mandatorily redeemable preferred equity to ATC in connection with the TWE Restructuring. The issuance was a noncash transaction. The preferred equity pays cash distributions on a quarterly basis, at an annual rate of 8.059% of its face value and is required to be redeemed by TWE in cash on April 1, 2023.

Time Warner Approval Rights

Under the Shareholder Agreement between us and Time Warner, we are required to obtain Time Warner s approval prior to incurring additional debt or rental expenses (other than with respect to certain approved leases) or issuing preferred equity, if our consolidated ratio of debt, including preferred equity, plus six times our annual rental expense to EBITDAR (the TW Leverage Ratio) then exceeds, or would as a result of the incurrence or issuance exceed, 3:1. Under certain circumstances, we also include the indebtedness, annual rental expense obligations and EBITDAR of certain unconsolidated entities that we manage and/or own an equity interest in, such as TKCCP, in our calculation of the TW Leverage Ratio. The Shareholder Agreement defines EBITDAR, at any time of measurement, as operating income plus depreciation, amortization and rental expense (for any lease that is not accounted for as a capital lease) for the twelve months ending on the last day of our most recent fiscal quarter, including certain adjustments to reflect the impact of significant transactions as if they had occurred at the beginning of the period.

The following table sets forth our calculation of the TW Leverage Ratio for the twelve months ended September 30, 2006 (in millions, except ratio):

Indebtedness	$ 14,683
Preferred Equity	300
Six Times Annual Rental Expense	1,050
Total	$ 16,033
EBITDAR	$ 5,155
TW Leverage Ratio	3.11x

As indicated in the table above, as of September 30, 2006, the TW Leverage Ratio exceeded 3:1. Although Time Warner has consented to the issuance of commercial paper under our $6.0 billion commercial paper program or borrowings under the Cable Revolving Facility, any other incurrence of debt or rental expenses (other than with respect to certain approved leases) or issuance of preferred stock will require Time Warner s approval, until such time as the TW Leverage Ratio is no longer exceeded. This limits our ability to incur future debt and rental expense (other than with respect to certain approved leases) and issue preferred equity without the consent of Time Warner and limits our flexibility in pursuing financing alternatives and business opportunities.

Firm Commitments

We have commitments under various firm contractual arrangements to make future payments for goods and services. These firm commitments secure future rights to various assets and services to be used in the normal course of operations. For example, we are contractually committed to make some minimum lease payments for the use of property under operating lease agreements. In accordance with current accounting rules, the future rights and obligations pertaining to these contracts are not reflected as assets or liabilities on the accompanying consolidated balance sheet.

The following table summarizes our material firm commitments at September 30, 2006 and the timing of and effect that these obligations are expected to have on our liquidity and cash flow in future periods. This table excludes certain Adelphia and Comcast commitments, which we did not assume, and excludes commitments related to other entities, including certain unconsolidated equity method investees. We expect to fund these firm commitments with cash provided by operating activities generated in the normal course of business.

	Firm Commitments				
	2006	2007-2008	2009-2010	2011 and thereafter	Total
			(in millions)		
Programming purchases[(a)]	$ 609	$ 4,604	$ 1,849	$ 2,160	$ 9,222
Outstanding debt obligations[(b)]		600	4,000	10,249	14,849
Interest on outstanding debt obligations[(c)]	234	1,859	1,364	3,124	6,581
Facility leases[(d)]	23	161	133	517	834
Wireless Joint Venture	450				450
Data processing services	10	79	79	76	244
High-speed data connectivity	12	11	2		25
Voice connectivity	60	320	378		758
Converter and modem purchases	14	20			34
Other	21	28	9	3	61
Total	$ 1,433	$ 7,682	$ 7,814	$ 16,129	$ 33,058

(a) We have purchase commitments with various programming vendors to provide video services to subscribers. Programming fees represent a significant portion of the costs of revenues. Future fees under such contracts are based on numerous variables, including number and type of customers. The amounts of the commitments reflected above are based on the number of subscribers at September 30, 2006 applied to the per subscriber contractual rates contained in the contracts that were in effect as of September 30, 2006.

(b) Includes $300 million of TW NY Series A Preferred Membership Units.

(c) Amounts based on the outstanding balance, interest rate (interest rates on variable-rate debt were held constant through maturity at the September 30, 2006 rates) and repayment schedule of the respective debt instrument as of September 30, 2006 (see Note 7 to our unaudited consolidated financial statements for the nine months ended September 30, 2006 included elsewhere in this prospectus for further details).

(d) We have facility lease commitments under various operating leases, including minimum lease obligations for real estate and operating equipment.

Our total rent expense, which primarily includes facility rental expense and pole attachment rental fees, amounted to $106 million for the nine months ended September 30, 2006 and $98 million, $101 million and $90 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Contingent Commitments

Prior to the TWE Restructuring, TWE had various contingent commitments, including guarantees, related to the TWE Non-cable Businesses. In connection with the restructuring of TWE, some of these commitments were not transferred with their applicable Non-cable Business and they remain contingent commitments of TWE. Specifically, in connection with the Non-cable Businesses former investment in the Six Flags theme parks located in Georgia and Texas (Six Flags Georgia and Six Flags Texas, respectively, and collectively, the Parks), Time Warner and TWE each agreed to guarantee (the Six Flags Guarantee) certain obligations of the partnerships that hold the Parks (the Partnerships), including the following (the Guaranteed Obligations): (a) the obligation to make a minimum amount of annual distributions to the limited partners of the Partnerships; (b) the obligation to make a minimum amount of capital expenditures each year; (c) the requirement that an annual offer to purchase be made in respect of 5% of the limited partnership units of the Partnerships (plus any such units not purchased in any prior year) based on an aggregate price for all limited partnership units at the higher of (i) $250 million in the case of Six Flags Georgia or $374.8 million in the case of Six Flags Texas and (ii) a weighted average multiple of EBITDA for the respective Park over the previous four-year period; (d) ground lease payments; and (e) either (i) the purchase of all of the outstanding limited partnership units upon the earlier of the occurrence of certain specified events and the end of the term of each of the Partnerships in 2027 (Six Flags Georgia) and 2028 (Six Flags Texas) (the End of Term Purchase) or (ii) the obligation to cause each of the Partnerships to have no indebtedness and to meet certain other financial tests as of the end of the term of the Partnership. The aggregate purchase price for the limited partnership units pursuant to the End of Term Purchase is $250 million in the case of Six Flags Georgia and $374.8 million in the case of Six Flags Texas (in each case, subject to a consumer price index based adjustment calculated annually from 1998 in respect of Six Flags Georgia and 1999 in respect of Six Flags Texas). Such aggregate amount will be reduced ratably to reflect limited partnership units previously purchased.

In connection with the 1998 sale of Six Flags Entertainment Corporation to Premier Parks Inc. (Premier), Premier, Historic TW and TWE, among others, entered into a Subordinated Indemnity Agreement pursuant to which Premier agreed to guarantee the performance of the Guaranteed Obligations when due and to indemnify Historic TW and TWE, among others, in the event that the Guaranteed Obligations are not performed and the Six Flags Guarantee is called upon. In the event of a default of Premier s obligations under the Subordinated Indemnity Agreement, the Subordinated Indemnity Agreement and related agreements provide, among other things, that Historic TW and TWE have the right to acquire control of the managing partner of the Parks. Premier s obligations to Historic TW and TWE are further secured by its interest in all limited partnership units that are purchased by Premier.

Additionally, Time Warner and WCI have agreed, on a joint and several basis, to indemnify TWE from and against any and all of these contingent liabilities, but TWE remains a party to these commitments. In the event that TWE is required to make a payment related to any contingent liabilities of the TWE Non-cable Businesses, TWE will recognize an expense from discontinued operations and will receive a capital contribution from Time Warner and/or its subsidiary WCI for reimbursement of the incurred expenses. Additionally, costs related to any acquisition and subsequent distribution to Time Warner would also be treated as an expense of discontinued operations to be reimbursed by Time Warner.

To date, no payments have been made by Historic TW or TWE pursuant to the Six Flags Guarantee.

We have cable franchise agreements containing provisions requiring the construction of cable plant and the provision of services to customers within the franchise areas. In connection with these obligations under existing franchise agreements, we obtain surety bonds or letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. We have also obtained letters of credit for several of our joint ventures and other obligations. Should these joint ventures default on their obligations supported by the letters of credit, we would be obligated to pay these costs to the extent of the letters of credit. Such surety bonds and letters of credit as of September 30, 2006 and December 31, 2005 amounted to $327 million and $245 million, respectively. Payments under these arrangements are required only in the event of nonperformance. We do not expect that these contingent commitments will result in any amounts being paid in the foreseeable future.

We are required to make cash distributions to Time Warner when our employees exercise previously issued Time Warner stock options. For more information, please see Market Risk Management Equity Risk below.

Market Risk Management

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and changes in the market value of investments.

Interest Rate Risk

Variable-rate debt. As of December 31, 2005, we had an outstanding balance of variable-rate debt of $1.1 billion, which excludes an unamortized discount adjustment of $4 million. Based on the variable-rate obligations outstanding at December 31, 2005, each 25 basis point increase or decrease in the level of interest rates would, respectively, increase or decrease our annual interest expense and related cash payments by approximately $3 million. As of September 30, 2006, we had approximately $11.3 billion of variable-rate debt, which excludes an unamortized discount adjustment of $10 million. Based on the variable-rate obligations outstanding as of September 30, 2006, each 25 basis point increase or decrease in the level of interest rates, would, respectively, increase or decrease our annual interest expense and related cash payments by approximately $28 million. These potential increases or decreases are based on simplifying assumptions, including a constant level of variable-rate debt for all maturities and an immediate, across-the-yield curve increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the periods.

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Fixed-rate debt. As of December 31, 2005, we had an outstanding balance of $5.8 billion of fixed-rate debt and mandatorily redeemable preferred equity, including an unamortized fair value adjustment of $154 million. Based on the fixed-rate debt obligations outstanding at December 31, 2005, a 25 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the fixed-rate debt by approximately $131 million. As of September 30, 2006, we had approximately $3.6 billion of fixed-rate debt and TW NY Series A Preferred Membership Units, including an amortized fair value adjustment of $144 million. Based on the fixed-rate debt obligations outstanding at September 30, 2006, a 25 basis point increase or decrease in the level of interest would, respectively, increase or decrease the fair value of the fixed-rate debt by approximately $77 million. These potential increases or decreases are based on simplifying assumptions, including a constant level and rate of fixed-rate debt and an immediate, across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the periods.

Equity Risk

We are also exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of private companies for operational and strategic business purposes. These investments are subject to significant fluctuations in fair market value due to volatility of the industries in which the companies operate. As of December 31, 2005, we had $2.0 billion of investments, primarily consisting of TKCCP, which were accounted for using the equity method of accounting. As of September 30, 2006, on a pro forma basis, we had approximately $264 million of investments remaining, which reflects the dissolution of TKCCP.

Some of our employees have been granted options to purchase shares of Time Warner common stock in connection with their past employment with subsidiaries and affiliates of Time Warner. We have agreed that, upon the exercise by any of our officers or employees of any options to purchase Time Warner common stock, we will reimburse Time Warner in an amount equal to the excess of the closing price of a share of Time Warner common stock on the date of the exercise of the option over the aggregate exercise price paid by the exercising officer or employee for each share of Time Warner common stock. At September 30, 2006 and December 31, 2005, we had accrued approximately $59 million and $55 million, respectively, of stock option distributions payable to Time Warner. That amount, which is not payable until the underlying options are exercised and then only subject to limitations on cash distributions in accordance with the senior unsecured revolving credit facilities, will be adjusted in subsequent accounting periods based on changes in the quoted market prices for Time Warner s common stock. See Note 10 to our audited consolidated financial statements for the year ended December 31, 2005 and Note 3 to our unaudited consolidated financial statements for the nine months ended September 30, 2006, both of which are included elsewhere in this prospectus.

Critical Accounting Policies

The SEC considers an accounting policy to be critical if it is important to our financial condition and results, and if it requires significant judgment and estimates on the part of management in its application. The development and selection of these critical accounting policies have been determined by our management and the related disclosures have been reviewed with the audit committee of our board of directors. For a summary of all of our significant accounting policies, including the critical accounting policies discussed below, see Note 3 to our audited consolidated financial statements for the year ended December 31, 2005 included elsewhere in this prospectus.

Asset Impairments

Goodwill and Other Indefinite-lived Intangible Assets

Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify a potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. We have identified six reporting units based on the geographic locations of our systems. The estimates of fair value of a reporting unit are determined using various valuation techniques, with the primary technique being a discounted cash flow analysis. A discounted cash flow analysis requires one to make various judgmental assumptions including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our budget and business plans and we make assumptions

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about the perpetual growth rate for periods beyond the long-term business plan period. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units. In estimating the fair values of our reporting units, we also use research analyst estimates, as well as comparable market analyses. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not deemed impaired and the second step of the impairment test is not performed. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit.

The impairment test for other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. We have identified six units of accounting based upon geographic locations of our systems in performing our testing. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. The methodology used to value cable franchises entails identifying the projected discrete cash flows related to such franchises and discounting them back to the valuation date. Significant assumptions inherent in the methodologies employed include estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets.

Our 2005 annual impairment analysis, which was performed during the fourth quarter, 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. As a result of the Redemptions, we updated our annual impairment tests for goodwill and other intangible assets not subject to amortization and such tests did not result in an impairment charge.

Finite-lived Intangible Assets

In determining whether finite-lived intangible assets (e.g., customer relationships) are impaired, the accounting rules do not provide for an annual impairment test. Instead, they require that a triggering event occur before testing an asset for impairment. Such triggering events include the significant disposal of a portion of such assets or when there has been an adverse change in the market involving the business employing the related asset. The Redemptions were a triggering event for testing such assets for impairment. Once a triggering event has occurred, the impairment test employed is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, the impairment test first requires a comparison of undiscounted future cash flows against the carrying value of the asset as an initial test. If the carrying value of such asset exceeds the undiscounted cash flow, the asset would be deemed to be impaired. Impairment would then be measured as the difference between the fair value of the asset and our carrying value. Fair value is generally determined by discounting the future cash flows. If the intent is to hold the asset for sale and certain other criteria are met (e.g., can be disposed of currently, appropriate levels of authority have approved sale, actively pursuing buyer), the impairment test involves comparing the asset s carrying value to our fair value. To the extent the carrying value is greater than the asset s fair value, an impairment loss is recognized for the difference.

Significant judgments in this area involve determining whether a triggering event has occurred and the determination of the cash flows for the assets involved and the discount rate to be applied in determining fair value. There was no impairment of finite-lived intangible assets in 2005 or in connection with testing done as a result of the Redemptions.

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Investments

Our investments are primarily accounted for using the equity method of accounting. A subjective aspect of accounting for investments involves determining whether an other-than-temporary decline in value of the investment has been sustained. If it has been determined that an investment has sustained an other-than-temporary decline in its value, the investment is written down to its fair value by a charge to earnings. This evaluation is dependent on the specific facts and circumstances. For investments accounted for using the cost or equity method of accounting, we evaluate information including budgets, business plans and financial statements in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of the investment. This list is not all-inclusive and our management weighs all quantitative and qualitative factors in determining if an other-than-temporary decline in value of an investment has occurred. As of September 30, 2006, on a pro forma basis, we had approximately $264 million of investments remaining, which reflects the dissolution of TKCCP.

Pension Plans

We have defined benefit pension plans covering a majority of our employees. Pension benefits are based on formulas that reflect the employees years of service and compensation during their employment period and participation in the plans. Former Adelphia employees that became our employees in connection with the Transactions will not receive credit for their years of employment by Adelphia and are subject to a one-year waiting period before becoming eligible to participate in our pension plans. We recognized pension expense associated with continuing operations of $57 million in 2005, $60 million in 2004 and $59 million in 2003. The pension expense recognized by us is determined using certain assumptions, including the discount rate, the expected long-term rate of return on plan assets and the rate of compensation increases. The determination of assumptions for pension plans is discussed in more detail below.

We used a discount rate of 6% to compute 2005 pension expense. The discount rate was determined by reference to the Moody s Aa Corporate Bond Index, adjusted for coupon frequency and duration of our pension obligation. A decrease in the discount rate of 25 basis points, from 6% to 5.75%, while holding all other assumptions constant, would have resulted in an increase in our pension expense of approximately $9 million in 2005.

Our expected long-term rate of return on plan assets used to compute 2005 pension expense was 8%. In developing the expected long-term rate of return, we considered the pension portfolio s past average rate of earnings, portfolio composition and discussions with portfolio managers. The expected long-term rate of return is based on an asset allocation assumption of 75% equities and 25% fixed-income securities, which approximated the actual allocation as of December 31, 2005. A decrease in the expected long-term rate of return of 25 basis points, from 8.00% to 7.75%, while holding all other assumptions constant, would have resulted in an increase in our pension expense of approximately $2 million in 2005.

We used an estimated rate of future compensation increases of 4.5% to compute 2005 pension expense. An increase in the rate of 25 basis points while holding all other assumptions constant would have resulted in an increase in our pension expense of approximately $1 million in 2005.

Multiple-element Transactions

Multiple-element transactions involve situations where judgment must be exercised in determining fair value of the different elements in a bundled transaction. Specifically, multiple-element arrangements can involve:

Contemporaneous purchases and sales. We sell a product or service (e.g., advertising services) to a customer and at the same time purchase goods or services (e.g., programming).

Sales of multiple products or services. We sell multiple products or services to a counterparty (e.g., we sell cable, voice and high-speed data services to a customer).

Purchases of multiple products or services, or the settlement of an outstanding item contemporaneous with the purchase of a product or service. We purchase multiple products or services from a counterparty (e.g., we negotiate multiple programming agreements with a counterparty).

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Contemporaneous Purchases and Sales

In the normal course of business, we enter into multiple-element transactions where we are simultaneously both a customer and a vendor with the same counterparty. For example, when negotiating the terms of programming purchase contracts from cable networks, we may at the same time negotiate for the sale of advertising to the same cable network. Arrangements, although negotiated contemporaneously, may be documented in one or more contracts. In accounting for such arrangements, we look to the guidance contained in the following authoritative literature:

APB Opinion No. 29, *Accounting for Nonmonetary Transactions* (APB 29);

FASB Statement No. 153, *Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29* (FAS 153);

EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer* (EITF 01-09); and

EITF Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* (EITF 02-16).

Our policy for accounting for each transaction negotiated contemporaneously is to record each element of the transaction based on the respective estimated fair values of the goods or services purchased and the goods or services sold. The judgments made in determining fair value in such arrangements impact the amount and period in which revenues, expenses and net income are recognized over the term of the contract. In determining the fair value of the respective elements, we refer to quoted market prices (where available), historical transactions or comparable cash transactions. The most frequent transactions of this type that we encounter involve funds received from our vendors which we account for in accordance with EITF 02-16. We record cash consideration received from a vendor as a reduction in the price of the vendor s product unless (i) the consideration is for the reimbursement of a specific, incremental, identifiable cost incurred in which case we would record the cash consideration received as a reduction in such cost or (ii) we are providing an identifiable benefit in exchange for the consideration in which case we recognize revenue for this element.

With respect to programming vendor advertising arrangements being negotiated simultaneously with the same cable network, we assess whether each piece of the arrangements is at fair value. The factors that are considered in determining the individual fair values of the programming and advertising vary from arrangement to arrangement and include:

existence of a most-favored-nation clause or comparable assurances as to fair market value with respect to programming;

comparison to fees under a prior contract;

comparison to fees paid for similar networks; and

comparison to advertising rates paid by other advertisers on our systems.

Advertising revenues associated with such arrangements were less than $1 million for the nine months ended September 30, 2006 and the year ended December 31, 2005, and were $9 million for each of the years ended December 31, 2004 and 2003.

Sales of Multiple Products or Services

Our policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same counterparty is in accordance with EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, and SEC Staff Accounting Bulletin No. 104, *Revenue Recognition.* Specifically, if we enter into sales contracts for the sale of multiple products or services, then we evaluate whether we have objective fair value evidence for each deliverable in the transaction. If we have objective fair value evidence for each deliverable of the transaction, then we account for each deliverable in the transaction separately, based on the relevant revenue recognition accounting policies. However, if we are unable to determine objective fair value for one or more undelivered elements of the transaction, we recognize revenue on a straight-line basis over the term of the agreement. For example, we sell cable, voice and high-speed data services to subscribers in a bundled package at a rate lower than if the subscriber purchases each product on an individual basis. Subscription revenues received from such subscribers are allocated to each product in a pro-rata manner based on the individual product s advertised rate, which we believe represents the fair value of each of the respective services.

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Purchases of Multiple Products or Services

Our policy for cost recognition in instances where multiple products or services are purchased contemporaneously from the same counterparty is consistent with our policy for the sale of multiple products to a customer. Specifically, if we enter into a contract for the purchase of multiple products or services, we evaluate whether we have fair value evidence for each product or service being purchased. If we have fair value evidence for each product or service being purchased, we account for each separately, based on the relevant cost recognition accounting policies. However, if we are unable to determine fair value for one or more of the purchased elements, we recognize the cost of the transaction on a straight-line basis over the term of the agreement.

This policy would also apply in instances where we settle a dispute and at the same time we purchase a product or service from that same counterparty. For example, we settle a dispute on an existing programming contract with a programming vendor at the same time that we are renegotiating a new programming contract with the same programming vendor. Because we are negotiating both the settlement and dispute for a new programming contract, each of these elements should be accounted for at fair value. The amount allocated to the settlement of the dispute would be recognized immediately, whereas the amount allocated to the new programming contract would be accounted for prospectively, consistent with the accounting for other similar programming agreements.

Gross Versus Net Revenue Recognition

In the normal course of business, we act as an intermediary or agent with respect to payments received from third parties. For example, we collect taxes on behalf of franchising authorities. The accounting issue encountered in these arrangements is whether we should report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchise authorities. In this example, we have determined that these amounts should be reported on a gross basis.

Determining whether revenue should be reported gross or net is based on an assessment of whether we are acting as the principal in a transaction or acting as an agent in a transaction. To the extent that we act as a principal in a transaction, we report as revenue the payments received on a gross basis. To the extent we act as an agent in a transaction, we report as revenue the payments received less commissions and other payments to third parties on a net basis. The determination of whether we are acting as a principal or an agent in a transaction involves judgment and is based on an evaluation of the terms of an arrangement.

In determining whether we serve as principal or agent we follow the guidance in EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent* (EITF 99-19). Pursuant to such guidance, we serve as the principal in transactions in which we have substantial risks and rewards of ownership. The indicators that we have substantial risks and rewards of ownership are as follows:

- we are the supplier of the products or services to the customer;
- we have general inventory risk for a product before it is sold;
- we have latitude in establishing prices;
- we have the contractual relationship with the ultimate customer;
- we modify and service the product purchased to meet the ultimate customer specifications;
- we have discretion in supplier selection; and

we have the credit risk.

Conversely, under EITF 99-19, we serve as the agent in arrangements where we do not have substantial risks and rewards of ownership. Indicators that the suppliers, and not us, have substantial risks and rewards of ownership are as follows:

- the supplier is responsible for providing the product or service to the customer;
- the supplier has latitude in establishing prices;
- the amount that we earn is fixed; and
- the supplier has credit risk.

Property, Plant and Equipment

We incur expenditures associated with the construction of our cable systems. Costs associated with the construction of the cable transmission and distribution facilities and new cable service installations are capitalized. With respect to certain customer premise equipment, which includes converters and cable modems, we capitalize installation charges only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects are expensed as incurred. Depreciation on these assets is provided, generally using the straight-line method, over their estimated useful lives.

We use product-specific and, in the case of customers who have multiple products installed at once, bundle-specific standard costing models to capitalize installation activities. Significant judgment is involved in the development of these costing models, including the average time required to perform an installation and the determination of the nature and amount of indirect costs to be capitalized. Additionally, the development of standard costing models for new products such as our voice services product involve more estimates than the standard costing models for established products because we have less historical data related to the installation of new products. The standard costing models are reviewed annually and adjusted prospectively, if necessary, based on comparisons to actual costs incurred.

We generally capitalize expenditures for tangible fixed assets having a useful life of greater than one year. Types of capitalized expenditures include: customer premise equipment, scalable infrastructure, line extensions, plant upgrades and rebuilds and support capital. For converters and modems, useful life is generally 3 to 4 years and for plant upgrades, useful life is up to 16 years.

Programming Agreements

Our management exercises significant judgment in estimating programming expense associated with certain video programming contracts. Our management s policy is to record video programming costs based on our contractual agreements with programming vendors, which are generally multi-year agreements that provide for us to make payments to the programming vendors at agreed upon rates, which represent fair market value, based on the number of subscribers to which we provide the service. If a programming contract expires prior to entering into a new agreement, our management is required to estimate the programming costs during the period there is no contract in place. Our management considers the previous contractual rates, inflation and the status of the negotiations in determining our estimates. When the programming contract terms are finalized, an adjustment to programming expense is recorded, if necessary, to reflect the terms of the new contract. Our management must also make estimates in the recognition of programming expense related to other items, such as the accounting for free periods, most-favored-nation clauses and service interruptions, as well as the allocation of consideration exchanged between the parties in multiple-element transactions.

BUSINESS

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 our customers over technologically-advanced, well-clustered cable systems that, as of September 30, 2006, 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 September 30, 2006, we had over 14.6 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 VOD , HDTV and set-top boxes equipped with 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 September 30, 2006, approximately 7.0 million (or 52%) of our 13.5 million basic video customers subscribed to our digital video services; 6.4 million (or 25%) of our high-speed data service-ready homes subscribed to our residential high-speed data service; and 1.6 million (or nearly 11%) of our voice service-ready homes subscribed to Digital Phone, our newest service, which we launched broadly during 2004. As of September 30, 2006, in our legacy systems, approximately 54% of our 9.5 million basic video customers subscribed to our digital video services and 29% of our high-speed data service-ready homes subscribed to our residential high-speed data service. We have been able to increase our subscription ARPU, driven in large part through the expansion of our service offerings. In the quarter ended September 30, 2006, our subscription ARPU was approximately $89 (approximately $93 in our legacy systems), 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 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 September 30, 2006, approximately 40% of our customers purchased two or more of our video, high-speed data and Digital Phone services, and approximately 8% purchased all three of these services. As of September 30, 2006, in our legacy systems, approximately 44% of our customers purchased two or more of our services and approximately 13% purchased all three. 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 September 30, 2006, homes passed in the Acquired Systems represented approximately 36% of our total homes passed. The Transactions provide us with increased scale and have enhanced the clustering of our already well-clustered systems. As of September 30, 2006, penetration rates for basic video services and advanced services were generally lower in the Acquired Systems than in our legacy systems. We believe that many of the Acquired Systems 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 the Acquired 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.

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According to a Forrester Research report dated February 2005, the number of HDTV sets in the U.S. is estimated to be approximately 23 million at the end of 2006 and is forecasted to more than double over the next three years. The increasingly wide variety of content made available via VOD, high definition and Pay-Per-View programming, along with the proliferation of DVRs, is driving customer demand for advanced video services.

Bandwidth-intensive online applications, such as peer-to-peer file sharing, gaming, and music and video downloading and streaming, are driving demand for reliable high-speed data services. Currently, high-speed data penetration in the United States is relatively low compared with some other industrialized countries and has the potential to grow. International Data Corporation estimates that as of year end 2006, high-speed data penetration in the U.S. will reach approximately 36% of all households, compared to penetration rates of approximately 56% and 51% in Canada and The Netherlands, respectively.

IP-based telephony service, such as our Digital Phone, is proving to be an attractive low-cost, high quality alternative to traditional telephone service as provided by incumbent local telephone companies. The cable industry already provides this service to over four million subscribers as of September 30, 2006. However, IP-based telephony penetration is relatively low and we believe there is significant opportunity for growth.

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.

AT&T and Verizon are in the process of building new FTTH or FTTN 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. We believe our legacy cable infrastructure is sufficiently flexible and adaptable to satisfy all current and near-term product requirements, as well as allow us to meet increased subscriber demand, without the need for significant system upgrades. Furthermore, because 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 FTTH or FTTN 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. As of September 30, 2006, virtually all of our legacy systems had bandwidth capacity of 750MHz or greater and were technically capable of delivering all of our advanced digital video, high-speed data and Digital Phone services. As of September 30, 2006, we estimate that approximately 85% of the homes passed in the Acquired Systems were served by plant that had bandwidth capacity of 750MHz or greater. We anticipate making significant capital expenditures during the remainder of 2006 and over the following 12 to 24 months related to the continued integration of the Acquired Systems, including improvements to plant and technical performance and upgrading system capacity, which will allow us to offer our advanced services and features. We estimate that these expenditures will range from approximately $450 million to $550 million (including amounts incurred through September 30, 2006).

Innovation leader. We are a recognized leader in developing and introducing innovative new technologies and services, and creating enhancements to existing services. Examples of this leadership have included pioneering the network architecture known as hybrid fiber coax, or HFC, for which we received an Emmy award in 1994, the introduction of our Road Runner online service in 1996, VOD in 2000, SVOD in 2001, set-top boxes with integrated DVRs in 2002, synchronous voting and polling in 2003, our Digital Phone service in 2004, instantaneous Start Over of in-progress television programs in 2005 and web video Quick Clips on the television in 2006. 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 Transactions further enhanced our already well-clustered operations. For example, as of September 30, 2006, we passed approximately 4.4 million homes in the greater Los Angeles area, which prior to the Transactions was an operationally fragmented environment in which we passed only 700,000 homes. As of September 30, 2006, approximately 92% of our homes passed were part of clusters of more than 500,000 homes passed. We believe clustering provides us with significant operating and financial advantages, enabling us to:

- rapidly and cost-effectively introduce new and enhanced services by reducing the amount of capital and time required to deploy services on a per-home basis;
- market services more efficiently by, among other things, allowing us to purchase media over a wide area without spending media dollars in areas we do not serve;
- attract advertisers by offering a convenient platform through which to reach a broad audience within a specific geographic area;
- develop, maintain and leverage high-quality local management teams; and
- develop proprietary local programming, such as local news channels and local VOD offerings, which can provide a competitive advantage over national providers like direct broadcast satellite.

Consistent track record. We have established a record of financial growth and strong operating performance driven primarily by the introduction of our advanced services. Key operational and financial metrics illustrating this performance include the following:

- *Significant growth in RGUs.* Our total RGUs were 28.9 million at September 30, 2006. On a legacy basis, our RGU net additions have increased from 1.5 million for the nine months ended September 30, 2005 to 2.0 million for the nine months ended September 30, 2006, representing a 33% increase. RGU growth has been primarily driven by the following:
  - *Digital video:* we added over 1 million digital video subscribers on a legacy basis between December 31, 2004 and September 30, 2006.
  - *High-speed data:* our residential high-speed data penetration reached 25% of eligible homes at September 30, 2006 (29% on a legacy basis), with nearly 1.5 million residential high-speed data net additions on a legacy basis between December 31, 2004 and September 30, 2006.
  - *IP-based telephony:* our Digital Phone penetration reached nearly 11% of eligible homes at September 30, 2006. In the first nine months of 2006, Digital Phone subscribers increased by 651,000 compared to an increase of 560,000 in the same period of 2005.

Significant growth in subscription ARPU. In our legacy systems, our subscription ARPU increased to approximately $93 in the third quarter of 2006 from approximately $70 for the quarter ended March 31, 2004. This represents an increase of 33% and a compound annual growth rate of 12%.

Highly-experienced management team. We have a 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. In addition, we believe our involvement in local community initiatives reinforces awareness of our brand and our commitment to our communities. We implemented a regional management structure in 2005, which we believe enables us to avoid duplication of resources in our operating divisions.

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. Examples of new services that we are working to develop or introduce more broadly include the following:

*Start Over*tm: uses our VOD technology to allow digital video customers to conveniently and instantly restart select programs then being aired by participating programming vendors;

*Caller ID on TV*tm: allows customers who receive both our digital video service and our Digital Phone service to elect to have Caller ID information displayed on their television screen;

*PhotoShowTV*tm: allows subscribers to both our digital video service and our Road Runner high-speed online service to upload photo slide shows and homemade videos for other system subscribers to view on their televisions using our VOD system; and

Wireless: may enable us to offer wireless services that will complement and enhance our existing 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. For example, following the broad launch of our Digital Phone service in 2004, which enabled us to begin offering our triple play of video, data and voice services, we observed a reduction in churn and an increase in growth of basic video subscribers in 2005. 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. In addition, we use the information we obtain from our customers to better tailor new offerings to their specific needs and preferences. Our brand statement, *The Power of You*tm, reinforces our customer-centric strategy.

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. In addition, we use customer care channels and inbound calling centers to increase our customers awareness of the new products and services we offer.

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. Consistent with this strategy, we completed the Transactions on July 31, 2006.

Our goal with respect to the Acquired Systems is to increase penetration of our basic and advanced services toward the levels enjoyed by our legacy systems, thereby increasing revenue growth and profitability.

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As of September 30, 2006, the overall penetration rates in the Acquired Systems for basic video, digital video and high-speed data were lower than our legacy penetration rates for such services. Furthermore, IP-based telephony service, which was available to nearly 94% of our legacy homes passed as of September 30, 2006, was not available in any of the Acquired Systems. We intend to take the following steps to achieve our goal:

- complete the operational integration of the Acquired Systems, already well under way, and use our service and management skills to improve the satisfaction of our new customers;
- upgrade the capacity and technical performance of the Acquired Systems to levels that will allow us to deliver all of our advanced services and features;
- deploy advanced services as soon as technically and operationally feasible, and provide the same focused marketing and superior customer care that we have employed in our legacy systems; and
- reduce costs by rationalizing infrastructure and taking advantage of economies of scale in purchasing goods and services.

Products and Services

We offer a variety of services over our broadband cable systems, including video, high-speed data and voice services. We market our services separately and as bundled packages of multiple services and features. Increasingly, our customers subscribe to more than one of our services for a single price reflected on a single consolidated monthly bill.

Video Services

We offer a full range of analog and digital video service levels, as well as advanced services such as VOD, HDTV, and set-top boxes equipped with DVRs. The following table presents selected statistical data regarding our video services:

	As of December 31, 2004	As of December 31, 2005	As of September 30, 2006
	(in thousands, except percentages)		
Homes passed(1)	15,977	16,338	25,892
Basic subscribers(2)	9,336	9,384	13,471
Basic penetration(3)	58.4%	57.4%	52.0%
Digital subscribers	4,067	4,595	7,024
Digital penetration(4)	43.6%	49.0%	52.1%

(1) 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.

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

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

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

Analog services. Analog video service is available in all of our operating areas. We typically offer two levels or tiers of service Basic and Standard which together offer, on average, approximately 70 channels for viewing on cable-ready television sets without the need for a separate set-top box.

- Basic Tier generally, broadcast television signals, satellite delivered broadcast networks and superstations, local origination channels, and public access, educational and government channels; and
- Standard Tier generally includes national, regional and local cable news, entertainment and other specialty networks, such as CNN, A&E, ESPN, CNBC and MTV.

We offer our Basic and Standard tiers for a fixed monthly fee. The rates we can charge for our Basic tier and certain video equipment are subject to regulation under federal law. For more information please see Regulatory Matters.

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As of September 30, 2006, 52.0%, or 13.5 million (56.9%, or 9.5 million, on a legacy basis), of our homes passed subscribed to our basic services. Although basic video subscriber penetration levels have generally been lower in the Acquired Systems, we believe we have an opportunity to increase the number of basic video subscribers in the Acquired Systems.

In certain areas, our Basic and Standard tiers also include proprietary local programming devoted to the communities we serve. For instance, we provide 24-hour local news channels in the following areas: NY1 News and NY1 Noticias in New York, NY; News 14 Carolina in Charlotte and Raleigh, NC; R News in Rochester, NY; Capital News 9 in Albany, NY; News 8 Austin in Austin, TX; and News 10 Now in Syracuse, NY. In most of these areas, these news channels are available exclusively on our cable systems. The channels provide us with a competitive advantage against other distributors of video programming and provide local advertisers with a unique opportunity to reach viewers. Furthermore, we believe that the presence of news gathering organizations in the areas we serve heightens customer awareness of our brand and services, and helps us to establish strong, permanent ties to the community.

Digital services. Subscribers to our digital video services receive a wide variety of up to 250 digital video and audio services (in digital format in most of our legacy operating areas) and services that may include:

Additional Cable Networks up to 60 digitally delivered cable networks, including spin-off and successor networks to successful national cable services, new networks and niche programming services, such as Discovery Home and MTV2;

Interactive Program Guide an on-screen interactive program guide that contains descriptions of available viewing options, enables navigation among these options and provides convenient parental controls and access to On-Demand services, which are described below;

Premium and Multiplex Premium Channels multi-channel versions of premium services, such as the suite of HBO networks, which includes HBO, HBO 2, HBO Signature, HBO Family, HBO Comedy, HBO Zone and HBO Latino;

Music Channels up to 45 CD-quality genre-themed audio music stations;

Seasonal Sports Packages packages of sports programming, such as NBA League Pass and NHL Center Ice, which provide multiple channels displaying games from outside the subscriber s local area;

Digital Tiers specialized tiers comprising thematically linked programming services, including sports and Spanish language tiers; and

Family Choice Tier a specialized tier comprising about 15 standard and digital channels selected to be appropriate for family viewing based on ratings information provided by the programmers and based on our best judgment.

Subscribers to our digital video service receive all the channels that are contained in the tier that they purchase for a fixed monthly fee. Subscribers may also purchase premium channels, such as HBO, Cinemax, Showtime and Starz!, for an additional monthly fee, with discounts generally available for the purchase of packages of more than one such service. Seasonal sports packages are generally available for a single fee for the entire season, although half-season packages are sometimes also available.

As of September 30, 2006, 52.1%, or approximately 7.0 million, of our basic video subscribers subscribed to our digital video services and in our legacy systems, approximately 53.8% of our 9.5 million basic video subscribers subscribed to our digital video services. Although digital video penetration levels have been lower in the Acquired Systems, we believe we have an opportunity to increase the number of digital subscribers in the Acquired Systems.

On-Demand services. We offer a number of On-Demand services that enable users to view what they want, when they want it. These services which are provided only to our digital video customers feature advanced functionality, such as the ability to pause, rewind and fast-forward the programming using our VOD system. Currently, our On-Demand services cannot be fully matched by our direct broadcast satellite competitors, because of their lack of a robust two-way network, and, accordingly, we believe On-Demand services provide us with a significant advantage over these competitors. We also believe that access to On-Demand programming gives our

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existing analog subscribers and potential new subscribers a compelling reason to subscribe to our digital video service. Our On-Demand products and services include:

Movies-on-Demand offers a wide selection of movies and occasional special events to our digital video subscribers. In September 2006, we offered on average approximately 550 hours of this programming.

Subscription-Video-on-Demand provides digital subscribers with On-Demand access to packages of programming that are either associated with a particular premium content provider, to which they already subscribe, such as HBO On-Demand, or are otherwise made available on a subscription basis. In September 2006, we offered on average approximately 450 hours of this programming. Certain selected packages of programming are available for an additional fee.

Free Video-on-Demand provides digital subscribers with free On-Demand access to selected movies, programs and program excerpts from cable television networks such as A&E, PBS Sprout, Oxygen, and CNN, as well as music videos, local programming and other content, and introduces subscribers to the convenience of our On-Demand services. In September 2006, we offered on average approximately 450 hours of this programming.

Start Over uses our VOD technology to allow digital video customers to conveniently and instantly restart select programs then being aired by participating programming services. Users cannot fast forward through commercials while using Start Over, so traditional advertising economics are preserved for participating programming vendors. Introduced in our Columbia, South Carolina, division in 2005, we expect this service will be introduced in additional service areas during the remainder of 2006 and 2007.

In September 2006, more than 2.7 million unique users accessed over 64 million streams of On-Demand programming in our legacy systems. In the 18-month period starting in January 2005, we doubled the number of On-Demand titles we offered. We charge for most of the movies that are made available in our Movies-on-Demand service on a per-use basis, but our SVOD services are generally included in premium packages or are made available as part of a separate package of SVOD services.

DVRs. Set-top boxes equipped with digital video recorders are available for a fixed monthly fee. These set-top boxes enable customers to:

pause and/or rewind live television programs;

record programs on a hard drive built into the set-top box by selecting the program s title from the interactive program guide rather than by start and stop times;

pause, rewind and fast-forward recorded programs;

automatically record each episode or only selected episodes of a particular series without the need to reprogram the DVR;

watch one show while recording another;

record two shows at the same time; and

set parental controls on what can be recorded.

We believe the ease of use and installation of our integrated DVR set-top box makes it a more attractive choice compared to similar products offered by third parties. Initially introduced in 2002, we currently offer our DVR product to our digital video subscribers in all our legacy operating areas. As of September 30, 2006, 31%, or approximately 2.2 million, of our digital video subscribers also received a DVR set-top box. Although penetration levels for DVRs have been lower in the Acquired Systems, we believe we have an opportunity to increase the number of DVR subscribers in the Acquired Systems. We charge an additional monthly fee for DVR set-top boxes over and above the normal set-top box charge. The monthly fee for DVR set-top boxes is subject to regulation. See Regulatory Matters below.

High definition services. We generally offer approximately 15 channels of high definition television, or HDTV, in each of our systems, mainly consisting of broadcast signals and standard and premium cable networks, as

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well as HDTV Movies-on-Demand in our legacy operating areas. HDTV provides a significantly clearer picture and improved audio quality. In most instances, customers who already subscribe to the standard-definition versions of these services, including in the case of broadcast stations those customers who receive only Basic service, are not charged for the high definition version of the channels. We also offer a package of HDTV channels for an additional monthly fee.

Interactive services. Our two-way digital cable infrastructure enables us to introduce innovative interactive features and services. We believe these features and services will be important to us because they cannot be offered in comparable form over the one-way networks operated by some of our competitors, such as direct broadcast satellite providers, and are intended to meet the changing needs of our customers and advertisers. Examples of interactive services that we offer or are in the process of trialing or rolling out include:

Quick Clips permits our digital subscribers to view on their televisions a variety of news, weather and sports content developed for web sites;

Instant News & More allows customers to gain access to information about the weather, sports, stocks, traffic, and other relevant data on TV;

Interactive voting and polling allows live, on-screen voting to determine the outcome of a television show such as Bravo s Top Chef and NBC s Last Comic Standing, or to simply participate in a poll;

eBay on TV allows customers to place bids, track their progress, and raise their bids via set-top box alerts and their remote controls;

Football and Baseball Trackers allow customers to set a roster of players for whom they would like up-to-date statistics and alerts (e.g., such as when they score a touchdown or are injured); and

Bill paying and subscription upgrades enable customers to engage in self-help for these frequent interactions with the cable company using their remote control.

High-speed Data Services

We offer residential and commercial high-speed data services in all our legacy operating areas and in almost all of our operating areas as of September 30, 2006. Our high-speed data services provide customers with a fast, always-on connection to the Internet.

The following table presents some statistical data regarding our high-speed data services:

	As of December 31, 2004	As of December 31, 2005	As of September 30, 2006
	(in thousands, except percentages)		
Service-ready homes passed[1]	15,870	16,227	25,481
Residential high-speed data subscribers	3,368	4,141	6,398
Residential high-speed data penetration[2]	21.2%	25.5%	25.1%
Commercial high-speed data subscribers	151	183	222

(1) 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.

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

High-speed data subscribers connect their personal computers or other broadband ready devices to our cable systems using a cable modem, which we provide at no charge or which subscribers can purchase themselves if they wish. Our high-speed data service enables subscribers to connect to the Internet at speeds much greater than traditional dial-up telephone modems. In contrast to dial-up services, subscribers to our high-speed data service do not have to log in to their account each time they wish to access the service and can remain connected without being disconnected because of inactivity.

We believe our high-speed data service has certain competitive advantages over DSL. However, a number of incumbent local telephone companies are undertaking fiber optic upgrades of their networks, which will allow them to offer high-speed data services at speeds much higher than DSL speeds. We believe that our cable infrastructure has the capability to match these speeds without the need for major plant upgrades. See Technology Our Cable Systems.

Road Runner. As of September 30, 2006, we offered our Road Runner branded, high-speed data service to residential subscribers in virtually all of our legacy cable systems. At September 30, 2006, we were providing the same high-speed data service provided prior to the Transactions in the Acquired Systems on a temporary basis. Although we have encountered some operational difficulties in doing so, we expect to replace these pre-existing high-speed data services with Road Runner in all the Acquired Systems before the end of 2007.

Our Road Runner service provides communication tools and personalized services, including email, PC security, news group and personal home pages. Electronic messages can be personalized with photo attachments or video clips. The Road Runner portal provides access to content and media from local, national and international providers. It provides topic-specific channels including games, news, sports, autos, kids, music, movie listings, and shopping sites.

We offer multiple tiers of Road Runner service, each with different operating characteristics. In most of our operating areas, Road Runner Standard our flagship service level provides download speeds of up to 5 to 7 megabits per second (mbps) and upload speeds of up to 384 kilobits per second (kbps); Road Runner Premium which, as of September 30, 2006, is generally available for $9.95 more than Road Runner Standard provides download speeds of up to 8 to 15 mbps and upload speeds of up to 512 kbps to 2 mbps; and Road Runner Lite our entry level of service provides download speeds of up to 768 kbps and upload speeds of up to 128 kbps. In recent years, we have steadily increased maximum download speeds in response to competitive factors and we anticipate that we will continue to be able to do so for the foreseeable future.

Road Runner was a recipient of the SATMetrics award for highest consumer likelihood to recommend in 2006, well ahead of all other cable providers, DSL providers, and other ISPs. In addition to Road Runner, most of our cable systems provide high-speed access to the services of certain other on-line providers, including EarthLink.

Time Warner Cable Business Class. We offer commercial customers a variety of high-speed data services, including Internet access, website hosting and managed security. These services are offered to a broad range of businesses and are marketed under the Time Warner Cable Business Class brand. We believe our commercial high-speed data services represent an attractive balance of price and performance for many small to medium-sized businesses seeking to receive high-speed data and related services when compared to the cost of purchasing and installing a T1 line, a comparable service offered by many telecommunications services providers. We expect that small and medium sized businesses will increasingly find the need to purchase high-speed data services and that those businesses will provide us with a large base of potential accounts. Through a targeted commercial sales effort, we believe we can increase the number of commercial high-speed data accounts we serve by providing face-to-face business sales and strong customer support.

In addition to the residential subscribers and commercial accounts serviced through our cable systems, we provide our Road Runner high-speed data service to third parties for a fee.

Voice Services

Digital Phone. Digital Phone is the newest of our core services, having been launched broadly across our legacy systems in 2004. With our Digital Phone service, we can offer our customers a combined, easy-to-use package of video, high-speed data and voice services and effectively compete against similarly bundled products offered by our competitors. Most of our customers receive a Digital Phone package that provides unlimited local, in-state and U.S., Canada and Puerto Rico long-distance calling and a number of calling features for a fixed monthly fee. During 2006, we introduced a lower priced unlimited in-state only calling plan to serve those of our customers that do not extensively use long-distance services, and second line service and we expect to introduce additional calling plans in the future. Our Digital Phone plans include, among others, the following calling features:

Call Waiting;

Caller ID;

Voicemail;

Call Forwarding;

Speed Dial;

Anonymous Call Reject;

International Direct Dial service;

3-way calling (in deployment);

Enhanced 911 Service, which allows our customers to contact local emergency services personnel by dialing 911. With Enhanced 911 service, the customer s address and phone number will automatically display on the emergency dispatcher s screen; and

Customer Service (611).

Subscribers switching to Digital Phone can keep their existing telephone numbers, and customers have the option of having a directory listing. Digital Phone subscribers can make and receive telephone calls using virtually any commercially available telephone handset, including a cordless phone, plugged into standard telephone wall jacks or directly to the special cable modem we provide.

As of September 30, 2006, on a legacy basis, Digital Phone had been launched across our footprint and was available to nearly 94% of our homes passed. At that time, we had approximately 1.6 million Digital Phone customers and penetration of voice service to serviceable homes was nearly 11%. This represents a 51% increase in Digital Phone penetration rates since December 31, 2005. Since no comparable IP-based telephony service was available in the Acquired Systems, introducing Digital Phone in the Acquired Systems, separately and as part of a bundle, is a high priority. We have begun and expect to continue rolling out Digital Phone in the Acquired Systems as soon as technically and operationally feasible.

Digital Phone is delivered over the same system facilities we use to provide video and high-speed data services. We provide customers with a voice-enabled cable modem that digitizes voice signals and routes them as data packets, using IP technology, over our own managed broadband cable systems. Calls to destinations outside of our cable systems are routed to the traditional public switched telephone network. Unlike Internet phone providers, such as Vonage and Lingo, which utilize the Internet to transport telephone calls, our Digital Phone service uses only our own managed network and the public switched telephone network to route calls. We believe our managed approach to delivery of voice services allows us to better monitor and maintain call and service quality.

We have multi-year agreements with Verizon and Sprint under which these companies assist us in providing Digital Phone service to residential customers by routing voice traffic to the public switched telephone 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 as our primary provider of these services, including in the Acquired Systems. See Risk Factors Risks Related to Dependence on Third Parties We depend on third party suppliers and licensors; thus, if we are unable to procure the necessary equipment, software or licenses on reasonable terms, our ability to offer services could be impaired, and our growth, operations, business, financial results and financial condition could be materially adversely affected.

Circuit-switched Telephone. In the Exchange, we acquired customers in the Comcast Acquired Systems who receive traditional, circuit-switched local and long distance telephone services. We continue to provide traditional circuit-switched services to those subscribers and will continue to do so for some period of time, while we will simultaneously market our Digital Phone product to those customers. After some period of time, we intend to discontinue the circuit-switched offering in accordance with regulatory requirements, at which time the only voice services provided by us in those systems will be our Digital Phone service.

Service Bundles

In addition to selling our services separately, we are focused on marketing differentiated packages of multiple services and features, or bundles, for a single price. Increasingly, many of our customers subscribe to two or three of our services. The bundle represents a discount from the price of buying the services separately and the convenience of a single monthly bill. We believe that these Double Play and Triple Play offerings increase our customers satisfaction with us, increase customer retention and encourage subscription to additional features. For the quarter ended September 30, 2006, on a legacy basis, Double Play subscribers increased by 41,000 to approximately 3.3 million, and Triple Play subscribers increased by 166,000 to approximately 1.3 million. In that quarter, on a legacy basis, over 4 in 10 customers, or 44.3%, received at least two services. The table below sets forth the number of our Double Play and Triple Play customers as of the dates indicated.

	As of December 31,		As of September 30,
	2004	2005	2006(1)
	(in thousands)		
Double Play	2,850	3,099	4,538
Triple Play	145	760	1,345

(1) Double- and triple-play subscribers include approximately 80,000 and 25,000 subscribers, respectively, acquired from Comcast in the Exchange who receive traditional, circuit-switched telephone service.

Cross-platform Features

In support of our bundled services strategy, we are developing features that operate across two or more of our services, which we believe increases the likelihood that our customers will buy both such services from us rather than one from us and one from another provider. For example, we have begun to offer customers who subscribe to both Time Warner Digital Cable and Digital Phone, at no charge, a Caller ID on TV feature that displays incoming call information on the customer s television set. In July 2006, we introduced a new feature called PhotoShowTV in our Oceanic division in Hawaii that gives customers who subscribe to both Time Warner Digital Cable and Road Runner high-speed online the ability to create and share their personal photo shows with our other Time Warner Cable digital video customers using our VOD technology. We believe that integrated service features like Caller ID on TV and PhotoShowTV can improve customer satisfaction, increase customer retention and increase receptivity to additional services we may offer in the future.

New Opportunities

Commercial Voice

We believe that continued innovation on our advanced cable infrastructure may create additional business opportunities in the future. One such opportunity is the offering of IP-based telephony service to commercial customers as an adjunct to our existing commercial data business.

Wireless Joint Venture

In November 2005, we and several other cable companies, together with Sprint, announced that we would form a joint venture to develop integrated video entertainment, wireline and wireless data and communications products and services. We and the other participating companies have agreed to work together to develop new products for consumers that combine cable based products, interactive features and the potential of wireless technology to deliver advanced integrated entertainment, communications and wireless services to consumers in their homes and when they are away. In August 2006, two of our operating areas began to market and sell a Quadruple Play package of digital video, Road Runner, Digital Phone and wireless service. The package contains some wireline/wireless integration, such as a common voicemail platform for both the home and wireless phone. See Risk Factors Risks Related to Competition Our competitive position could suffer if we are unable to develop a compelling wireless offering. A separate joint venture formed by the same parties participated in FCC Auction 66 for Advanced Wireless Spectrum (AWS), and was the winning bidder of 137 licenses. These licenses cover 20 MHz of AWS in about 90% of the continental United States and Hawaii. The FCC awarded these licenses to the venture on November 29, 2006. However, there can be no assurance that the venture will attempt to or will successfully develop mobile and related services.

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Advertising

We sell advertising time to a variety of national, regional and local businesses. As part of the agreements under which we acquire video programming, we typically receive an allocation of scheduled advertising time in such programming, generally two minutes per hour, into which our systems can insert commercials, subject to limitations regarding subject matter. The clustering of our systems expands the share of viewers that we reach within a local designated market area, which helps our local advertising sales personnel to compete more effectively with broadcast and other media. Following the Transactions, we now have a strong presence in the country s two largest advertising markets, New York, New York, and Los Angeles, California, which we believe will enhance our advertising sales operations.

In addition, in many locations, contiguous cable system operators have formed advertising interconnects to deliver locally inserted commercials across wider geographic areas, replicating the reach of the broadcast stations as much as possible. As of September 30, 2006, we participated in local advertising interconnects in 23 markets, including three markets covered by the Acquired Systems. Our local cable news channels also provide us with opportunities to generate advertising revenue.

We are exploring various means by which we could utilize our advanced services, such as VOD and interactive TV to increase advertising revenues. For example, in 2006 we have launched Movie Trailers on Demand, an ad-supported VOD channel which provides advertisers a way to reach customers as they are browsing movie previews; DriverTV, an ad-supported VOD channel which provides advertisers a way to reach customers interested in learning about new cars; and Expo TV, an ad-supported VOD channel which provides advertisers a way to reach customers interested in viewing infomercial and local advertising. With our interactive TV technology, we now offer advertisers new tools. For example, in upstate New York we provide overlays that enable customers to request information, to telescope from a traditional advertisement to a long form VOD segment regarding the advertised product to get more information about a product or service, vote on a hot topic or receive more specific additional information. These tools are accompanied by more powerful audience measurement capabilities than we have offered to advertisers in the past that enable us to track aggregate viewership, clicks, and transactions without providing personally identifiable information.

Marketing and Sales

Our goal is to deepen our relationships with existing customers, thereby increasing the amount of revenue we obtain from each home we serve and increasing customer retention, as well as to attract new customers. Our marketing is focused on conveying the benefits of our services in particular, the way our services can enhance and simplify our customers lives to these target groups. Our marketing strategy focuses on bundles of video, data and voice services, including premium services, offered in differentiated but easy to understand packages. These bundles provide discounted pricing as compared with the aggregate prices for the services provided if they were purchased separately, in addition to the convenience of a single bill. We generally market bundles with entry level pricing, which provide our customer care representatives the opportunity to offer additional services or upgraded levels of existing services that are relevant to targeted customer groups.

To support these efforts, we utilize our brand and the brand statement, *The Power of You*tm, in conjunction with a variety of integrated marketing, promotional and sales campaigns and techniques. Our advertising is intended to let our diverse base of subscribers and prospects know that we are a customer-centric company one that empowers customers by providing maximum choice, convenience and value and that we are committed to exceeding expectations through innovative product offerings and superior customer service. Our message is supported across broadcast, our own cable systems, print, radio and other outlets including outdoor advertising, direct mail, e-mail, on-line advertising, local grassroots efforts and non-traditional media.

We also employ a wide range of direct channels to reach our customers, including outbound telemarketing and door-to-door sales. In addition, we use customer care channels and inbound call centers to increase awareness of our products and services offered. Creative promotional offers are also a key part of our strategy, and an area where we work with third parties such as consumer electronics manufacturers and cable programmers. We also are developing new sales channels through agreements with local and national retail stores, where our satellite competitors have a strong presence.

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We have been developing and implementing a number of technology-based tools and capabilities that we believe will allow us to provide more targeted and responsive marketing efforts. These initiatives include the development of customized data storage and flexible access tools. This infrastructure will ensure that critical customer information is in the hands of customer service representatives as they interact with customers and prospects and on an aggregate basis to help us develop marketing programs.

Each of our local operations has a marketing and sales function responsible for selecting the relevant marketing communications, pricing and promotional offers for the products and services being sold and the consumer segments being targeted. The marketing and sales strategy is developed in coordination with our regional and corporate marketing teams, with execution by the local operating division.

We also maintain a sales presence in a number of retail locations across the markets we serve. This retail presence enables both new and existing customers to learn more about us, and purchase our products and services. We maintain dedicated customer service centers that allow for the resolution of billing and service issues as well as facilitate the sale of new products and services. Our centers are located in our local administrative offices or operations centers, independent facilities or kiosks or booths within larger retail establishments, such as shopping malls.

Customer Care

We believe that superior customer care can help us to increase customer satisfaction, promote customer loyalty and lasting customer relationships, and increase the penetration of our services. We are committed to putting our customers at the center of everything we do and we are making significant investments in technology and people to support this commitment.

Our customer call centers use a range of software and systems to try to ensure the most efficient and effective customer care possible. For instance, many of our customer call centers utilize workforce and call flow management systems to route the millions of calls we receive each month to available representatives and to maximize existing resources. Customer representatives have access to desktop tools to provide the information our customers need, reducing call handling time. These desktop tools provide the representative with timely, valuable information regarding the customer then calling (e.g., notifying the representative if the customer has called previously on the same issue or helping to identify a new service in which the customer might be interested). We use quality assurance software that monitors both the representative s customer interactions and the desktop tools the representative selects during each call.

Many of our divisions are utilizing interactive voice recognition systems and on-line customer care systems to allow customers to obtain information they require without the need to speak with a customer care representative. Most customers who wish or need to speak with a representative will talk to a locally-based representative, which enables us to respond to local customer needs and preferences. However, some specialized care functions, such as advanced technical support for our high-speed data service, are handled regionally or nationally.

In order to enhance customer convenience and satisfaction, we have implemented a number of customer care initiatives. Depending on location, these may include:

- two-hour appointment windows with an on-time guarantee;
- customer loyalty and reward programs;
- weekend, evening and same-day installation and trouble-shooting service appointments;

payment and/or billing information through the Internet or by phone; and

follow-up calls to monitor satisfaction with installation or maintenance visits.

We also provide Answers on Demand, which allows customers to select discrete help topics from a menu and then view interactive videos that answer their questions. Customers can access Answers on Demand either on-line or on their television set (using our VOD technology).

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Technology

Our Cable Systems

Our cable systems employ an extremely flexible and extensible network architecture known as hybrid fiber coax, or HFC. We transmit signals on these systems via laser-fed fiber optic cable from origination points known as headends and hubs to a group of distribution nodes, and use coaxial cable to deliver these signals from the individual nodes to the homes they serve. We pioneered this architecture and received an Emmy award in 1994 for our HFC development efforts. HFC architecture allows the delivery of two-way video and broadband transmissions, which is essential to providing advanced video services, like VOD, Road Runner high-speed data services and Digital Phone.

HFC architecture is the cornerstone technology in our digital cable systems, which we believe constitute one of our greatest competitive strengths. HFC architecture provides us with numerous benefits, including the following:

Reliability. HFC enables the delivery of highly dependable traditional and two-way video and broadband services.

Signal quality. HFC delivers very clean signal quality, which permits us to provide excellent video signals, as well as facilitating the delivery of advanced services like VOD, high-speed data and voice services.

Flexibility. HFC utilizes optical networking that allows inexpensive and efficient bandwidth increases and takes advantage of favorable cost and performance curves.

Adaptability. HFC is highly adaptable, and allows us to utilize new networking techniques that afford increased capacity and performance without costly upgrades.

The overall capacity of each of our systems is, in part, related to its maximum frequency. As of September 30, 2006, almost all of our legacy homes passed and, according to our estimates, approximately 85% of the homes passed in the Acquired Systems were served by plant that had been upgraded to at least 750MHz. We have begun to upgrade the plant in the Acquired Systems that is not already operating at 750MHz. Carriage of analog programming (approximately 70 channels per system) uses about two thirds of a typical system s capacity leaving capacity for digital video, high-speed data and voice products. Digital signals, including video, high-speed data and voice signals, can be carried more efficiently than analog signals. Generally 10 to 12 digital channels or their equivalent can be broadcast using the same amount of capacity required to broadcast just one analog channel.

We believe that our network architecture is sufficiently flexible and extensible to support our current requirements. However, in order for us to continue to innovate and deliver new services to our customers, as well as meet competitive imperatives, we anticipate that we will need to increase the amount of usable bandwith available to us in most of our systems over the next few years. We believe that this can be achieved largely through the maximization and careful management of our systems existing bandwith, without costly upgrades. For example, to accommodate increasing numbers of HDTV channels and other demands for greater capacity in our network, in certain areas we have begun deployment of a technology known as switched digital video (SDV). SDV ensures that only those channels that are being watched within a given grouping of households are being transmitted to those households. Since it is generally the case that not all channels are being watched at all times by a given group of households, this frees up capacity that can then be made available for other uses. This expansion of network capacity does not rely on extensive upgrade construction. Instead, we invest in switching equipment in our headends and hubs and, as necessary, we segment our plant to ensure that switches and lasers are shared among fewer households. As a result of this process, capacity is made available for new services, including HDTV channels.

Video, High-speed Data and Voice Distribution

In most systems, we deliver our services via laser-fed fiber optic cable from the headend, either directly or via a hub, to a group of nodes, and use coaxial cable to deliver these signals and services from individual nodes to the homes they serve. A typical hub provides service to approximately 20,000 homes, and our average node provides service to approximately 500 homes.

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National and regional video services are generally delivered to us through satellites that are owned or leased by the relevant programmer. These services signals are transmitted to downlink facilities located at our headends. Local video signals, including local broadcast signals, are picked up by antennae or are delivered to our headends via fiber connection. VOD content is received using a variety of these methods and generally stored on servers located at each system s headend.

We deliver high-speed data services to our subscribers through our HFC network, our regional fiber networks that are either owned by us or leased from third parties, including, in some instances, AOL, a subsidiary of Time Warner, and through backbone networks that provide connectivity to the Internet and are operated by third parties, including AOL. We pay fees for leased circuits based on the amount of capacity used and pay for Internet connectivity based either on a fixed fee for a specified amount of available capacity or on the amount of data traffic received from and sent over the provider s backbone network. We provide all major high-speed data customer service applications and monitor our IP network, through our operation of two national data centers, ten regional data centers, including two that we acquired in the Adelphia Acquisition, and two network operations centers, including one acquired in the Adelphia Acquisition. We expect to add two more regional data centers in early 2007.

We deliver Digital Phone voice services to our customers over the same system facilities used to provide video and high-speed data services. We provide Digital Phone customers with a voice-enabled cable modem that digitizes voice signals and routes them as data packets, using Internet protocol, a common standard for the packaging of data for transmission, over the cable system to one of our regional data centers. At the regional data center, a softswitch routes the data packets as appropriate based on the call s destination. Calls destined for end users outside of our network are routed through devices called session border controllers in the session initiation protocol format and delivered to our wholesale service providers. Such calls are then routed to a traditional public telephone switch, operated by one of our two wholesale service providers, and then to their final destination (e.g., a residential or business end-user, a 911 dispatcher, or an operator). Calls placed outside of our network and intended for our subscribers follow a reverse route. Calls entirely within our network are generally routed by the softswitch to the appropriate end user without the use of a traditional public telephone switch.

Set-top Boxes

Our Basic and Standard tier subscribers generally do not require a set-top box to view their video services. However, because our digital signals and signals for premium programming are secured, our digital video customers receiving one-way (i.e., non-interactive) programming, such as premium channels and digital cable networks, can only receive such channels if they have a digital set-top box or if they have a digital cable ready television or similar device equipped with a CableCARD (discussed below). Customers receiving our two-way video services, such as VOD and our interactive program guide, must have a digital set-top box that we provide to receive these services. Each of our cable systems uses one of only two conditional access systems to secure signals from unauthorized receipt, the intellectual property rights to which are controlled by set-top box manufacturers. In part as a result of the proprietary nature of these conditional access schemes, we currently purchase set-top boxes from a limited number of suppliers. For more information, please see Risk Factors Risks related to Dependence on Third Parties We depend on third party suppliers and licensors; thus, if we are unable to procure the necessary equipment, software or licenses on reasonable terms, our ability to offer services could be impaired, and our growth, operations, business, financial results and financial condition could be materially adversely affected. The cable industry has recently entered into agreements with certain consumer electronics manufacturers under which they will shortly begin to market a limited number of interactive digital cable ready televisions (i.e., sets capable of utilizing our two-way services without the need for a set-top box). We have begun ordering some set-top boxes from some of these manufacturers as well. Our purchasing agreements generally provide us with most favored nation treatment under which the suppliers must offer us favorable price terms, subject to some limitations.

Historically, we have also relied primarily on set-top box suppliers to create the applications and interfaces we make available to our customers. Although we believe that our current applications and interfaces are compelling to customers, the lack of compatibility among set-top box operating systems has in the past hindered applications development. This is beginning to change somewhat, as third parties have begun to develop interactive applications, such as gaming and polling applications, notwithstanding the lack of common platform among set-top box schemes.

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Over the last few years, we have been developing our own interactive program guide and user interface, which we began to deploy during 2006.

As described below under Set-top Box Developments, as current technological and compatibility issues for set-top box applications are resolved and a common platform for set-top box applications emerges, we expect that applications developers will devote more time and resources to the creation of innovative digital platform products, which should enable us to offer more attractive features to our subscribers in the future.

Set-top Box Developments

There have been a number of market and regulatory developments in recent years that may impact the costs and benefits to us of providing customers with set-top boxes.

Plug and play. In December 2002, cable operators and consumer-electronics companies entered into a standard-setting agreement, known as the plug and play agreement, relating to interoperability between cable systems and reception equipment. The FCC promulgated rules to implement the agreement, under which cable systems with activated spectrum of 750MHz or higher must, among other things, support digital cable ready consumer electronic devices (e.g., televisions) equipped with a slot for a CableCARD. The CableCARD performs certain security functions normally handled by the kinds of set-top boxes we lease to customers. By inserting a cable-operator provided CableCARD into this slot, the device is able to tune and receive encrypted (or scrambled) digital signals without the need for a separate set-top box.

The plug and play agreement and the FCC rules address only unidirectional devices (i.e., devices capable of utilizing only cable operators one-way transmission services) and not devices capable of carrying two-way services, such as interactive program guides and VOD). As a result, those of our customers who use a CableCARD equipped television set, and who do not have a set-top box, cannot access these advanced services. If a significant number of our subscribers decline set-top boxes in favor of one-way devices purchased at retail, it could have an adverse effect on our business. For more information, please see Risk Factors Risks Related to Dependence on Third Parties The adoption of, or the failure to adopt, certain consumer electronics devices may negatively impact our offerings of new and enhanced services. Cable operators, consumer-electronics companies and other market participants have been holding discussions that may lead to a similar set of interoperability agreements covering digital devices capable of carrying cable operators two-way, interactive products and services. Although efforts to reach an inter-industry agreement on two-way interoperability standards have not yielded results, as noted above, certain consumer electronics manufacturers have entered into direct agreements with the cable industry under which they will shortly begin to market a limited number of two-way capable television sets.

If two-way interoperability standards can be agreed upon, or if other efforts to enable consumer electronics devices to securely receive and utilize our two-way services are successful, our business could be benefited. First, consumer electronic companies could manufacture set-top boxes without the need to license our current suppliers conditional access technology, which could lead to greater competition and innovation. Second, if customers widely adopted such devices sold at retail, it would likely reduce our set-top box capital expenditures and the need for installation appointments in homes already wired for cable. However, we could suffer a decline in set-top box revenues. Furthermore, in the long term, interoperability for two-way devices evolves, consumer electronics companies may be more willing to develop products that make enhanced use of digital cable s capabilities, expanding the range of services we could offer.

Under another set of FCC regulations, which are scheduled to go into effect on July 1, 2007, cable operators must cease placing into service new set-top boxes with security functions built into the box. In other words, beginning on that date, new set-top boxes deployed by cable operators will be required to utilize a CableCARD or similar means of separating security functions from other set-top box functions. See Regulatory Matters Communications Act and FCC Regulations Other regulatory requirements of the Communications Act and the FCC below. The provision of set-top boxes that accept a CableCARD, or similar separate security device, will significantly increase per-unit set-top box costs as compared with the set-top boxes we currently buy, which utilize integrated security. See Risk Factors Risks Related to Government Regulation The FCC s set-top box rules could impose significant additional costs on us. The FCC has also ordered the cable industry to investigate and report on the possibility of implementing a downloadable security system that would be accessible to all set-top devices. If the implementation of such a system proves technologically feasible, this may eliminate the need for consumers to lease separate conditional-access security devices.

Open cable application platform. CableLabs, a nonprofit research and development consortium founded by members of the cable industry, has put forward a set of hardware and software specifications known as OpenCable, which represent an effort to achieve compatibility across cable network interfaces. The OpenCable software specification, which is known as open cable application platform, or OCAP, is intended to create a common platform for set-top box applications regardless of what operating system the box uses. The OpenCable specification is consistent with the CableCARD specification promulgated under the FCC s plug and play rules and the encryption technology that allows the CableCARD to securely communicate with the host device. If widely adopted, OCAP could spur innovation in applications for set-top boxes and cable-ready consumer electronics devices. Furthermore, the availability of multi-platform set-top box applications should, together with the move toward separable conditional access systems, help to make set-top boxes more fungible, resulting in increased competition among manufacturers.

Content and Equipment Suppliers

Video Programming Content

We believe that offering a wide variety of programming is an important factor influencing a subscriber s decision to subscribe to and retain our video services. We devote considerable resources to obtaining access to a wide range of programming that we believe will appeal to both existing and potential subscribers.

Cable television networks. The terms and conditions of carriage of cable programming services are generally established through written affiliation agreements between programmers, including affiliates of Time Warner, and us. Most cable programming services are available to us for a fixed monthly per subscriber fee, which sometimes includes a volume discount pricing structure. However, payments to the providers of some premium channels, may be based on a percentage of our gross receipts from subscriptions to the channels. For home shopping channels, we do not pay and generally receive a percentage of the amount spent on home shopping purchases that is attributable to our subscribers and in some instances receive minimum guarantees.

Our programming contracts usually continue for a fixed period of time, generally from three to seven years. We believe that our ability to provide compelling programming packages is best served when we have maximum flexibility to determine on which systems and tiers a programming service will be carried. Sometimes, our flexibility is limited by the affiliation agreement. It is often necessary to agree to carry a particular programming service in certain of our cable systems and/or carry the service on a specific tier. In some cases, it is necessary for us to agree to distribute a programming service to a minimum number of subscribers or to a minimum percentage of our subscribers.

Broadcast television signals. Generally, we carry all local full power analog broadcast stations serving the areas in which we provide cable service. In most areas, we also carry the digital broadcast signals of a number of these stations. In some cases, we carry these stations under the FCC must-carry rules. In other cases, we must negotiate with the stations owners for the right to retransmit these stations signals. For more information, please see Regulatory Matters below. Currently, we have multi-year retransmission consent agreements in place with most of the retransmission consent stations we carry. In other cases, we are carrying stations under short-term arrangements while we negotiate new long-term agreements.

Pay-Per-View and On-Demand content. Generally, we obtain rights to carry movies on an on-demand basis, as well as Pay-Per-View events, through iN Demand, a company in which we hold a minority interest. iN Demand negotiates with motion picture studios to obtain the relevant distribution rights. In some instances, we have contracted directly with the motion picture studios for the rights to carry their movies on an on-demand basis. Movies-on-Demand content is generally provided to us under a revenue-sharing arrangement, although in some cases there are minimum guaranteed payments required.

Our ability to get access to current hit films in a timely fashion is hampered to some extent by the traditional sequence of Hollywood s distribution windows. Typically, after theatrical release, films are made available to home video distributors on an exclusive basis for a set period of time, usually 45 days. It is only after home video has enjoyed its exclusive window that Movies-on-Demand and Pay-Per-View distributors can gain access to the content. It is possible that subscriber purchases of Movies-on-Demand would increase if we were able to provide hit films during the home video window. However, despite efforts to do so, we have been unable to obtain the right to offer current hit films during this window.

In line with our goal of offering a wide variety of programming that will appeal to both existing and potential subscribers, we are trying to maximize the quantity and quality of all of our video offerings, especially our VOD offerings. As additional VOD content becomes available we evaluate it to determine if it meets our standards and to the extent it does, we begin offering it to our digital subscribers.

We obtain SVOD and other free on-demand content directly from the relevant content providers.

Set-top boxes. We lease DVR and non-DVR set-top boxes, and CableCARDs (which enable some digital televisions and other devices to receive certain non-interactive digital services without a set-top box), at monthly rates. Our video equipment fees are regulated. Under FCC rules, cable operators are allowed to set equipment rates for set-top boxes, CableCARDs and remote controls on the basis of actual capital costs, plus an annual after-tax rate of return of 11.25%, on the capital cost (net of depreciation). This rate of return allows us to economically provide sophisticated customer premises equipment to subscribers. Certain FCC regulations relating to set-top box equipment, slated to come into effect in 2007, are expected to significantly increase our set-top box costs. Please see Technology Set-top Boxes above and Regulatory Matters below.

Competition

We face intense competition from a variety of alternative information and entertainment delivery sources, principally from direct-to-home satellite video providers and certain regional telephone companies, each of which offers or will shortly be able to offer a broad range of services through increasingly varied technologies. In addition, technological advances will likely increase the number of alternatives available to our customers from other providers and intensify the competitive environment. See Risk Factors Risks Related to Competition.

Bundled Services Providers.

Direct broadcast satellite. Our video, high-speed data and Digital Phone services face competition from direct broadcast satellite services, such as the Dish Network and DirecTV, which is controlled by News Corporation, a major programming supplier of ours. The video services provided by these satellite providers are comparable, in many respects, to our analog and digital video services, and direct broadcast satellite subscribers can obtain satellite receivers with integrated digital video recorders from those providers as well. DirecTV and Dish Network offer satellite-delivered pre-packaged programming services that can be received by relatively small and inexpensive receiving dishes. Both major direct broadcast satellite providers have entered into co-marketing arrangements with regional telephone companies in order to provide customers with a bundle of video, telephone and DSL services, which competes with our Triple Play of video, high-speed data and Digital Phone services.

Incumbent local telephone companies. Incumbent local telephone companies, such as AT&T and Verizon, have undertaken fiber-optic upgrades of their networks. The technologies they are using, such as FTTN and FTTH, are capable of carrying two-way video, high-speed data and IP-based telephony services, each of which is similar to the comparable services we offer. These networks allow for the marketing of service bundles of video, data and voice services and these companies also have the ability to include wireless services provided by owned or affiliated companies in bundles that they may offer. Our Digital Phone service also faces competition from the traditional phone services offered by these companies.

Cable overbuilds. 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/or offer video, data and voice services in competition with us.

Satellite Master Antenna Television (SMATV). Additional competition for bundled services comes from private cable television systems servicing condominiums, apartment complexes and certain other multiple dwelling

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units, often on an exclusive basis, with local broadcast signals and many of the same satellite-delivered program services offered by franchised cable systems. Some SMATV operators now offer voice and high-speed data services as well.

Wireless Cable/Multi-channel Microwave Distribution Services (MMDS). We face competition from wireless cable operators, including digital wireless operators, who use terrestrial microwave technology to distribute video programming and some of which now offer voice and high-speed data services.

Stand-alone Service Providers.

Aside from competing with the video, data and voice services offered by direct broadcast satellite providers, local incumbent telephone companies, cable overbuilders and some SMATVs and MMDSs, each of our services also faces competition from companies that provide services on a stand-alone basis.

Video competition. Our video services face competition on a stand-alone basis from a number of different sources including:

- local television broadcast stations that provide free over-the-air programming which can be received using an antenna and a television set;
- local television broadcasters, which in selected markets sell digital subscription services; and
- video programming delivered over broadband Internet connections.

Our VOD services compete with online movie services, which are delivered over broadband Internet connections, and with video stores and home video products.

Online competition. Our high-speed data services face competition from a variety of companies that offer other forms of online services, including DSL services provided by regional telephone companies. In some cases, DSL providers have partnered with ISPs such as AOL, which may enhance DSL s competitive position. The high-speed data services we offer also compete with the Internet access services provided by the operators of broadband FTTN and FTTH networks, similar to the ones being constructed by AT&T and Verizon. Where offered, FTTN and FTTH provide substantial bandwidth for high-speed data services. Other existing technologies, such as low cost dial-up services over ordinary telephone lines, and developing technologies, such as Internet service via power lines, satellite and various wireless services (e.g., Wi-Fi), including those of local municipalities, also compete or are likely to compete with our high-speed data services.

Digital Phone competition. As noted above, our Digital Phone service competes directly with the local and long-distance offerings of the regional telephone companies that provide service in our service areas. Our Digital Phone service also competes with wireless phone providers and national providers of Internet-based phone products such as Vonage. The increase in the number of different technologies capable of carrying voice services has intensified the competitive environment in which our Digital Phone service operates.

Other Competition and Competitive Factors.

Additional competition. In addition to multi-channel video providers, cable systems compete with all other sources of news, information and entertainment, including over-the-air television broadcast reception, live events, movie theaters and the Internet. In general, we also face competition from other media for advertising dollars. To the extent that our products and services converge with theirs, we compete with the manufacturers of consumer electronics products. For instance, our digital video recorders compete with similar devices manufactured by consumer electronics companies.

Overbuilds. Under the Cable Television Consumer Protection and Competition Act of 1992, franchising authorities are prohibited from unreasonably refusing to award additional franchises. As a result, from time to time, we face competition from overlapping cable systems operating in our franchise areas, including municipally-owned systems. Furthermore, legislation supported by regional telephone companies has been proposed at the state and federal level and enacted in a number of states to allow these companies to enter the video distribution business without obtaining local franchise approval and often on substantially more favorable terms than those afforded us and other existing cable operators. Legislation of this kind has been enacted in California, New Jersey, North Carolina and Texas. See Risk Factors Risks Related to Government Regulation.

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Employees

As of December 1, 2006, we had approximately 39,900 employees, including 2,000 part-time employees, excluding approximately 4,000 employees of our managed joint ventures. Approximately 5.2% of our employees are represented by labor unions. We consider our relations with our employees to be good.

Regulatory Matters

Our business is subject, in part, to regulation by the FCC and by most local and some state governments where we have cable systems. In addition, our business is operated subject to compliance with the terms of (i) the Memorandum Opinion and Order issued by the FCC in July 2006 in connection with the regulatory clearance of the Transactions (the Adelphia/Comcast Transactions Order) and (ii) a Federal Trade Commission (FTC) consent decree (the Turner Consent Decree) entered into by Time Warner in 1996 in connection with its acquisition of Turner Broadcasting System, Inc. (TBS). In addition, various legislative and regulatory proposals under consideration from time to time by Congress and various federal agencies have in the past materially affected us and may do so in the future.

The following is a summary of the terms of these orders as well as current significant federal, state and local laws and regulations affecting the growth and operation of our businesses. The summary of each of the Adelphia/Comcast Transactions Order and Turner Consent Decree herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Adelphia/Comcast Transactions Order and Turner Consent Decree, each of which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

Adelphia/Comcast Transactions Order

In the Adelphia/Comcast Transactions Order, the FCC imposed conditions on us related to RSNs, as defined in the Adelphia/Comcast Transactions Order, and the resolution of disputes pursuant to the FCC s leased access regulations. In particular, the Adelphia/Comcast Transactions Order provides that:

- neither we nor our affiliates may offer an affiliated RSN on an exclusive basis to any MVPDs;
- we may not unduly or improperly influence:
  - the decision of any affiliated RSN to sell programming to an unaffiliated MVPD; or
  - the prices, terms, and conditions of sale of programming by an affiliated RSN to an unaffiliated MVPD;
- if an MVPD and an affiliated RSN cannot reach an agreement on the terms and conditions of carriage, the MVPD may elect commercial arbitration to resolve the dispute;
- if an unaffiliated RSN is denied carriage by us, it may elect commercial arbitration to resolve the dispute in accordance with federal and FCC rules; and
- with respect to leased access, if an unaffiliated programmer is unable to reach an agreement with us, that programmer may elect commercial arbitration to resolve the dispute, with the arbitrator being required to resolve the dispute using the FCC s existing rate formula relating to pricing terms.

The application and scope of these conditions, which will expire in July 2012, have not yet been tested. We retain the right to obtain FCC and judicial review of any arbitration awards made pursuant to these conditions.

Turner Consent Decree

Among other things, the Turner Consent Decree incorporates FCC rules that prohibit cable operators from requiring exclusivity or financial interests in programmers as a condition of carriage or discriminating on the basis of affiliation against national programming services owned by other companies. The Turner Consent Decree will expire on February 3, 2007.

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Communications Act and FCC Regulation

The Communications Act and the regulations and policies of the FCC affect significant aspects of our cable system operations, including video subscriber rates; carriage of broadcast television stations, as well as the way we sell our program packages to subscribers; the use of cable systems by franchising authorities and other third parties; cable system ownership; offering of voice and high-speed data services; and use of utility poles and conduits.

Net neutrality Legislative and Regulatory Proposals. In the 2005-2007 Congressional term, several net neutrality -type provisions have been introduced as part of broader Communications Act reform legislation. These provisions would have limited to a greater or lesser extent the ability of broadband providers to adopt pricing models and network management policies that would differentiate based on different uses of the Internet. None of these provisions has been adopted.

In September 2005, the FCC issued a non-binding policy statement regarding net neutrality. The FCC indicated that the statement was intended to offer guidance and insight into its approach to the Internet and broadband related issues. The principles contained in the statement set forth the FCC s view that consumers are entitled to access and use the lawful Internet content and applications of their choice, to connect lawful devices of their choosing that do not harm the broadband provider s network and are entitled to competition among network, application, service and content providers. The FCC statement also noted that these principles are subject to reasonable network management. Subsequently, the FCC has made these principles binding as to certain telecommunications companies in orders adopted in connection with mergers undertaken by those companies. To date, the FCC has declined to adopt any such regulations that would be applicable to us.

Several parties are seeking to persuade the FCC to adopt net neutrality-type regulations in a number of proceedings that are currently pending before the agency. These include pending FCC rulemakings regarding IP-enabled services and broadband Internet access services. The FCC is also expected to shortly issue a notice of inquiry seeking public comment generally on broadband industry practices. This proceeding could also raise or lead to comments on net neutrality-type issues.

We are unable to predict the likelihood that legislative or additional regulatory proposals regarding net neutrality will be adopted. For a discussion of net neutrality and the impact such proposals could have on us if adopted, see the discussion in Risk Factors Risks Related to Government Regulation Net neutrality legislation or regulation could limit our ability to operate our high-speed data business profitably, to manage our broadband facilities efficiently and to make upgrades to those facilities sufficient to respond to growing bandwidth usage by our high-speed data customers.

Subscriber rates. The Communications Act and the FCC s rules regulate rates for basic cable service and equipment in communities that are not subject to effective competition, as defined by federal law. Where there is no effective competition, federal law authorizes franchising authorities to regulate the monthly rates charged by the operator for the minimum level of video programming service, referred to as basic service, which generally includes local broadcast channels and public access or educational and government channels required by the franchise. This kind of regulation also applies to the installation, sale and lease of equipment used by subscribers to receive basic service, such as set-top boxes and remote control units. In many localities, we are no longer subject to this rate regulation, either because the local franchising authority has not become certified by the FCC to regulate these rates or because the FCC has found that there is effective competition.

Carriage of broadcast television stations and other programming regulation. The Communications Act and the FCC s regulations contain broadcast signal carriage requirements that allow local commercial television broadcast stations to elect once every three years to require a cable system to carry their stations, subject to some exceptions, or to negotiate with cable systems the terms by which the cable systems may carry their stations, commonly called retransmission consent. The most recent election by broadcasters became effective on January 1, 2006.

The Communications Act and the FCC s regulations require a cable operator to devote up to one-third of its activated channel capacity for the mandatory carriage of local commercial television stations. The Communications Act and the FCC s regulations give local non-commercial television stations mandatory carriage rights, but non-commercial stations do not have the option to negotiate retransmission consent for the carriage of their signals by cable systems. Additionally, cable systems must obtain retransmission consent for all distant commercial television stations (i.e., those television stations outside the designated market area to which a community is assigned) except for commercial satellite-delivered independent superstations and some low-power television stations.

FCC regulations require us to carry the signals of both commercial and non-commercial local digital-only broadcast stations and the digital signals of local broadcast stations that return their analog spectrum to the government and convert to a digital broadcast format. The FCC s rules give digital-only broadcast stations discretion to elect whether the operator will carry the station s primary signal in a digital or converted analog format, and the rules also permit broadcasters with both analog and digital signals to tie the carriage of their digital signals to the carriage of their analog signals as a retransmission consent condition.

The Communications Act also permits franchising authorities to negotiate with cable operators for channels for public, educational and governmental access programming. Moreover, it requires a cable system with 36 or more activated channels to designate a significant portion of its channel capacity for commercial leased access by third parties to provide programming that may compete with services offered by the cable operator. The FCC regulates various aspects of such third party commercial use of channel capacity on our cable systems, including the rates and some terms and conditions of the commercial use.

In connection with certain changes in our programming line-up, the Communications Act and FCC regulations also require us to give various kinds of advance notice. Under certain circumstances, we must give as much as 30 days advance notice to subscribers, programmers, and franchising authorities. Under certain circumstances, notice may have to be given in the form of bill inserts, on-screen announcements, and/or newspaper advertisements. Giving notice can be expensive and, given long lead times, may limit our ability to implement programming changes quickly. Direct broadcast satellite operators and other non-cable programming distributors are not subject to analogous duties.

High-speed Internet access. From time to time, industry groups, telephone companies and ISPs have sought local, state and federal regulations that would require cable operators to sell capacity on their systems to ISPs under a common carrier regulatory scheme. Cable operators have successfully challenged regulations requiring this forced access, although courts that have considered these cases have employed varying legal rationales in rejecting these regulations.

In 2002, the FCC released an order in which it determined that cable-modem service constitutes an information service rather than a cable service or a telecommunications service, as those terms are used in the Communications Act. That determination has now been sustained by the U.S. Supreme Court. According to the FCC, an information service classification may permit but does not require it to impose multiple ISP requirements. In 2002, the FCC initiated a rulemaking proceeding to consider whether it may and should do so and whether local franchising authorities should be permitted to do so. This rulemaking proceeding remains pending. In 2005, the FCC adopted a Policy Statement intended to offer guidance on its approach to the Internet and broadband access. Among other things, the Policy Statement stated that consumers are entitled to competition among network, service and content providers, and to access the lawful content and services of their choice, subject to the needs of law enforcement. The FCC may in the future adopt specific regulations to implement the Policy Statement.

Ownership limitations. There are various rules prohibiting joint ownership of cable systems and other kinds of communications facilities. Local telephone companies generally may not acquire more than a small equity interest in an existing cable system in the telephone company s service area, and cable operators generally may not acquire more than a small equity interest in a local telephone company providing service within the cable operator s franchise area. In addition, cable operators may not have more than a small interest in MMDS facilities or SMATV systems in their service areas. Finally, the FCC has been exploring whether it should prohibit cable operators from holding ownership interests in satellite operators.

The Communications Act also required the FCC to adopt reasonable limits on the number of subscribers a cable operator may reach through systems in which it holds an ownership interest. In September 1993, the FCC adopted a rule that was later amended to prohibit any cable operator from serving more than 30% of all cable, satellite and other multi-channel subscribers nationwide. The Communications Act also required the FCC to adopt reasonable limits on the number of channels that cable operators may fill with programming services in which they hold an ownership interest. In September 1993, the FCC imposed a limit of 40% of a cable operator s first 75 activated channels. In March 2001, a federal appeals court struck down both limits and remanded the issue to the FCC for further review. The FCC initiated a rulemaking in 2001 to consider adopting a new horizontal ownership limit and announced a follow-on proceeding to consider the issue anew. The FCC is currently exploring whether it should re-impose any limits. We believe that it is unlikely that the FCC will adopt limits more stringent that those struck down.

Local telephone companies may provide service as traditional cable operators with local franchises or they may opt to provide their programming over unfranchised open video systems. Open video systems are subject to specified requirements, including, but not limited to, a requirement that they set aside a portion of their channel capacity for use by unaffiliated program distributors on a non-discriminatory basis. A federal appellate court overturned various parts of the FCC s open video rules, including the FCC s preemption of local franchising requirements for open video operators. The FCC has modified its open video rules to comply with the federal court s decision.

Pole attachment regulation. The Communications Act requires that utilities provide cable systems and telecommunications carriers with nondiscriminatory access to any pole, conduit or right-of-way controlled by investor-owned utilities. The Communications Act also requires the FCC to regulate the rates, terms and conditions imposed by these utilities for cable systems use of utility pole and conduit space unless state authorities demonstrate to the FCC that they adequately regulate pole attachment rates, as is the case in some states in which we operate. In the absence of state regulation, the FCC administers pole attachment rates on a formula basis. The FCC s original rate formula governs the maximum rate utilities may charge for attachments to their poles and conduit by cable operators providing cable services. The FCC also adopted a second rate formula that became effective in February 2001 and governs the maximum rate investor-owned utilities may charge for attachments to their poles and conduit by companies providing telecommunications services. The U.S. Supreme Court has upheld the FCC s jurisdiction to regulate the rates, terms and conditions of cable operators pole attachments that are being used to provide both cable service and high-speed data service.

Set-top box regulation. Certain regulatory requirements are also applicable to set-top boxes. Currently, many cable subscribers rent from their cable operator a set-top box that performs both signal-reception functions and conditional-access security functions. The lease rates cable operators charge for this equipment are subject to rate regulation to the same extent as basic cable service. In 1996, Congress enacted a statute seeking to allow subscribers to use set-top boxes obtained from third party retailers. The most important of the FCC s implementing regulations requires cable operators to offer separate equipment providing only the security function (so that subscribers can purchase set-top boxes or other navigational devices from other sources) and to cease placing into service new set-top boxes that have integrated security. The regulations requiring cable operators to cease distributing new set-top boxes with integrated security are currently scheduled to go into effect on July 1, 2007. We expect to incur approximately $50 million in incremental set-top box costs during 2007 as a result of these regulations. In addition, the FCC ordered the cable industry to investigate and report on the possibility of implementing a downloadable security system that would be accessible to all set-top devices. If the implementation of such a system proves technologically feasible, this may eliminate the need for consumers to lease separate conditional-access security devices. On August 16, 2006, 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.

In December 2002, cable operators and consumer-electronics companies entered into a standard-setting agreement relating to interoperability between cable systems and reception equipment. Among other things, the agreement envisions consumer electronics devices with a slot for a conditional-access security card a CableCARD™ provided by the cable operator. To implement the agreement, the FCC promulgated regulations that require cable systems with activated spectrum of 750 MHz or greater to: support unidirectional digital devices; establish a voluntary labeling system for unidirectional devices; prohibit so-called selectable output controls ; and adopt content-encoding rules. The FCC has issued a further notice of proposed rulemaking to consider additional changes. Cable operators, consumer-electronics companies and other market participants are holding discussions that may lead to a similar set of interoperability agreements covering digital devices capable of carrying cable operators two-way and interactive products and services.

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Other regulatory requirements of the Communications Act and the FCC. The Communications Act also includes provisions regulating customer service, subscriber privacy, marketing practices, equal employment opportunity, technical standards and equipment compatibility, antenna structure notification, marking, lighting, emergency alert system requirements and the collection from cable operators of annual regulatory fees, which are calculated based on the number of subscribers served and the types of FCC licenses held.

Separately, the FCC has adopted cable inside wiring rules to provide specific procedures for the disposition of residential home wiring and internal building wiring where a subscriber terminates service or where an incumbent cable operator is forced by a building owner to terminate service in a multiple dwelling unit building. The FCC has also adopted rules providing that, in the event that an incumbent cable operator sells the inside wiring, it must make the wiring available to the multiple dwelling unit owner or the alternative cable service provider during the 24-hour period prior to the actual service termination by the incumbent, in order to avoid service interruption.

Compulsory copyright licenses for carriage of broadcast stations and music performance licenses. Our cable systems provide subscribers with, among other things, local and distant television broadcast stations. We generally do not obtain a license to use the copyrighted performances contained in these stations programming directly from program owners. Instead, we obtain this license pursuant to a compulsory license provided by federal law, which requires us to make payments to a copyright pool. The elimination or substantial modification of the cable compulsory license could adversely affect our ability to obtain suitable programming and could substantially increase the cost of programming that remains available for distribution to our subscribers.

When we obtain programming from third parties, we generally obtain licenses that include any necessary authorizations to transmit the music included in it. When we create our own programming and provide various other programming or related content, including local origination programming and advertising that we insert into cable-programming networks, we are required to obtain any necessary music performance licenses directly from the rights holders. These rights are generally controlled by three music performance rights organizations, each with rights to the music of various composers. We generally have obtained the necessary licenses, either through negotiated licenses or through procedures established by consent decrees entered into by some of the music performance rights organizations.

State and Local Regulation

Cable operators operate their systems under non-exclusive franchises. Franchises are awarded, and cable operators are regulated, by state franchising authorities, local franchising authorities, or both. We believe we generally have good relations with state and local cable regulators.

Franchise agreements typically require payment of franchise fees and contain regulatory provisions addressing, among other things, upgrades, service quality, cable service to schools and other public institutions, insurance and indemnity bonds. The terms and conditions of cable franchises vary from jurisdiction to jurisdiction. The Communications Act provides protections against many unreasonable terms. In particular, the Communications Act imposes a ceiling on franchise fees of five percent of revenues derived from cable service. We generally pass the franchise fee on to our subscribers, listing it as a separate item on the bill.

Franchise agreements usually have a term of ten to 15 years from the date of grant, although some renewals may be for shorter terms. Franchises usually are terminable only if the cable operator fails to comply with material provisions. We have not had a franchise terminated due to breach. After a franchise agreement expires, a local franchising authority may seek to impose new and more onerous requirements, including requirements to upgrade facilities, to increase channel capacity and to provide various new services. Federal law, however, provides significant substantive and procedural protections for cable operators seeking renewal of their franchises. In addition, although we occasionally reach the expiration date of a franchise agreement without having a written renewal or extension, we generally have the right to continue to operate, either by agreement with the local franchising authority or by law, while continuing to negotiate a renewal. In the past, substantially all of the material franchises relating to our systems have been renewed by the relevant local franchising authority, though sometimes only after significant time and effort. Despite our efforts and the protections of federal law, it is possible that some of our franchises may not be renewed, and we may be required to make significant additional investments in our cable systems in response to requirements imposed in the course of the franchise renewal process.

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Regulation of Telephony

As of November 30, 2006 it was unclear whether and to what extent regulators will subject services like our Digital Phone service (Non-traditional Voice Services) to the regulations that apply to traditional circuit switch telephone service provided by incumbent telephone companies. In February 2004, the FCC opened a broad-based rulemaking proceeding to consider these and other issues. That rulemaking remains pending, but the FCC has issued a series of orders resolving discrete issues. For example, in November 2004, the FCC issued an order preempting state certification and tariffing requirements for certain kinds of Non-traditional Voice Services. In May 2005, the FCC adopted rules requiring Non-traditional Voice Service providers to supply E911 capabilities as a standard feature to their subscribers and to obtain affirmative acknowledgement from all subscribers that they have been advised of the circumstances under which E911 service may not be available. In August 2005, the FCC adopted an order requiring certain types of Non-traditional Voice Services, as well as facilities-based broadband Internet access service providers, to assist law enforcement investigations through compliance with the Communications Assistance For Law Enforcement Act. In June 2006, the FCC adopted an order making clear that Non-traditional Voice Service providers must make contributions to the federal universal service fund. Certain other issues remain unclear, however, including whether the state and federal rules that apply to traditional circuit switch telephone service also apply to Non-traditional Voice Service providers and whether utility pole owners may charge cable operators offering Non-traditional Voice Services higher rates for pole rental than for traditional cable service and cable-modem service. One state public utility commission, for example, has determined that our Digital Phone service is subject to traditional circuit switch telephone regulations.

Facilities and Properties

Our principal physical assets consist of operating plant and equipment, including signal receiving, encoding and decoding devices, headends and distribution systems and equipment at or near subscribers homes for each of our cable systems. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headends, consisting of electronic equipment necessary for the reception, amplification and modulation of signals, are located near the receiving devices. Our distribution system consists primarily of coaxial and fiber optic cables, lasers, routers, switches and related electronic equipment. Our cable plant and related equipment generally are attached to utility poles under pole rental agreements with local public utilities, although in some areas the distribution cable is buried in underground ducts or trenches. Customer premise equipment consists principally of set-top boxes and cable modems. The physical components of cable systems require periodic maintenance.

Our high-speed data backbone consists of fiber owned by us or circuits leased from affiliated and third party vendors, and related equipment. We also operate regional data centers with equipment that is used to provide services, such as e-mail, news and web services to our high-speed data subscribers and to provide services to our Digital Phone customers. In addition, we maintain a network operations center with equipment necessary to monitor and manage the status of our high-speed data network.

As of September 30, 2006, the largest property we owned was an approximately 318,500 square foot building housing a divisional headquarters, call center and warehouse in Columbia, SC, of which approximately 50% is leased to a third party tenant, and we leased and owned other real property housing national operations centers and regional data centers used in our high-speed data services business in Herndon, VA; Raleigh, NC; Tampa, FL; Syracuse, NY; Austin, TX; Kansas City, MO; Orange County, CA; New York, NY; and Columbus, OH. As of September 30, 2006, we also leased and owned locations for our corporate offices in Stamford, CT and Charlotte, NC as well as numerous business offices, warehouses and properties housing divisional operations throughout the country. Our signal reception sites, primarily antenna towers and headends, and microwave facilities are located on owned and leased parcels of land, and we own or lease space on the towers on which certain of our equipment is located. We own most of our service vehicles.

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We believe that our properties, both owned and leased, taken as a whole, are in good operating condition and are suitable and adequate for our business operations. The nature of the facilities and properties that we acquired as a result of the Transactions is substantially similar to those used in our existing business.

Legal Proceedings

On May 20, 2006, the America Channel LLC filed a lawsuit in U.S. District Court for the District of Minnesota against both us and Comcast alleging that the purchase of Adelphia by Comcast and us will injure competition in the cable system and cable network markets and violate the federal antitrust laws. The lawsuit seeks monetary damages as well as an injunction blocking the Adelphia Acquisition. The United States Bankruptcy Court for the Southern District of New York issued an order enjoining the America Channel from pursuing injunctive relief in the District of Minnesota and ordering that the America Channel s efforts to enjoin the transaction can only be heard in the Southern District of New York, where the Adelphia bankruptcy is pending. America Channel s appeal of this order was dismissed on October 10, 2006 and its claim for injunctive relief should now be moot. However, America Channel has announced its intention to proceed with its damages case in the District of Minnesota. On September 19, 2006, we filed a motion to dismiss this action. We intend to defend against this lawsuit vigorously. We are unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On June 22, 2005, Mecklenburg County filed suit against TWE-A/N in the General Court of Justice District Court Division, Mecklenburg County, North Carolina. Mecklenburg County, the franchisor in TWE-A/N s Mecklenburg County cable system, alleges that TWE-A/N s predecessor failed to construct an institutional network in 1981 and that TWE-A/N assumed that obligation upon the transfer of the franchise in 1995. Mecklenburg County is seeking compensatory damages and TWE-A/N s release of certain video channels it is currently using on the cable system. On April 14, 2006, TWE-A/N filed a motion for summary judgment, which is pending. TWE-A/N intends to defend against this lawsuit vigorously. We are unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On June 16, 1998, plaintiffs in *Andrew Parker and Eric DeBrauwere, et al. v. Time Warner Entertainment Company, L.P. and Time Warner Cable* filed a purported nationwide class action in U.S. District Court for the Eastern District of New York claiming that TWE sold its subscribers personally identifiable information and failed to inform subscribers of their privacy rights in violation of the Cable Communications Policy Act of 1984 (the Cable Act) and common law. The plaintiffs sought damages and declaratory and injunctive relief. On August 6, 1998, TWE filed a motion to dismiss, which was denied on September 7, 1999. On December 8, 1999, TWE filed a motion to deny class certification, which was granted on January 9, 2001 with respect to monetary damages, but denied with respect to injunctive relief. On June 2, 2003, the U.S. Court of Appeals for the Second Circuit vacated the District Court s decision denying class certification as a matter of law and remanded the case for further proceedings on class certification and other matters. On May 4, 2004, plaintiffs filed a motion for class certification, which we have opposed. This lawsuit has been settled on terms that are not material to us. The court granted preliminary approval of the class settlement on October 25, 2005. A final settlement approval hearing was held on May 19, 2006, and the parties are awaiting the court s decision. At this time, there can be no assurance that final approval of the settlement will be granted.

Patent Litigation

On September 1, 2006, Ronald A. Katz Technology Licensing, L.P. filed a complaint in the U.S. District Court for the District of Delaware alleging that we and several other cable operators infringe a number of patents purportedly relating to our customer call center operations, voicemail and/or VOD services. The plaintiff is seeking unspecified monetary damages as well as injunctive relief. We intend to defend against the claim vigorously. We are unable to predict the outcome of the suit or reasonably estimate a range of possible loss.

On July 14, 2006, Hybrid Patents Inc. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that we and a number of other cable operators infringe several patents purportedly relating to high-speed data and Internet-based phone services. The plaintiff is seeking unspecified monetary damages as well as injunctive relief. We intend to defend against the claim vigorously but are unable to predict the outcome of the suit or reasonably estimate a range of possible loss.

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On June 1, 2006, Rembrandt Technologies, LP filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that we and a number of other cable operators infringe several patents purportedly related to a variety of technologies, including high-speed data and Internet-based phone services. In addition, on September 13, 2006, Rembrandt Technologies, LP filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that we infringe several patents purportedly related to high-speed cable modem internet products and services. In each of these cases, the plaintiff is seeking unspecified monetary damages as well as injunctive relief. We intend to defend against this lawsuits vigorously. We are unable to predict the outcome of these suits or reasonably estimate a range of possible loss.

On July 14, 2005, Forgent Networks, Inc. (Forgent) filed suit in the U.S. District Court for the Eastern District of Texas alleging that we and a number of other cable operators and direct broadcast satellite operators infringed a patent related to digital video recorder technology. We are working closely with our digital video recorder equipment vendors in defense of this matter, certain of whom have filed a declaratory judgment lawsuit against Forgent alleging the patent cited by Forgent to be non-infringed, invalid and unenforceable. Forgent is seeking unspecified monetary damages and injunctive relief in its suit against us. We intend to defend against this lawsuit vigorously. We are unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

On April 26, 2005, Acacia Media Technologies (AMT) filed suit against us in U.S. District Court for the Southern District of New York alleging that we infringe several patents held by AMT. AMT has publicly taken the position that delivery of broadcast video (except live programming such as sporting events), Pay-Per-View, VOD and ad insertion services over cable systems infringe its patents. AMT has brought similar actions regarding the same patents against numerous other entities, and all of the previously pending litigations have been made the subject of a multidistrict litigation (MDL) order consolidating the actions for pretrial activity in the U.S. District Court for the Northern District of California. On October 25, 2005, our action was consolidated into the MDL proceedings. The plaintiff is seeking unspecified monetary damages as well as injunctive relief. We intend to defend against this lawsuit vigorously. We are unable to predict the outcome of this suit or reasonably estimate a range of possible loss.

From time to time, we receive notices from third parties claiming that we infringe their intellectual property rights. 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. In addition, certain agreements that we enter may require us to indemnify the other party for certain third party intellectual property infringement claims, which could increase our damages and our costs of defending against such claims. Even if the claims are without merit, defending against the claims can be time consuming and costly.

As part of the TWE Restructuring, Time Warner agreed to indemnify the cable businesses of TWE from and against any and all liabilities relating to, arising out of or resulting from specified litigation matters brought against TWE s former Non-cable Businesses. Although Time Warner has agreed to indemnify the cable businesses of TWE against such liabilities, TWE remains a named party in certain litigation matters.

In the normal course of business, our tax returns are subject to examination by various domestic taxing authorities. Such examinations may result in future tax and interest assessments on us. In instances where we believe that it is probable that we will be assessed, we have accrued a liability. We do not believe that these liabilities are material, individually or in the aggregate, to our financial condition or liquidity. Similarly, we do not expect the final resolution of tax examinations to have a material impact on our financial results.

The costs and other effects of pending or future litigation, governmental investigations, legal and administrative cases and proceedings (whether civil or criminal), settlements, judgments and investigations, claims and changes in those matters (including those matters described above), and developments or assertions by or against us relating to intellectual property rights and intellectual property licenses, could have a material adverse effect on our business, financial condition and operating results.

THE TRANSACTIONS

The following provides a more detailed description of the Transactions and contains summaries of the terms of the material agreements that were entered into in connection with the Transactions. This description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable agreements that are exhibits to the registration statement on Form S-1 of which this prospectus forms a part.

Agreements with ACC

As described above, under separate agreements (as amended, the TWC Purchase Agreement and Comcast Purchase Agreement, respectively, and, collectively, the Purchase Agreements), we and Comcast purchased substantially all of the cable assets of Adelphia. The Purchase Agreements were entered into after Adelphia filed voluntary petitions for relief under the Bankruptcy Code. This section provides additional details regarding the Purchase Agreements and our and Comcast s underlying acquisition of Adelphia s assets (the TWC Adelphia Acquisition and the Comcast Adelphia Acquisition, respectively), along with certain other agreements we entered into with Comcast.

The TWC Purchase Agreement

On April 20, 2005, TW NY, one of our subsidiaries, entered into the TWC Purchase Agreement with ACC. The TWC Purchase Agreement provided that TW NY would purchase certain assets and assume certain liabilities from Adelphia. On June 21, 2006, ACC and TW NY entered into Amendment No. 2 to the TWC Purchase Agreement (the TWC Amendment). Under the terms of the TWC Amendment, the assets we acquired from Adelphia and the consideration to be paid to Adelphia remained unchanged. However, the TWC Amendment provided that the TWC Adelphia Acquisition would be effected in accordance with the provisions of sections 105, 363 and 365 of the Bankruptcy Code and, as a result, Adelphia s creditors were not required to approve a plan of reorganization under chapter 11 of the Bankruptcy Code prior to the consummation of the TWC Adelphia Acquisition. The TWC Adelphia Acquisition closed on July 31, 2006, immediately after the Redemptions. The TWC Adelphia Acquisition included cable systems located in the following areas: West Palm Beach, Florida; Cleveland and Akron, Ohio; Los Angeles, California; and suburbs of the District of Columbia. As consideration for the assets purchased from Adelphia, TW NY assumed certain liabilities as specified in the TWC Purchase Agreement and paid to ACC approximately $8.9 billion in cash (including approximately $360 million paid into escrow), after giving effect to certain purchase price adjustments discussed below, and issued 149,765,147 shares of our Class A common stock to ACC and 6,148,283 shares of our Class A common stock into escrow. This represents approximately 17.3% of our Class A common stock (including shares issued into escrow), and approximately 16% of our total outstanding common stock as of the closing of the TWC Adelphia Acquisition.

The purchase price is subject to customary adjustments to reflect changes in Adelphia s net liabilities and subscribers as well as any shortfall in Adelphia s capital expenditure spending relative to its budget during the interim period (the Interim Period) between the execution of the TWC Purchase Agreement and the closing of the transactions contemplated by the TWC Purchase Agreement (the Adelphia Closing). The approximately $360 million in cash and 6 million shares of our Class A common stock that were deposited into escrow are securing Adelphia s obligations in respect of any post-closing adjustments to the purchase price and its indemnification obligations for, among other things, breaches of its representations, warranties and covenants contained in the TWC Purchase Agreement. One-third of the escrow, beginning with the cash amounts, is to be released on January 31, 2007 (six months after the Adelphia Closing) with the remaining amounts to be released on July 31, 2007 (12 months after the Adelphia Closing), in each case except to the extent of amounts paid prior to such date or that would be expected to be necessary to satisfy claims asserted on or prior to such date.

The parties to the TWC Purchase Agreement made customary representations and warranties. ACC s representations and warranties survive for twelve months after the Adelphia Closing and, to the extent any claims are made prior to such date, until such claims are resolved. The debtors in Adelphia s bankruptcy proceedings (excluding, except to the extent provided in the TWC Purchase Agreement, the joint ventures described in The Comcast Purchase Agreement below), are jointly and severally liable for breaches or violations by ACC of its representations, warranties and covenants. The representations and warranties of TW NY contained in the TWC Purchase Agreement expired at the Adelphia Closing.

The TWC Purchase Agreement included customary and certain other covenants made by ACC and TW NY, including covenants that require Adelphia to deliver financial statements for the systems purchased sufficient to fulfill our obligations to provide such financial statements in connection with an offering of our securities pursuant to the Adelphia Registration Rights and Sale Agreement.

The TWC Purchase Agreement requires ACC to indemnify TW NY and each of its affiliates (including us), their respective directors, officers, shareholders, agents and other individuals (the TW Indemnified Parties) for losses and expenses stemming from the breach of any representation or warranty, covenant and certain other items. Subject to very limited exceptions, the TW Indemnified Parties are only able to seek reimbursement for losses from the escrowed cash and shares. In addition, subject to specified exceptions, losses associated with breaches of representations and warranties generally must exceed certain dollar amounts before a TW Indemnified Party may make a claim for indemnification. Even after the applicable threshold has been reached, a claim for indemnification for losses associated with breaches of representations and warranties is subject to specified aggregate deductibles and cap amounts. With respect to assets acquired from Adelphia by TW NY that were subsequently transferred to Comcast in the Exchange, ACC s indemnification obligation is subject to a threshold of $74 million, a deductible of $42 million and is capped at $296.7 million, subject to certain adjustments, and with respect to assets acquired by TW NY that were not transferred to Comcast pursuant to the Exchange, ACC s indemnification obligation is subject to a threshold of $67 million, a deductible of $38 million and is capped at $267.9 million, subject to certain adjustments.

The TWC Purchase Agreement required us, at the Adelphia Closing, to amend and restate our by-laws to restrict us and our subsidiaries from entering into transactions with or for the benefit of the Time Warner Group, subject to specified exceptions. Additionally, prior to August 1, 2011 (five years following the Adelphia Closing), our restated certificate of incorporation and by-laws (as required to be amended by the TWC Purchase Agreement) do not allow for an amendment to the provisions of our by-laws restricting these transactions without the consent of a majority of the holders of our Class A common stock, other than any member of the Time Warner Group. Additionally, under the TWC Purchase Agreement, we agreed that we will not enter into any short-form merger prior to August 1, 2008 (two years after the Adelphia Closing) and that we will not issue equity securities to any person (other than, subject to satisfying certain requirements, us and our affiliates) that have a higher vote per share than our Class A common stock prior to February 1, 2008 (18 months after the Adelphia Closing).

The Adelphia Registration Rights and Sale Agreement

At the Adelphia Closing, we entered into the Adelphia Registration Rights and Sale Agreement, which governs the disposition of the shares of our Class A common stock received by ACC in the TWC Adelphia Acquisition. In accordance with the terms of the Adelphia Registration Rights and Sale Agreement, ACC is required to sell, in a single firm commitment underwritten public offering, at least one-third of the shares of our Class A common stock (including any shares sold pursuant to any over-allotment option granted to the underwriters) it received in the TWC Adelphia Acquisition (including those delivered into escrow) no later than three months after the registration statement covering those shares is declared effective, subject to customary rights to delay for a limited period of time under certain circumstances (the Initial Registration). The registration statement of which this prospectus forms a part has been filed in order to fulfill our obligation to effect the Initial Registration.

The remaining shares of our Class A common stock received by ACC at the Adelphia Closing are expected to be distributed to Adelphia s creditors pursuant to a Remainder Plan to be filed by Adelphia with the Bankruptcy Court which, in accordance with the TWC Purchase Agreement, must be reasonably satisfactory to us in all material respects. However, we have the right, under certain circumstances, to require ACC to effect the distribution of its shares of our Class A common stock under the Remainder Plan pursuant to a registration statement, rather than in reliance on section 1145 of the Bankruptcy Code (the Final Registration). We may only require ACC to register the shares of our Class A common stock it holds in the Final Registration if such a registration would not result in a material delay relative to when the shares would be distributed under a Remainder Plan or otherwise adversely affect the distribution in any material respect. Following the Final Registration, Adelphia has the right to require us

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to file an additional registration statement to cover any shares not registered in connection with the Initial Registration or the Final Registration.

Additionally, under the Adelphia Registration Rights and Sale Agreement, subject to several exceptions, including our right to defer under some circumstances, and prior to the effective date of the Remainder Plan, Adelphia has the right to make a single request (which may be expanded to additional requests under certain circumstances) that we take all commercially reasonable steps to register for public sale up to all of the shares held by ACC that are not sold in connection with the Initial Registration (the Demand Registration). We are not obligated to effect the Demand Registration unless it is reasonably believed that the net proceeds from the sale of securities in the Demand Registration would be in excess of $250 million. All shares sold in the Demand Registration are required to be sold in a single firm commitment underwritten public offering.

In addition, ACC has piggyback registration rights, subject to customary restrictions, on certain registrations for our account or the account of another stockholder that occur after this offering, and we and Time Warner are permitted to piggyback on the Initial Registration and the Demand Registration.

Under the Adelphia Registration Rights and Sale Agreement, we and Adelphia agreed to the following method of determining the priority of inclusion of shares of our Class A common stock held by ACC, Time Warner and us, in an underwritten public offering in the event that the managing underwriters of such public offering were to determine that the number of securities proposed to be offered by our stockholders would jeopardize the success of the offering:

- if the offering is being made under the Adelphia Registration Rights and Sale Agreement, including the Initial Registration, the Demand Registration or the Final Registration, then all securities to be offered for the account of ACC must be included in the offering before we or Time Warner may include any securities in any such offering; and

- in any other offering, including one in which ACC seeks to exercise its piggyback registration rights, then all securities to be offered for the account of us or Time Warner must be included in the offering before ACC may include any securities in any such offering.

In the Adelphia Registration Rights and Sale Agreement, we agreed to indemnify ACC and its directors, officers and controlling persons against certain liabilities, including specified liabilities under the securities laws, or to contribute with respect to payments which ACC may be required to make in respect of such liabilities. ACC has agreed to indemnify us and our directors, officers and controlling persons for liabilities arising under the securities laws with respect to written information furnished to us by it or to contribute with respect to payments in connection with such liabilities.

We have agreed to pay all of the costs, fees and expenses incident to the Initial Registration, excluding any legal fees of the selling stockholder, certain other expenses of the selling stockholder and the commissions, fees and discounts of underwriters.

Parent Agreement

Pursuant to the Parent Agreement among ACC, TW NY and us, dated as of April 20, 2005, we, among other things, guaranteed the obligations of TW NY to Adelphia under the TWC Purchase Agreement.

The Comcast Purchase Agreement

The Comcast Purchase Agreement has similar terms to the TWC Purchase Agreement and the transactions contemplated by the Comcast Purchase Agreement also closed on July 31, 2006. The Comcast Adelphia Acquisition was effected in accordance with the provisions of sections 105, 363 and 365 of the Bankruptcy Code and a plan of reorganization for the joint ventures referred to in the following sentence. The Comcast Adelphia Acquisition included cable systems and Adelphia s interest in two joint ventures in which Comcast also held interests: Century-TCI California Communications, L.P. (the Century-TCI joint venture), which owned cable systems in the Los Angeles, California area, and Parnassos Communications, L.P. (the Parnassos joint venture), which owned cable systems in Ohio and Western New York. The purchase price under the Comcast Purchase Agreement was approximately $3.6 billion in cash.

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TWC/Comcast Agreements

As described in more detail below, on the same day as the parties consummated the transactions governed by the Purchase Agreements, we and some of our affiliates (collectively, the TWC Group) and Comcast consummated the TWC Redemption, the TWE Redemption and the Exchange (collectively, the TWC/Comcast Transactions). Under the terms of the agreement which governed the TWC Redemption (the TWC Redemption Agreement), we redeemed Comcast s investment in us in exchange for one of our subsidiaries that held cable systems and cash. In accordance with the terms of the agreement which governed the TWE Redemption (the TWE Redemption Agreement), TWE redeemed Comcast s interest in TWE in exchange for one of TWE s subsidiaries that held cable systems and cash. In accordance with the terms of the agreement which governed the Exchange (as amended, the Exchange Agreement), TW NY and Comcast transferred to one another subsidiaries that held certain cable systems, including cable systems acquired by each from Adelphia. The TWC Redemption Agreement, the TWE Redemption Agreement and the Exchange Agreement, are collectively referred to as the TWC/Comcast Agreements.

The TWC Redemption Agreement

Pursuant to the TWC Redemption Agreement, dated as of April 20, 2005, as amended, among us and certain other members of the TWC Group and Comcast, the TWC Redemption was effected and Comcast s interest in us was redeemed on July 31, 2006, immediately prior to the Adelphia Acquisition. The TWC Redemption Agreement required that we redeem all of our Class A common stock held by TWE Holdings II Trust (Comcast Trust II), a trust that was established for the benefit of Comcast, in exchange for 100% of the common stock of Cable Holdco II Inc. (Cable Holdco II), then a subsidiary of ours. At the time of the TWC Redemption, Cable Holdco II held both certain cable systems previously owned directly or indirectly by us (TWC Redemption Systems) serving approximately 589,000 basic subscribers and approximately $1.9 billion in cash, subject generally to the liabilities associated with the TWC Redemption Systems. Certain specified assets and liabilities of the TWC Redemption Systems were retained by us.

The TWC Redemption Agreement contains closing adjustments to be paid in cash based on (1) the relative growth or decline in the number of basic video subscribers served by the TWC Redemption Systems as compared to the relative growth or decline in the number of basic video subscribers served by the other cable systems operated by us and (2) the excess, if any, of the net liabilities of the TWC Redemption Systems over an agreed upon threshold amount.

The TWC Redemption Agreement contains various customary representations and warranties of the parties thereto including representations by us as to the absence of certain changes or events concerning the TWC Redemption Systems, compliance with law, litigation, employee benefit plans, property, intellectual property, environmental matters, financial statements, regulatory matters, taxes, material contracts, insurance and brokers. The representations and warranties of the parties to the TWC Redemption Agreement generally survive the closing of the TWC Redemption for a period of one year and certain representations and warranties either did not survive the closing of the TWC Redemption, survive indefinitely or survive until the expiration of the applicable statute of limitations (giving effect to any waiver, mitigation or extension thereof).

The TWC Redemption Agreement contains customary indemnification obligations on the part of the parties thereto with respect to breaches of representations, warranties and covenants and certain other matters, generally subject to a $20 million threshold and $200 million cap, with respect to certain of our representations and warranties regarding the TWC Redemption Systems and related matters, and with respect to certain representations and warranties of the Comcast parties relating to litigation, financial statements, finder s fees and certain regulatory matters.

TWC/Comcast Tax Matters Agreement

In connection with the closing of the TWC Redemption, we, Cable Holdco II and Comcast entered into the Holdco Tax Matters Agreement (the TWC/Comcast Tax Matters Agreement). The TWC/Comcast Tax Matters Agreement allocates responsibility for income taxes of Cable Holdco II and deals with matters relating to the income tax consequences of the TWC Redemption. This agreement contains representations, warranties and

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covenants relevant to such income tax treatment. The TWC/Comcast Tax Matters Agreement also contains indemnification obligations relating to the foregoing.

The TWE Redemption Agreement

Pursuant to the TWE Redemption Agreement, dated as of April 20, 2005, as amended, among us and Comcast, Comcast s interest in TWE was redeemed on July 31, 2006, immediately prior to the Adelphia Acquisition. Prior to the TWE Redemption, TWE Holdings I Trust (Comcast Trust I), a trust established for the benefit of Comcast, owned a 4.7% residual equity interest in TWE. Pursuant to the TWE Redemption Agreement, TWE redeemed all of the TWE residual equity interest held by Comcast Trust I in exchange for 100% of the limited liability company interests of Cable Holdco III LLC (Cable Holdco III), then a subsidiary of TWE. At the time of the TWE Redemption, Cable Holdco III held both certain cable systems previously owned or operated directly or indirectly by TWE (the TWE Redemption Systems) serving approximately 162,000 subscribers and approximately $147 million in cash, subject generally to the liabilities associated with the TWE Redemption Systems. Certain specified assets and liabilities of the TWE Redemption Systems were retained by TWE.

The TWE Redemption Agreement contains closing adjustments to be paid in cash based on (1) the relative growth or decline in the number of basic video subscribers served by the TWE Redemption Systems as compared to the relative growth or decline in the number of basic video subscribers served by the other cable systems owned by TWE and (2) the excess, if any, of the net liabilities of the TWE Redemption Systems over an agreed upon threshold amount.

The TWE Redemption Agreement contained various customary representations and warranties of the parties thereto including representations by TWE as to the absence of certain changes or events concerning the TWE Redemption Systems, compliance with law, litigation, employee benefit plans, property, intellectual property, environmental matters, financial statements, regulatory matters, taxes, material contracts, insurance and brokers. The representations and warranties of the parties to the TWE Redemption Agreement generally survive the closing of the TWE Redemption Agreement for a period of one year and certain representations and warranties either survive indefinitely or survive until the expiration of the applicable statute of limitations (giving effect to any waiver, mitigation or extension thereof).

The TWE Redemption Agreement contained customary indemnification obligations on the part of the parties thereto with respect to breaches of representations and warranties and covenants and certain other matters, generally subject to a $6 million threshold and $60 million cap, with respect to certain representations and warranties of TWE regarding the TWE Redemption Systems and related matters, and with respect to certain representations and warranties of the Comcast parties relating to litigation, financial statements, finder s fees and certain regulatory matters.

The Exchange Agreement

Pursuant to the Exchange Agreement, dated as of April 20, 2005, as amended, among us, TW NY and Comcast, the Exchange closed on July 31, 2006, immediately after the Adelphia Acquisition. Pursuant to the Exchange Agreement, TW NY transferred all outstanding limited liability company interests of certain newly formed limited liability companies (collectively, the TW Newcos) to Comcast in exchange for all limited liability company interests of certain newly formed limited liability companies or limited partnerships, respectively, owned by Comcast (collectively, the Comcast Newcos). In addition, we paid Comcast approximately $67 million in cash for certain adjustments related to the Exchange. Included in the systems we acquired in the Exchange were cable systems (i) that were owned by the Century-TCI joint venture in the Los Angeles, California area and the Parnassos joint venture in Ohio and Western New York and (ii) then owned by Comcast located in the Dallas, Texas, Los Angeles, California, and Cleveland, Ohio areas.

The Exchange Agreement contains various customary representations and warranties of the parties thereto (which generally survive for a period of 12 months after the closing of the Exchange), including representations concerning the cable systems subject to the Exchange Agreement originally owned by us or Comcast as to the absence of certain changes or events, compliance with law, litigation, employee benefit plans, property, intellectual property, environmental matters, financial statements, regulatory matters, taxes, material contracts, insurance and

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brokers. The Exchange Agreement also contained representations regarding the accuracy of certain of the representations of Adelphia set forth in the Purchase Agreements for events, circumstances and conditions occurring after the closing of the TWC Adelphia Acquisition.

The Exchange Agreement contains customary indemnification obligations on the part of the parties thereto with respect to breaches of representations, warranties, covenants and certain other matters. Each party s indemnification obligations with respect to breaches of representations and warranties (other than certain specified representations and warranties) are subject to (1) with respect to cable systems originally owned by us that were acquired by Comcast, a $5.7 million threshold and $19.1 million cap, (2) with respect to cable systems originally owned by Adelphia that were initially acquired by us pursuant to the TWC Purchase Agreement and then transferred to Comcast pursuant to the Exchange Agreement, a $74.6 million threshold and $746 million cap, (3) with respect to cable systems originally owned by Comcast that were acquired by us, a $41.5 million threshold and $415 million cap, and (4) with respect to cable systems originally owned by Adelphia that were initially acquired by Comcast pursuant to the Comcast Purchase Agreement and then transferred to us pursuant to the Exchange Agreement, a $34.9 million threshold and $349 million cap. In addition, no party is required to indemnify the other for breaches of representations, warranties or covenants relating to assets or liabilities initially acquired from Adelphia and then transferred to the other party, unless the breach is of a representation, warranty or covenant actually made by the party under the Exchange Agreement in relation to those Adelphia assets or liabilities.

OUR OPERATING PARTNERSHIPS AND JOINT VENTURES

Time Warner Entertainment Company, L.P.

TWE is a Delaware limited partnership that was formed in 1992. At the time of the TWE Restructuring in March 2003, subsidiaries of Time Warner owned general and limited partnership interests in TWE consisting of 72.36% of the pro-rata priority capital and residual equity capital and 100% of the junior priority capital, and Comcast Trust I owned limited partnership interests in TWE consisting of 27.64% of the pro rata priority capital and residual equity capital. Prior to the TWE Restructuring, TWE s business consisted of interests in cable systems, cable networks and filmed entertainment.

Through a series of steps executed in connection with the TWE Restructuring, TWE transferred its non-cable businesses, including its filmed entertainment and cable network businesses, along with associated liabilities, to WCI, a wholly owned subsidiary of Time Warner, and the ownership structure of TWE was reorganized so that (i) we owned 94.3% of the residual equity interests in TWE, (ii) Comcast Trust I owned 4.7% of the residual equity interests in TWE and (iii) ATC, a wholly owned subsidiary of Time Warner, owned 1.0% of the residual equity interests in TWE and $2.4 billion in mandatorily redeemable preferred equity issued by TWE. In addition, following the TWE Restructuring, Time Warner indirectly held shares of our Class A common stock and Class B common stock representing, in the aggregate, 89.3% of our voting power and 82.1% of our outstanding equity.

Upon the closing of the TWE Redemption, Comcast Trust I s ownership interest in TWE was redeemed and, pursuant to the ATC Contribution, the partnership interests and preferred equity originally held by ATC, were contributed to TW NY Holding, a wholly owned subsidiary of ours, in exchange for a 12.4% non-voting common stock interest in TW NY Holding. As a result, Time Warner has no direct interest in TWE and Comcast no longer has any interest in TWE. As of September 30, 2006, TWE had $3.2 billion in principal amount of outstanding debt securities with maturities ranging from 2008 to 2033 and fixed interest rates ranging from 7.25% to 10.15%. See Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity TWE Notes and Debentures.

The TWE partnership agreement requires that transactions between us and our subsidiaries, on the one hand, and TWE and its subsidiaries on the other hand, be conducted on an arm s-length basis, with management, corporate or similar services being provided by us on a no mark-up basis with fair allocations of administrative costs and general overhead. 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. and Certain Relationships and Related Transactions TWE for additional information on TWE, the TWE Restructuring and the ATC Contribution.

Description of Certain Provisions of the TWE-A/N Partnership Agreement

The following description summarizes certain provisions of the partnership agreement relating to TWE-A/N. Such description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the TWE-A/N partnership agreement which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

Partners of TWE-A/N

The general partnership interests in TWE-A/N are held by TW NY and an indirect subsidiary of TWE (such TWE subsidiary and TW NY are together, the TW Partners) and A/N, a partnership owned by wholly owned subsidiaries of Advance Publications Inc. and Newhouse Broadcasting Corporation. The TW Partners also hold preferred partnership interests.

2002 Restructuring of TWE-A/N

The TWE-A/N cable television joint venture was formed by TWE and A/N in December 1995. A restructuring of the partnership was completed during 2002. As a result of this restructuring, cable systems and their related assets and liabilities serving approximately 2.1 million subscribers as of December 31, 2002 (which amount is not included in TWE-A/N s 4.0 million consolidated subscribers, as of September 30, 2006) located primarily in

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Florida (the A/N Systems), were transferred to a subsidiary of TWE-A/N (the A/N Subsidiary). As part of the restructuring, effective August 1, 2002, A/N s interest in TWE-A/N was converted into an interest that tracks the economic performance of the A/N Systems, while the TW Partners retain the economic interests and associated liabilities in the remaining TWE-A/N cable systems. Also, in connection with the restructuring, we effectively acquired A/N s interest in Road Runner. TWE-A/N s financial results, other than the results of the A/N Systems, are consolidated with us. Road Runner continues to provide high-speed data services to the A/N Subsidiary.

Management and Operations of TWE-A/N

Management Powers and Services Agreement. Subject to certain limited exceptions, a subsidiary of TWE is the managing partner, with exclusive management rights of TWE-A/N, other than with respect to the A/N Systems. Also, subject to certain limited exceptions, A/N has authority for the supervision of the day-to-day operations of the A/N Subsidiary and the A/N Systems. In connection with the 2002 restructuring, TWE entered into a services agreement with A/N and the A/N Subsidiary under which TWE agreed to exercise various management functions, including oversight of programming and various engineering-related matters. TWE and A/N also agreed to periodically discuss cooperation with respect to new product development.

Restrictions on Transfer

TW Partners. Each TW Partner is generally permitted to directly or indirectly dispose of its entire partnership interest at any time to a wholly owned affiliate of TWE (in the case of transfers by TWE-A/N Holdco) or to TWE, Time Warner or a wholly owned affiliate of TWE or Time Warner (in the case of transfers by us). In addition, the TW Partners are also permitted to transfer their partnership interests through a pledge to secure a loan, or a liquidation of TWE in which Time Warner, or its affiliates, receives a majority of the interests of TWE-A/N held by the TW Partners. TWE-A/N Holdco is allowed to issue additional partnership interests in TWE-A/N Holdco so long as Time Warner continues to own, directly or indirectly, either 35% or 43.75% of the residual equity capital of TWE-A/N Holdco, depending on when the issuance occurs.

A/N Partner. A/N is generally permitted to directly or indirectly transfer its entire partnership interest at any time to certain members of the Newhouse family or specified affiliates of A/N. A/N is also permitted to dispose of its partnership interest through a pledge to secure a loan and in connection with specified restructurings of A/N.

Restructuring Rights of the Partners

TWE-A/N Holdco and A/N each have the right to cause TWE-A/N to be restructured at any time. Upon a restructuring, TWE-A/N is required to distribute the A/N Subsidiary with all of the A/N Systems to A/N in complete redemption of A/N s interests in TWE-A/N, and A/N is required to assume all liabilities of the A/N Subsidiary and the A/N Systems. As of the date of this prospectus, neither TWE-A/N Holdco nor A/N has delivered notice of the intent to cause a restructuring of TWE-A/N.

Rights of First Offer

TWE s Regular Right of First Offer. Subject to exceptions, A/N and its affiliates are obligated to grant TWE-A/N Holdco a right of first offer prior to any sale of assets of the A/N Systems to a third party.

TWE s Special Right of First Offer. Within a specified time period following the first, seventh, thirteenth and nineteenth anniversaries of the deaths of two specified members of the Newhouse family (those deaths have not yet occurred), A/N has the right to deliver notice to TWE-A/N Holdco stating that it wishes to transfer some or all of the assets of the A/N Systems, thereby granting TWE-A/N Holdco the right of first offer to purchase the specified assets.

Following delivery of this notice, an appraiser will determine the value of the assets proposed to be transferred. Once the value of the assets has been determined, A/N has the right to terminate its offer to sell the specified assets. If A/N does not terminate its offer, TWE-A/N Holdco will have the right to purchase the specified assets at a price equal to the value of the specified assets determined by the appraiser. If TWE-A/N Holdco does not exercise its right to purchase the specified assets, A/N has the right to sell the specified assets to an unrelated third party within 180 days on substantially the same terms as were available to TWE.

MANAGEMENT

Our Directors and Executive Officers

The following table sets forth the name of each of our directors and executive officers, the office held by such director or officer and the age of such director or officer as of November 15, 2006. Unless otherwise noted, each of the executive officers named below assumed his or her position with us at the time of the TWE Restructuring, which took place in March 2003 and, prior to that time, each held the same position within the Time Warner Cable division of TWE.

Name	Age	Office
Glenn A. Britt	57	President and Chief Executive Officer, Class B Director
Carole Black	63	Class B Director
Thomas H. Castro	52	Class B Director
David C. Chang	65	Class A Director
James E. Copeland, Jr.	61	Class A Director
Peter R. Haje	72	Class B Director
Don Logan	62	Chairman of the Board, Class B Director
Michael Lynne	65	Class B Director
N.J. Nicholas, Jr.	67	Class B Director
Wayne H. Pace	60	Class B Director
Landel C. Hobbs	44	Chief Operating Officer
Michael L. LaJoie	52	Executive Vice President and Chief Technology Officer
Marc Lawrence-Apfelbaum	51	Executive Vice President, General Counsel and Secretary
Robert D. Marcus	41	Senior Executive Vice President
John K. Martin	39	Executive Vice President and Chief Financial Officer
Carl U.J. Rossetti	58	Executive Vice President, Corporate Development and President, Voice Services
Lynn M. Yaeger	57	Executive Vice President, Corporate Affairs

Set forth below are the principal positions held during at least the last five years by each of the directors and executive officers named above:

Mr. Britt	Glenn A. Britt has served as our President and Chief Executive Officer since February 15, 2006. Prior to that, he had served as our Chairman and Chief Executive Officer since the TWE Restructuring. Prior to the TWE Restructuring, Mr. Britt was the Chairman and Chief Executive Officer of the Time Warner Cable division of TWE from August 2001 and was President of the Time Warner Cable division of TWE from January 1999 to August 2001. Prior to assuming that position, he was Chief Executive Officer and President of Time Warner Cable Ventures, a unit of TWE, from January 1994 to January 1999. He was an Executive Vice President for certain of our predecessor entities from 1990 to January 1994. From 1972 to 1990, Mr. Britt held various positions at Time Warner and its predecessor Time Inc., including as Chief Financial Officer of Time Inc. Mr. Britt has served as a Class B director since the closing of the TWE Restructuring. Mr. Britt also serves as a director of Xerox

	Corporation.
Ms. Black	Carole Black served as the President and Chief Executive Officer of Lifetime Entertainment Services, a multi-media brand for women, including Lifetime Network, Lifetime Movie Network, Lifetime Real Women Network, Lifetime Online and Lifetime Home Entertainment, from March 1999 to March 2005. Prior to that, Ms. Black served as the President and General Manager of NBC4, Los Angeles, a commercial

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	television station, from 1994 to 1999, and at various marketing-related positions at The Walt Disney Company, a media and entertainment company, from 1986 to 1993. Ms. Black has served as a Class B Director since the Adelphia Closing.
Mr. Castro	Thomas H. Castro, the co-founder of Border Media Partners LLC, a radio broadcasting company that primarily targets Hispanic listeners, has served as its President and Chief Executive Officer since 2002. Prior to that, Mr. Castro, an entrepreneur, owned and operated other radio stations and founded a company that exported oil field equipment to Mexico. He also served as the National Deputy Finance Chairman of the Kerry for President Campaign. Mr. Castro has served as a Class B Director since the Adelphia Closing.
Dr. Chang	David C. Chang has served as Chancellor of Polytechnic University in New York since July 2005, having served as its President from 1994. Prior to assuming that position, he was Dean of the College of Engineering and Applied Sciences at Arizona State University. Dr. Chang is also a director of AXT, Inc. and Fedders Corporation, has served as a Class A director since the closing of the TWE Restructuring and served as an independent director of ATC from 1986 to 1992.
Mr. Copeland, Jr	James E. Copeland, Jr. has served as a Global Scholar at the Robinson School of Business at Georgia State University since 2003. Prior to that, Mr. Copeland served as the Chief Executive Officer of Deloitte & Touche USA LLP, a public accounting firm, and Deloitte Touche Tohmatsu, its global parent, from 1999 to May 2003. Prior to that, Mr. Copeland served at various positions at Deloitte & Touche, and its predecessors from 1967. Mr. Copeland has served as a Class A director since the Adelphia Closing and is also a director of Coca-Cola Enterprises Inc., ConocoPhilips and Equifax, Inc.
Mr. Haje	Peter R. Haje has served as a legal and business consultant and private investor since he retired from service as an executive officer of Time Warner on January 1, 2000. Prior to that, he served as the Executive Vice President and General Counsel of Time Warner from October 1990, adding the title of Secretary in May 1993. He also served as the Executive Vice President and General Counsel of TWE from June 1992 until 1999. Prior to his service to Time Warner, Mr. Haje was a partner of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP for more than 20 years. Mr. Haje has served as a Class B director since the Adelphia Closing and is also a director of Courtside Acquisition Corp.
Mr. Logan	Don Logan was appointed Chairman of our Board of Directors on February 15, 2006. He served as Chairman of Time Warner s Media & Communications Group from July 2002 until December 31, 2005. Prior to assuming that position, he was Chairman and Chief Executive Officer of Time Inc., Time Warner s publishing subsidiary, from 1994 to July 2002 and was its President and Chief Operating Officer from 1992 to 1994. Prior to that, Mr. Logan held various executive positions with Southern Progress Corporation, which was acquired by Time Inc. in 1985. Mr. Logan has served as a Class B director since the closing of the TWE Restructuring.

Mr. Lynne	Michael Lynne has served as the Co-Chairman and Co-Chief Executive Officer of New Line Cinema Corporation, a producer, marketer and distributor of theatrical motion pictures and a subsidiary of Time Warner, since 2001. Prior to that, he served as its President and Chief Operating Officer from 1990 and as Counsel to New Line Cinema for a decade prior to that. Mr. Lynne has served as a Class B director since the Adelphia Closing.
Mr. Nicholas	N.J. Nicholas, Jr. is an investor. From 1964 until 1992, Mr. Nicholas held various positions at Time Inc. and Time Warner. He was named president of Time Inc. in 1986 and served as co-chief executive officer of Time Warner from 1990 to 1992. Mr. Nicholas is also a director of Boston Scientific Corporation and Xerox Corporation and has served as a Class B director since the closing of the TWE Restructuring.
Mr. Pace	Wayne H. Pace has served as Executive Vice President and Chief Financial Officer of Time Warner since November 2001, and served as Executive Vice President and Chief Financial Officer of TWE from November 2001 until October 2004. He was Vice Chairman and Chief Financial and Administrative Officer of TBS from March 2001 to November 2001 and held various other executive positions at TBS, including Chief Financial Officer, from 1993 to 2001. Prior to that Mr. Pace was an audit partner with Price Waterhouse, now PricewaterhouseCoopers LLP, an international accounting firm. Mr. Pace has served as a Class B director since the closing of the TWE Restructuring.
Mr. Hobbs	Landel C. Hobbs has served as our Chief Operating Officer since August 2005. Prior to that, he served as our Executive Vice President and Chief Financial Officer since the TWE Restructuring and in the same capacity for the Time Warner cable division of TWE from October 2001. Prior to that, he was Vice President, Financial Analysis and Operations Support for Time Warner from September 2000 to October 2001. Beginning in 1993, Mr. Hobbs was employed by TBS (a subsidiary of Time Warner since 1996), including as Senior Vice President and Chief Accounting Officer from 1996 until September 2000.
Mr. LaJoie	Michael L. LaJoie has served as our Executive Vice President and Chief Technology Officer since January 2004. Prior to that, he served as Executive Vice President of Advanced Technology from the TWE Restructuring and in the same capacity for the Time Warner Cable division of TWE from August 2002 until the TWE Restructuring. Mr. LaJoie served as Vice President of Corporate Development of the Time Warner Cable division of TWE from 1998.
Mr. Lawrence-Apfelbaum	Marc Lawrence-Apfelbaum has served as Executive Vice President, General Counsel and Secretary since January 2003. Prior to that, he served as Senior Vice President, General Counsel and Secretary of the Time Warner Cable division of TWE from 1996 and other positions in the law department prior to that.
Mr. Marcus	Robert D. Marcus has served as our Senior Executive Vice President since August 2005, joining us from Time Warner where he had served as Senior Vice President, Mergers and Acquisitions since 2002.

	Mr. Marcus joined Time Warner in 1998 as Vice President of Mergers and Acquisitions.
Mr. Martin	John K. Martin has served as our Executive Vice President and Chief Financial Officer since August 2005, joining us from Time Warner where he had served as Senior Vice President of Investor Relations from May 2004 and Vice President from March 2002 to May 2004. Prior to that, Mr. Martin was Director in the Equity Research group of ABN AMRO Securities LLC from 2000 to 2002, and Vice President of Investor Relations at Time Warner from 1999 to 2000. Mr. Martin first joined Time Warner in 1993 as a Manager of SEC financial reporting.
Mr. Rossetti	Carl U.J. Rossetti has served as our Executive Vice President, Corporate Development since August 2002. Mr. Rossetti has also served as President, Time Warner Cable Voice Services since January 2004. Previously, Mr. Rossetti served as an Executive Vice President of the Time Warner Cable division of TWE from 1998 and in various other positions since 1976.
Ms. Yaeger	Lynn M. Yaeger has served as our Executive Vice President of Corporate Affairs since January 2003. Prior to assuming that position, she served as Senior Vice President of Corporate Affairs for our various predecessors beginning in 1988.

Currently, our board of directors consists of ten members, five of whom are independent as required pursuant to our by-laws. See Corporate Governance below. Our board has identified Ms. Black and Messrs. Castro, Chang, Copeland and Nicholas as independent directors.

Terms of Executive Officers and Directors

Each director serves for a term of one year. Directors hold office until the annual meeting of stockholders and until their successors have been duly elected and qualified. Our executive officers are appointed by the board of directors and serve at the discretion of the board.

Corporate Governance

Controlled Company

We intend to list the shares offered in this offering on the NYSE. For purposes of the NYSE rules, we expect to be a controlled company. Controlled companies under those rules are companies of which more than 50 percent of the voting power is held by an individual, a group or another company. A subsidiary of Time Warner currently holds approximately 84.0% of our common stock and 90.6% of the voting power and Time Warner is able to elect our entire board of directors. Accordingly, we are eligible to, and we intend to, take advantage of certain exemptions from NYSE governance requirements provided in the NYSE rules. Specifically, as a controlled company under NYSE rules, we are not required to have (1) a majority of independent directors, (2) a nominating/governance committee composed entirely of independent directors or (3) a compensation committee composed entirely of independent directors.

Board of Directors

Holders of our Class A common stock vote, as a separate class, with respect to the election of our Class A directors, and holders of our Class B common stock vote, as a separate class, with respect to the election of our Class B directors. Under our restated certificate of incorporation, the Class A directors must represent not less than one-sixth and not more than one-fifth of our directors, and the Class B directors must represent not less than four-fifths of our directors. As a result of its shareholdings, Time Warner has the ability to cause the election of all Class A directors and Class B directors, subject to certain restrictions on the identity of these directors discussed below.

Under the terms of our amended and restated certificate of incorporation at least 50% of our board of directors must be independent directors. As a condition to the consummation of the Adelphia Acquisition, we agreed not to amend this charter provision prior to August 1, 2009 (three years following the Adelphia Closing) without, among other things, the consent of the holders of a majority of the shares of Class A common stock other than Time Warner and its affiliates.

Board Committees

Our board of directors has three principal standing committees, an audit committee, a compensation committee and a nominating and governance committee.

Audit Committee. The members of the audit committee are currently James Copeland, Jr., who serves as the Chair, David Chang and N.J. Nicholas, Jr. Among other things, the audit committee complies with all NYSE and legal requirements and consists entirely of independent directors. The audit committee:

- has the authority over the engagement of, the approval of services provided by, and the independence of, our auditors;
- reviews our financial statements and the results of each external audit;
- reviews other matters with respect to our accounting, auditing and financial reporting practices and procedures as it may find appropriate or may be brought to its attention; and
- oversees our compliance program.

Our board has determined that each member of our audit committee qualifies as an audit committee financial expert under the rules of the SEC implementing section 407 of the Sarbanes-Oxley Act and meets the independence and experience requirements of the NYSE and the federal securities laws.

Compensation Committee. The members of our compensation committee are Michael Lynne, who serves as the Chair, Carole Black, Thomas Castro, Peter Haje and Don Logan. The compensation committee has oversight over our overall compensation structure and benefit plans. The compensation committee has a sub-committee consisting of two independent directors, Carole Black and Thomas Castro, to which it may delegate executive compensation matters. This sub-committee:

- reviews and approves corporate goals and objectives relevant to the compensation of our CEO and each of our officers with the title of executive vice president or higher, the chief executive officers of each of our principal wholly-owned subsidiaries and each of our other employees whose total compensation has a value of $2 million or more (the Senior Executives);
- evaluates the performance of our CEO and the Senior Executives; and
- sets the compensation level of our CEO and the Senior Executives.

Nominating and Governance Committee. The members of our nominating and governance committee are N.J. Nicholas, Jr., who serves as the Chair, Peter Haje, David Chang, Don Logan and Wayne Pace. The nominating and governance committee is responsible for assisting the board in relation to:

- corporate governance and related regulatory matters;

director nominations;

committee structure and appointments;

CEO performance evaluations and succession planning;

board performance evaluations;

director compensation; and

stockholder proposals and communications.

Compensation of Directors

Directors are reimbursed for out-of-pocket expenses incurred in connection with attending meetings of the board and its committees.

We compensate directors who are not active employees of ours or of Time Warner or its affiliates (non-employee directors) with a combination of equity and cash that we believe ranks with the compensation at approximately the median of similarly sized public entities. Each non-employee director is entitled to receive a total annual director compensation package consisting of (i) a cash retainer of $85,000 and (ii) an equity award of full value stock units valued at $95,000 representing our contingent obligation to deliver the designated number of shares of Class A common stock upon completion of the vesting period.

An additional annual cash retainer of $20,000 is paid to the chair of the audit committee and $10,000 to each other member of the audit committee. No additional compensation is paid for attendance at meetings of the board of directors or a board committee.

In general, for directors who join the board less than six months prior to our next annual meeting of stockholders, the policy will be to increase the stock grant on a pro-rated basis and to provide a pro-rated cash retainer consistent with the compensation package described above, subject to limitations that may exist under the applicable equity plan.

Code of Ethics

We have adopted a Code of Ethics for our Chief Executive Officer and senior financial officers. Amendments to this Code of Ethics or any grant of a waiver from a provision of this Code of Ethics requiring disclosure under applicable SEC rules will be disclosed on our website. We have also adopted a code of business conduct and ethics for our employees that conforms to the requirements of the NYSE listing rules.

Copies of our audit, compensation and nominating and governance committee charters, our Code of Ethics for our senior executives and senior financial officers and our code of business conduct and ethics will be available on our website, at www.timewarnercable.com, upon the completion of this offering. The information on our website is not part of this prospectus.

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Executive Compensation

Executive Compensation Summary Table

The following table presents information concerning total compensation for 2005 paid to our Chief Executive Officer and each of the four most highly compensated executive officers as well as our Chief Financial Officer who served in such capacities on December 31, 2005 and two former executive officers (collectively, the Named Executive Officers).

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary**	**Bonus(1)**	**Other Annual Compensation(2)**	**Time Warner Restricted Stock Awards(3)**	**Time Warner Stock Options(4)**	**All Other Compensation(5)**
Current							
Glenn A. Britt President and Chief Executive Officer(6)	2005	$ 1,000,000	$ 4,300,000	$ 64,387		235,000	$ 9,334
Landel C. Hobbs Chief Operating Officer(7)	2005	$ 635,100	$ 1,382,235	$ 103,788	$ 378,000	96,000	$ 9,334
Michael L. LaJoie Executive Vice President and Chief Technology Officer	2005	$ 400,600	$ 450,675			54,000	$ 9,334
Marc Lawrence-Apfelbaum Executive Vice President, General Counsel and Secretary	2005	$ 475,200	$ 534,600			48,000	$ 9,334
Carl U.J. Rossetti Executive Vice President, Corporate Development	2005	$ 436,894	$ 491,506			51,000	$ 9,334
Former(8)							
Thomas G. Baxter President	2005	$ 600,000	$ 1,400,000				$
John K. Billock Vice Chairman and Chief Operating Officer	2005	$ 900,000	$ 2,152,000	$ 78,738			$ 1,526,000

(1) Bonus amounts represent amounts earned in 2005 and paid in 2006.

(2) Consistent with SEC rules, disclosure is omitted where total Other Annual Compensation aggregates to less than $50,000. The amounts of personal benefits shown in this column for 2005 that represent more than 25% of the applicable executive s total Other Annual Compensation include: (a) for Mr. Britt, an automobile allowance of $24,000 and $32,900 for life insurance coverage, (b) for Mr. Hobbs, $75,958 for relocation payments pursuant to our relocation policy, including payments related to the tax obligation on a portion of these payments and (c) for Mr. Billock, financial services of $30,000, an automobile allowance of $24,000 and $24,738 for life insurance

coverage.

(3) The amount set forth in the restricted stock award column represents the grant-date value of Mr. Hobbs award of restricted stock units (based on a price of $18.90 per share of Time Warner Common Stock) that represent a contingent right to receive the designated number of shares of Time Warner common stock, par value $.01 per share (Time Warner Common Stock) upon completion of the vesting period. This award vests equally on each of the third and fourth anniversaries of the date of grant, assuming continued employment. On December 31, 2005, based on the closing price of Time Warner Common Stock on the NYSE ($17.44 per share), the number of shares of restricted Time Warner Common Stock (Time Warner Restricted Common Stock) and restricted stock units held by each of the Named Executive Officers and the net value of such shares and units were: Mr. Britt 121,637 shares valued at $2,120,133; Mr. Hobbs 45,814 shares and units valued at $798,738; Mr. LaJoie 13,276 shares valued at $231,401; Mr. Lawrence-Apfelbaum 13,276 shares valued at $231,401; and each of Messrs. Baxter and Billock 33,189 shares valued at $578,484. 51,637 of the shares of Time Warner Restricted Stock held by Mr. Britt, and all of the shares of Time Warner Restricted Stock held by Messrs. Lawrence-Apfelbaum and LaJoie were awarded in 2003 and provide that a portion of the award vests on each of the second, third and fourth anniversaries of the date of grant, assuming continued employment. Each of the Named Executive Officers has a right to receive dividends, if paid, and vote with respect to these shares of Time Warner Restricted Stock. Mr. Hobbs is entitled to receive dividend equivalent payments with respect to his unvested restricted stock units to the extent that dividends are paid on Time Warner Common Stock, but has no voting rights. Pursuant to the terms of the related award agreements, a pro-rata portion of the Time Warner Restricted Stock and/or restricted stock units awarded to the individual will generally vest in the event of a termination of the executive s employment either without cause or due to the employer s material breach.

(4) These options are exercisable for Time Warner Common Stock. None of these stock options was awarded with tandem stock appreciation rights.

(5) The amounts shown in this column include the following:

(a) Pursuant to our savings plan, a defined contribution plan available generally to our employees, for the 2005 plan year, each of the Named Executive Officers, except Mr. Baxter, deferred a portion of his annual compensation and we contributed $9,334 as a matching contribution on the amount deferred by the executive (Matching Contribution). Employees, including the Named Executive Officers who participate in our savings plan may elect to invest Matching Contributions in any of the savings plan s investment funds, including a Time Warner Common Stock fund.

(b) We maintain a program of life and disability insurance generally available to all employees on the same basis. This group term life insurance coverage was reduced to $50,000 for each of Messrs. Britt, Hobbs, Lawrence-Apfelbaum and Billock, who were given a cash payment to cover the cost of replacing such reduced coverage under a voluntary group program available to employees generally. Each of Messrs. LaJoie and Rossetti elected not to receive a cash payment for life insurance over $50,000 and instead receives term life insurance and is taxed on the imputed income. Such payments are included in the Other Annual Compensation column. For a description of life insurance coverage for certain executive officers provided pursuant to the terms of their employment agreements, see Employment Arrangements below.

(6) On February 15, 2006, Mr. Britt added the title of President and ceased serving as Chairman.

(7) During 2005, we restructured our management and on August 1, 2005, we announced that Mr. Hobbs had been promoted to Chief Operating Officer and that John K. Martin had been appointed Executive Vice President and Chief Financial Officer. See Management Restructuring.

(8) As part of our 2005 management restructuring, Thomas G. Baxter, our former President, ended his employment effective as of March 31, 2005, and John K. Billock, our former Vice Chairman and Chief Operating Officer, ended his employment effective as of June 30, 2005. See Management Restructuring.

Stock Option Grants During 2005

The following table sets forth certain information with respect to employee options to purchase shares of Time Warner Common Stock awarded during 2005 by Time Warner to the Named Executive Officers. All such options were nonqualified options. No stock appreciation rights, alone or in tandem with such stock options, were awarded in 2005.

	Individual Grants[(1)]				
Name	**Number of Securities Underlying Options Granted**	**Percent of Total Options Granted to Employees in 2005[(2)]**	**Exercise or Base Price ($/sh)**	**Expiration Date**	**Grant Date Present Value[(3)]**
Current					
Glenn A. Britt	235,000	0.4%	$ 17.97	2/17/15	$ 1,205,844
Landel C. Hobbs	96,000	0.2%	$ 17.97	2/17/15	$ 492,600
Michael L. LaJoie	54,000	0.1%	$ 17.97	2/17/15	$ 277,088

Marc Lawrence-Apfelbaum	48,000	0.1%	$ 17.97	2/17/15	$ 246,300
Carl U.J. Rossetti	51,000	0.1%	$ 17.97	2/17/15	$ 261,694
Former					
Thomas G. Baxter					
John K. Billock					

(1) The terms of these options are governed by the plans and the recipient s option agreement. The option exercise price is the fair market value of the Time Warner Common Stock on the date of grant. The options shown in the table become exercisable in installments of 25% on the first four anniversaries of the date of grant, subject to acceleration upon the occurrence of certain events (the offering is not such an event). Payment of the exercise price of an option may be made in cash and/or full shares of Time Warner Common Stock already owned by the holder of the option. The payment of withholding taxes due upon exercise of an option may generally be made in cash and/or full shares of Time Warner Common Stock.

(2) Represents the percentage of all options awarded by Time Warner to employees of Time Warner and its subsidiaries.

(3) These amounts represent the estimated present value of stock options at the respective date of grant, calculated using the Black-Scholes option pricing model, based upon the following assumptions used in developing the grant valuations: an expected volatility of 24.4% based primarily on traded Time Warner options; a dividend yield of 0%; an expected term to exercise of 4.79 years after the date of grant; and a risk-free rate of return of 3.90%. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of the Time Warner Common Stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance.

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Option Exercises and Values in 2005

The following table sets forth as to each of the Named Executive Officers information on option exercises during 2005 and the status of his options on December 31, 2005: (1) the number of shares of Time Warner Common Stock underlying options exercised during 2005; (2) the aggregate dollar value realized upon exercise of such options; (3) the total number of shares of Time Warner Common Stock underlying exercisable and non-exercisable stock options held on December 31, 2005; and (4) the aggregate dollar value of in-the-money exercisable and non-exercisable stock options on December 31, 2005. The number of shares covered and the option exercise prices have been adjusted to reflect the exchange ratios of common stock of AOL and Historic TW (prior to the AOL Merger) for Time Warner Common Stock on the date of the AOL Merger and Time Warner s assumption on the date of the AOL Merger of the option plans and agreements under which the options were awarded.

Aggregate Option Exercises During 2005 and Option Values on December 31, 2005

Name	Number of Shares Underlying Options Exercised	Dollar Value Realized on Exercise	Number of Shares Underlying Unexercised Options on 12/31/05 Exercisable	Non-Exercisable	Dollar Value of Unexercised In-the-Money Options on 12/31/05(1) Exercisable	Non-Exercisable
Current						
Glenn A. Britt	67,505	$ 273,266	1,611,062	551,250	$ 1,144,911	$ 899,200
Landel C. Hobbs	18,750	90,758	657,250	269,750	442,100	454,100
Michael L. LaJoie	15,750	122,378	115,524	158,000	29,300	259,980
Marc Lawrence-Apfelbaum(2)	11,400	59,109	281,406	154,500	324,500	233,880
Carl U.J. Rossetti	12,525	58,868	481,594	192,250	406,708	365,600
Former						
Thomas G. Baxter			587,500		1,150,200	
John K. Billock			1,673,830	213,750	848,220	582,300

(1) Calculated using the fair market value of $17.44 per share of Time Warner Common Stock on December 31, 2005 minus the option exercise price.

(2) Excludes options to purchase Time Warner Common Stock awarded to Mr. Lawrence-Apfelbaum s spouse, who was employed by a subsidiary of Time Warner.

The option exercise price of all the options held by the Named Executive Officers is the fair market value of Time Warner Common Stock on the date of grant. The options held by the Named Executive Officers remain exercisable for three months to five years in the event their employment is terminated without cause or as a result of our breach of an employment agreement. Otherwise, options may generally be exercised for one to three years after death or total disability (depending on their date of grant) and some options may be exercised for five years after retirement. All options terminate either immediately or one month after the holder s employment is terminated for cause. The terms of the options shown in the chart are ten years.

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Long-Term Incentive Plan Awards

The following table set forth certain information concerning awards under our Long-Term Incentive Plan (LTIP) during 2005 to each of the Named Executive Officers.

			Hypothetical Estimated Future Payouts Under Non-Stock Price-Based Plans (Cash)(1)		
Name	Performance Period Until Payout	Below Threshold Value	Threshold Value	Target Value(2)	Hypothetical Maximum Value
Current					
Glenn A. Britt	3 years		$ 732,417	$ 1,464,833	$ 2,929,667
Landel C. Hobbs	3 years		299,200	598,400	1,196,800
Michael L. LaJoie	3 years		168,300	336,600	673,200
Marc Lawrence-Apfelbaum	3 years		149,600	299,200	598,400
Carl U.J. Rossetti	3 years		158,950	317,900	635,800
Former					
Thomas G. Baxter					
John K. Billock					

(1) The LTIP, which was implemented for 2005, establishes potential future cash payouts based on three-year performance cycles.

(2) Actual awards can range from 50% to 200% of target based on actual performance, although no payout will be made for performance below the established minimum threshold for the plan. The target payout is 100% of the pre-established cash value.

The LTIP was established in 2005 to add a long-term cash component to our long-term equity-based incentive awards. The LTIP complements our annual cash bonus awards and Time Warner Common Stock-based awards made by Time Warner. The executives eligible to receive awards under the LTIP, including the Named Executive Officers, have a portion of their targeted long-term compensation allocated to a potential cash payment under the LTIP.

Generally, each performance period is three years with potential awards designated annually. Payout levels under the LTIP for the three-year period starting with 2005 are based on our three-year cumulative Operating Income before Depreciation and Amortization, as defined in the LTIP, compared to pre-established target levels. The award periods will overlap, and a payment under the LTIP could potentially be earned every year, but no more than one performance period will end in any given year. At the end of each performance period, payments are determined based on the achievement of the pre-established performance objectives and can range from 50% to 200% of target based on actual performance, although no payout will be made for performance below the established minimum threshold. Results will be interpolated based on the percentage of the target achieved. Typically, payouts, if any, under the LTIP will be made during the first quarter of each year following the completion of a three-year performance period. In the event of a participant s death, disability, retirement or job elimination, the participant (or the estate) receives a prorated payment at the end of the applicable three-year performance period. In the event of a change of control, participants will receive pro-rated payments based on the greater of the LTIP target or our actual financial performance from all completed years of the plan plus 5% growth for uncompleted years.

Compensation Committee Interlocks and Insider Participation

During 2005, our entire board of directors served as the compensation committee and participated in deliberations concerning the compensation of our executive officers. Mr. Glenn A. Britt, who serves as a Class B director, was also Chairman and Chief Executive Officer throughout the last completed fiscal year and has served as our President and Chief Executive Officer since February 15, 2006. From 1995 to July 2002, Mr. Jeffrey L. Bewkes, a former Class B director, served as Chief Executive Officer of Home Box Office, then a division of TWE. Mr. Wayne H. Pace, a Class B director, served as Executive Vice President and Chief Financial Officer of TWE from November 2001 to October 2004.

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Employment Arrangements

On account of the historic structure of the cable business and for continued administrative convenience, TWE has been and is generally expected to remain the employer of most of our executives and corporate employees, and to continue to provide directly or indirectly payroll and other administrative services to us. Unless otherwise noted, TWE has entered into employment agreements with each of the Named Executive Officers. These executive officers are officers of both us and TWE.

Glenn A. Britt

We entered into an employment agreement with Mr. Britt, effective as of August 1, 2006, that provides that Mr. Britt will serve as our Chief Executive Officer through December 31, 2009. Mr. Britt s agreement is automatically extended for consecutive one-month periods, unless terminated by either party upon 60 days notice, and terminates automatically on the date Mr. Britt becomes eligible for normal retirement at age 65. The agreement provides Mr. Britt with a minimum annual base salary of $1 million and an annual discretionary target bonus of $5 million, which will vary subject to Mr. Britt s and our performance from a minimum of $0 up to a maximum of $6,675,000. In addition, the agreement provides that, beginning in 2007, for each year of the agreement, we will provide Mr. Britt with long-term incentive compensation with a target value of approximately $6,000,000 (based on a valuation method established by us), which may be in the form of stock options, restricted stock units or other equity-based awards, cash or other components as may be determined by the board of directors at its sole discretion.

Mr. Britt participates in the benefit plans and programs available to our other senior executive officers, including $50,000 of group life insurance. Mr. Britt also receives an annual payment equal to two times the premium cost of $4 million of life insurance as determined under a group universal life insurance program. Mr. Britt also has a deferred compensation account, which is maintained in a grantor trust. See Arrangements with Time Warner Deferred Compensation.

In the event that the pension benefits Mr. Britt receives upon retirement are not as generous as the pension benefits Mr. Britt would have received if he had participated in the defined benefit pension plans offered by Time Warner instead of ours, then we will provide Mr. Britt with the financial equivalent of the more generous benefits.

Mr. Britt is entitled to severance payments if we materially breach his employment agreement (including if we fail to cause a successor to assume our obligations under the agreement, or fail to offer him the CEO position after a merger, sale, joint venture or other combination of assets with another entity) and fail to cure the breach within 15 days, if the breach is curable, or if we terminate his employment without cause, as defined in his employment agreement, as follows:

- any earned but unpaid base salary and a pro-rata portion of his average annual bonus, as measured by taking the average of his two largest annual bonuses paid in the prior five years, through the date of termination, except that if Mr. Britt has not been paid any full-year annual bonus under the agreement, then he is entitled to be paid the target amount of his annual bonus, or if he has been paid only one full-year annual bonus under the agreement, he will be paid the average of such full-year annual bonus and the target amount of his annual bonus;

- any accrued but unpaid long-term compensation; and

- until the Term Date under the agreement, which is the later of December 31, 2009 or 24 months following the date of termination without cause, he shall receive his base salary, his average annual bonus and the continuation of his benefits.

Mr. Britt will also be entitled to use office space, secretarial services and other office facilities for up to twelve months following his termination without cause or due to our breach of his agreement. In the event Mr. Britt accepts other full time employment (other than with a non-profit organization or government entity), as specified in his employment agreement, until his Term Date, he is obligated to pay us any payments of salary and bonus paid to him by a new employer in excess of any standard severance to which he would be entitled from us. If Mr. Britt is terminated without cause or due to our material breach of his agreement as described above, if we cease to be a consolidated subsidiary of Time Warner or if Time Warner disposes of all or substantially all of our assets, all of Mr. Britt s stock options granted on or after January 10, 2000, that would have vested on or before the Term Date will vest immediately and remain exercisable for three years following the date Mr. Britt leaves our payroll or the date we cease to be a consolidated subsidiary of Time Warner or the date Time Warner disposes of all or substantially all of our assets, as applicable, but not beyond the original term of these options. In addition, if Mr. Britt forfeits any restricted stock grants because of a termination without cause or because we cease to be a consolidated subsidiary of Time Warner or because Time Warner disposes of all or substantially all of our assets, he will receive a cash payment equal to the value of any forfeited restricted stock based on the fair market value of the stock as of the date of a termination or the close of such a transaction in which we cease to be a consolidated subsidiary of Time Warner or the disposition of all or substantially all of our assets. Under Mr. Britt s agreement, if Mr. Britt is terminated for cause (as defined in his agreement), we will have no further obligations to him other than (i) to pay his base salary through the effective date of termination, (ii) to pay any bonus for any year prior to the year in which such termination occurs that has been determined but not yet paid as of the date of such termination, and (iii) to satisfy any rights Mr. Britt has pursuant to any insurance or other benefit plans or arrangements.

If Mr. Britt becomes disabled and has not resumed his duties after six consecutive months, or the aggregate of six months in any 12-month period, he will receive a pro-rata portion of his average annual bonus for the year in which the disability occurs. In addition, through the later of the Term Date or 12 months following the date the disability occurs, he will be paid disability benefits equal to 75% of his annual base salary and average annual bonus.

Mr. Britt has a separate agreement with Time Warner that provides that Time Warner will ensure he receives the equivalent of the benefits he would have received under Time Warner s retiree medical program if he had retired from Time Warner on the same terms and conditions as senior corporate executives of Time Warner upon retirement, provided that he retires pursuant to his employment agreement.

Landel C. Hobbs

TWE entered into an employment agreement with Mr. Hobbs, effective as of August 1, 2005, which provides that Mr. Hobbs will serve as our Chief Operating Officer through July 31, 2008. Mr. Hobbs agreement is automatically extended for consecutive one-month periods, unless terminated upon 60 days notice. The agreement provides for a minimum annual base salary of $700,000, an annual discretionary target bonus of 175% of his base salary, subject to Mr. Hobbs and TWE s performance, eligibility for annual grants of stock options, our long-term incentive plan and participation in our benefit plans and programs, including life insurance.

Mr. Hobbs is entitled to severance payments if TWE materially breaches his employment agreement (including if we fail to cause a successor to assume its obligations under the agreement) and TWE does not cure the breach within 15 days, if the breach is curable, or if TWE terminates his employment without cause, as defined in his employment agreement, as follows:

any earned but unpaid base salary, a pro-rata portion of his average annual bonus, as measured by taking the average of his two largest annual bonuses paid in the prior five years, through the date of termination; and

until his Term Date, under the agreement which is the later of July 31, 2008 or 24 months after his termination without cause, his base salary, his average annual bonus and the continuation of his benefits unless he accepts other full-time employment or gives notice to TWE of the termination of his employee status, in which case he will receive the present value of his base salary and average annual bonus in a lump sum.

Mr. Hobbs will also be entitled to use office space, secretarial services and other office facilities for up to six months following his termination without cause or due to TWE s material breach of the agreement. All of Mr. Hobbs Time

Warner stock options that would have vested on or before the end of his severance period will vest on his termination date and remain exercisable for three years following the date Mr. Hobbs leaves TWE s payroll, but not beyond the original term of these options.

TWE s obligations to Mr. Hobbs in the event of his termination for cause (as defined in the agreement) are the same as our obligations to Mr. Britt.

If Mr. Hobbs becomes disabled and has not resumed his usual duties after six consecutive months or the aggregate of six months in any 12-month period, he is entitled to receive a pro-rata portion of his bonus for the year in which the disability occurs and, until the later of July 31, 2008 or the twelve months following the commencement of his disability benefit, he will be paid disability benefits equal to 75% of his annual base salary and average annual bonus.

Michael L. LaJoie

TWE entered into an employment agreement with Mr. LaJoie, which we renewed and amended, effective as of January 1, 2006, which provides that Mr. LaJoie will serve as our Executive Vice President and Chief Technology Officer through December 31, 2008. The agreement provides for a minimum annual base salary of $420,600 and an annual discretionary target bonus of 80% of his base salary, subject to Mr. LaJoie s and our performance, and participation in our benefit plans.

Mr. LaJoie may terminate his employment if we materially breach his agreement or upon 90 days notice. If TWE terminates Mr. LaJoie s employment without cause, as defined in his employment agreement or if we fail to renew his agreement or if Mr. LaJoie terminates his employment due to our material breach of his agreement, he will receive all benefits due under any of our benefit plans and he may elect to either:

receive a lump sum amount equivalent to 30 months of his annual base salary plus the greater of (i) the average of his two most recent annual bonuses, multiplied by 2.5 or (ii) his then applicable annual target bonus, multiplied by 2.5; or

be placed on a leave of absence as an inactive employee for up to 30 months during which he will continue to receive his annual base salary and annual bonuses equal to the greater of the average of (i) his two most recent annual bonuses and (ii) his then applicable annual target bonus.

If Mr. LaJoie elects to be put on leave and later accepts other employment, as specified in his employment agreement, he will generally receive the remainder of his severance in a lump sum payment.

Mr. LaJoie will also be entitled to use outplacement services, including office space, for up to one year following his termination of employment without cause or due to our material breach of the agreement.

TWE s obligations to Mr. LaJoie in the event of his termination for cause (as defined in the agreement) are the same as our obligations to Mr. Britt.

Because Mr. LaJoie has worked for TWE at the senior executive level for more than five years, if he is employed by us when he is 55 years of age, he may elect a retirement option under his employment agreement. The retirement option would require Mr. LaJoie to remain actively employed by TWE for a transition period of six months to one year following this election, during which he will continue to receive his current annual salary and bonus. Following the transition period, Mr. LaJoie would become an advisor to TWE for three years during which he will be paid his annual base salary and he will also receive his full bonus for the first year, a 50% bonus for the second year and no bonus for the third year. Mr. LaJoie would continue vesting in any outstanding stock options and long-term cash incentives during this period, continue participation in health and life insurance benefit plans and receive reimbursement for financial and estate planning expenses and $10,000 for office space expenses. If Mr. LaJoie accepts other specified employment during the advisory period, he will receive the balance of his salary and bonus in a lump sum payment.

If Mr. LaJoie becomes disabled and cannot perform his duties for 26 consecutive weeks, his employment may be terminated and he will receive an amount equal to 2.5 times his annual base salary and the greater of the average of his two most recent annual bonuses or his then applicable annual target bonus amount. If he dies prior to the termination of his employment agreement, his estate or beneficiaries will receive life insurance payments equal to 30 months of his annual salary and his average annual bonus multiplied by 2.5, or his then applicable target bonus multiplied by 2.5 (as described above).

Marc Lawrence-Apfelbaum

TWE entered into an employment agreement with Mr. Lawrence-Apfelbaum, effective as of June 1, 2000, which provides that Mr. Lawrence-Apfelbaum will serve as our Executive Vice President, General Counsel and

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Secretary for a term of three years. As of January 1 of each year, TWE may renew the term of Mr. Lawrence-Apfelbaum s employment agreement for a term of three years from that date. If TWE chooses not to renew the term, Mr. Lawrence-Apfelbaum will be deemed to have been terminated without cause and Mr. Lawrence-Apfelbaum will be entitled to the severance benefits described below. If Mr. Lawrence-Apfelbaum does not elect to renew the term, he will be treated as having delivered a 90-day notice of termination, following which he has the right to all earned but unpaid salary owed to him and benefits owed to him but not a pro-rata portion of his bonus. Currently, his employment agreement has been extended through December 31, 2008. The agreement provides for a minimum annual base salary and an annual discretionary target bonus stated as a percentage of his base salary, subject to his and TWE s performance, and participation in our benefit plans, including life insurance. During 2005, Mr. Lawrence-Apfelbaum had a base salary of $475,200 and a discretionary target bonus of 75% of his base salary. His annual salary for 2006 is $494,200.

If TWE terminates Mr. Lawrence-Apfelbaum s employment without cause, as defined in his employment agreement, he will receive all benefits due under any of TWE s benefit plans and he may elect to either:

- receive three times his annual base salary plus the greater of (i) the average of his two most recent annual bonuses or (ii) his then applicable annual target bonus in a lump sum; or

- be placed on a leave of absence as an inactive employee for up to three years during which he will continue to receive his annual base salary and annual bonuses equal to the greater of (i) the average of his two most recent annual bonuses and (ii) his then applicable annual target bonus.

If Mr. Lawrence-Apfelbaum elects to be put on leave and later accepts other employment, as specified in his employment agreement, he will generally receive the remainder of his severance in a lump sum payment. If, however, Mr. Lawrence-Apfelbaum accepts other specified employment during the first year of his leave, he will receive the remainder of his severance in two payments as follows:

- 75% of the remaining severance will be paid at the time the other employment commences; and

- the remaining 25% will be paid one year later.

Mr. Lawrence-Apfelbaum will also be entitled to use office space, secretarial services and other office facilities for up to one year following his termination of employment and up to $10,000 in financial and tax counseling services.

Under Mr. Lawrence-Apfelbaum s agreement, if he is terminated for cause (as defined in the agreement), he will be entitled to receive (i) any earned and unpaid annual salary accrued through the date of such termination, and (ii) any benefits which may be due to him under the provisions of any employee benefit plan or incentive plan.

If Mr. Lawrence-Apfelbaum becomes disabled during his employment term and cannot perform his duties for 26 consecutive weeks, his employment may be terminated, and he will receive an amount equal to three times his annual base salary and his then applicable target bonus amount. If, within three years following a change in control (as defined in the employment agreement) of Time Warner, TWE (a) changes specified terms of Mr. Lawrence-Apfelbaum s employment including a significant change in work location, a reduction in duties, cash compensation of more than 10% below the highest aggregate cash compensation paid to him with respect to any preceding calendar year or a reduction in aggregate benefits under the benefit plans and incentive plans in any calendar year more than 10% of the highest value granted, (b) materially breaches the employment agreement, or (c) terminates his employment without cause, then Mr. Lawrence-Apfelbaum will have the right to receive:

a lump sum payment of three times his annual base salary plus the greater of the average of his two most recent annual bonuses or his then applicable annual target bonus;

a lump sum payment in an amount equal to the projected additional pension benefit he would have accrued (plus the projected additional employer matching contributions that would have been made to his account under the TWC Savings Plan) had he remained employed during the three years following his termination;

free medical (including hospitalization) and dental coverage, substantially identical to what he had at the time of his termination, for three years following his termination;

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use of office space, secretarial services and other office facilities for up to one year following his termination of employment; and

reimbursement of fees and expenses up to $10,000 in financial and tax counseling services.

Mr. Lawrence-Apfelbaum is not currently eligible for any gross-up payments provided under his agreement to cover excise taxes imposed under section 4999 of the Tax Code as a result of any change of control of Time Warner.

Because Mr. Lawrence-Apfelbaum is not yet 55 years of age, he is not eligible to elect the retirement option under his employment agreement, which is identical to that contained in Mr. Rossetti s employment agreement (described below).

Carl U.J. Rossetti

TWE entered into an employment agreement with Mr. Rossetti, effective as of June 1, 2000 and extended through December 31, 2008, which provides that Mr. Rossetti will serve as our Executive Vice President of New Business Development. Except as described herein, the agreement contains terms and conditions identical to those contained in Mr. Lawrence-Apfelbaum s employment agreement (described above). The agreement provides for a minimum annual base salary and an annual discretionary target bonus stated as a percentage of his base salary, subject to Mr. Rossetti s and TWE s performance, and participation in our benefit plans, including life insurance. During 2005, Mr. Rossetti had a base salary of $437,000 and a discretionary target bonus of 75% of his base salary. His annual salary for 2006 is $457,000. Like Mr. Lawrence-Apfelbaum, Mr. Rossetti is not currently eligible for any gross-up payments provided under his agreement to cover excise taxes imposed under section 4999 of the Tax Code as a result of any change of control of Time Warner.

Because Mr. Rossetti is over 55 years of age and has worked for us at the senior executive level for more than five years, he may elect a retirement option under his employment agreement. The retirement option would require Mr. Rossetti to remain actively employed for a transition period of from six months up to one year following this election, during which he will continue to receive his current annual salary and bonus. Following the transition period, Mr. Rossetti would become an advisor for three years during which he will be paid his annual base salary and he will also receive his full bonus for the first year, a 50% bonus for the second year and no bonus for the third year. Mr. Rossetti would continue vesting in any outstanding stock options and long-term cash incentives during this period, continue participation in health and life insurance benefit plans and receive reimbursement for financial and estate planning expenses and up to $10,000 for office space expenses. If Mr. Rossetti accepts other specified employment during the Advisory Period, he will receive the balance of his salary and bonus in a lump sum payment. As of the date of this document, Mr. Rossetti has not exercised the retirement option under his employment agreement.

If Mr. Rossetti dies prior to the termination of his employment agreement, his estate as beneficiaries will receive life insurance payments equal to three times his annual salary and average annual bonus (as described above).

Confidentiality and Non-Compete

As a part of their employment agreements, each of the Named Executive Officers is subject to a standard confidentiality provision for one year following his termination and a covenant not to compete or to solicit employees generally for up to one year, and in some circumstances longer, following his termination of employment.

Management Restructuring

During 2005, we commenced a management restructuring. In August 2005, Landel C. Hobbs, formerly Executive Vice President and Chief Financial Officer, was promoted to Chief Operating Officer, John K. Martin became Executive Vice President and Chief Financial Officer, and Robert D. Marcus became Senior Executive Vice President. Mr. Hobbs employment terms are summarized above under Employment Arrangements. As part of the restructuring, Thomas G. Baxter, who was our President as of December 31, 2004, ended his active employment

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effective as of March 31, 2005, and John K. Billock, our Vice-Chairman and Chief Operating Officer as of December 31, 2004, ended his active employment effective as of June 30, 2005.

Thomas G. Baxter

Under Mr. Baxter s amended employment agreement with TWE, Mr. Baxter is eligible for the following severance benefits:

- during his severance period, which concludes on March 1, 2007, Mr. Baxter will continue to receive (1) his base salary of $600,000 as in effect immediately prior to his termination, and (2) annual bonuses equal to the average of his 2003 and 2004 bonuses ($1,400,000 for 2005) (pro-rated for partial years); and
- a payment of $10,000 in lieu of outplacement services or office space.

During his severance period, Mr. Baxter may elect to receive his remaining severance in a lump sum discounted to present value as of the date of payment. In addition, all of Mr. Baxter s Time Warner stock options vested on his termination date and remain exercisable for a period of time following the date Mr. Baxter leaves TWE s payroll.

John K. Billock

Under Mr. Billock s amended employment agreement with TWE, Mr. Billock is eligible for the following severance benefits:

- a lump sum bonus payment made in 2005 equal to six months of his annual salary of $900,000 plus one half of his average annual bonus of $2,152,000 (based on the average of his bonuses for 2003 and 2004);
- until July 1, 2007, Mr. Billock will remain an employee of TWE and will continue to receive his annual base salary of $900,000 and an annual bonus of $2,152,000 (based on the average of his bonuses for 2003 and 2004), pro-rated for partial years; and
- until July 1, 2006, Mr. Billock was entitled to use office space, secretarial services and other office facilities.

During his severance period, Mr. Billock may elect to receive his remaining severance in a lump sum discounted to present value as of the date of payment. On the date that Mr. Billock leaves our payroll, all of Mr. Billock s Time Warner stock options will vest and remain exercisable pursuant to the terms of the option agreements under which they were granted.

Mr. Billock has a separate agreement with Time Warner that provides that Time Warner will ensure he receives the equivalent of the benefits he would have received under Time Warner s retiree medical program if he had retired from Time Warner, on the same terms and conditions as senior corporate executives of Time Warner upon retirement, provided that he retires pursuant to his employment agreement.

Confidentiality and Non-Compete

As a part of their employment agreements, each of Messrs. Baxter and Billock is subject to the standard confidentiality provision that applies to the Named Executive Officers.

Deferred Compensation

Prior to 2003, TWE s deferred compensation plan generally permitted employees whose annual cash compensation exceeded a designated threshold (including each of the Named Executive Officers) to defer receipt of all or a portion of their annual bonus until a specified future date. During the deferral period, the participant selects the crediting rate applied to the deferred amount from the array of third party investment vehicles offered under our savings plan. Since March 2003, deferrals may no longer be made under the deferred compensation plan but amounts previously credited under the deferred compensation plan continue to track the crediting rate elections. In addition, prior to 2003, pursuant to his employment agreement then in place, TWE made contributions for Mr. Britt to a separate deferred compensation account maintained in a grantor trust or comparable amounts were credited under TWE s deferred compensation plan. The accounts maintained in the grantor trust are invested by a third party investment manager and the accrued amount will be paid to Mr. Britt following termination of employment in accordance with the terms of the deferred compensation arrangements. Effective beginning 2003, TWE stopped making these contributions, but existing accounts in the grantor trust continue to be invested. There is no guaranteed rate of return on accounts maintained under either of these deferred compensation arrangements.

Pension Plans

Our Pension Plans

Each of the Named Executive Officers currently participates in the Time Warner Cable Pension Plan, a tax-qualified defined benefit pension plan, and the Time Warner Cable Excess Benefit Plan (the Excess Benefit Plan), a non-qualified defined benefit pension plan (collectively, the TWC Pension Plans), which are sponsored by us. Mr. Britt was a participant in pension plans sponsored by Time Warner until March 31, 2003 when he commenced participation in the Time Warner Cable Pension Plan. Mr. Hobbs ceased his participation in the TW Pension Plans (as defined below) on October 11, 2001, when his participation in the Time Warner Cable Pension Plan commenced. Mr. LaJoie was a participant in the TW Pension Plans from January 3, 1994 until July 31, 1995.

The Excess Benefit Plan is designed to provide supplemental payments to highly compensated employees in an amount equal to the difference between the benefits payable to an employee under the tax-qualified Time Warner Cable Pension Plan and the amount the employee would have received under that plan if the limitations under the tax laws relating to the amount of benefit that may be paid and compensation that may be taken into account in calculating a pension payment were not in effect. In determining the amount of excess benefit pension payment, the Excess Benefit Plan takes into account compensation earned up to $350,000 per year (including any deferred bonus). The pension benefit under the Excess Benefit Plan is payable under the same options as are available under our tax-qualified defined benefit pension plan, the Time Warner Cable Pension Plan.

Benefit payments are calculated using the highest consecutive five-year average annual compensation, which is referred to as average compensation. The pension computed under the terms of the TWC Pension Plans, if the employee is vested, and if paid as a single life annuity, commencing at age 65, is equal to the sum of:

1.25% of the portion of average compensation which does not exceed the average of the social security taxable wage base ending in the year the employee reaches the social security retirement age, referred to as covered compensation, multiplied by the number of years of benefit service up to 35 years, plus

1.67% of the portion of average compensation which exceeds covered compensation, multiplied by the number of years of benefit service up to 35 years, plus

0.5% of average compensation multiplied by the employee s number of years of benefit service in excess of 35 years, plus

a supplemental benefit in the amount of $60 multiplied by the employee s number of years of benefit service up to 30 years, with a maximum supplemental benefit of $1,800 per year.

In addition, in determining the benefits under the TWC Pension Plans, special rules apply to various participants who were previously participants in plans that have been merged into the TWC Pension Plans and of various participants in the TWC Pension Plans prior to January 1, 1994.

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The table below shows the estimated annual retirement benefits payable under the TWC Pension Plans, each of which provides retirement benefits to eligible employees (including eligible employees of our subsidiaries), including the Named Executive Officers. The table assumes retirement at age 65, that the TWC Pension Plans will continue in their present forms and that the maximum average compensation is $350,000. Reduced benefits are available at earlier ages and in other forms of benefits payouts. Amounts calculated under the pension formula that exceed tax code limits are payable under the Excess Benefit Plan and are included in the amounts shown on the following table.

Highest Consecutive Five-Year Average Compensation	Estimated Annual Pension for Years of Benefit Service						
	5	10	15	20	25	30	35
$200,000	$ 15,924	$ 31,847	$ 47,771	$ 63,695	$ 79,619	$ 95,542	$ 111,166
250,000	20,099	40,197	60,296	80,395	100,494	120,592	140,391
300,000	24,274	48,547	72,821	97,095	121,369	145,642	169,616
350,000	28,449	56,897	85,346	113,795	142,244	170,692	198,841
400,000	28,449	56,897	85,346	113,795	142,244	170,692	198,841

The amount of covered compensation that would be considered in the determination of the highest consecutive five-year average compensation under the TWC Pension Plans is limited as a result of the imposition of the limitations on eligible compensation. The estimated annual benefits payable under the TWC Pension Plans as of September 30, 2006 would be based on average compensation of $350,000 for each of Messrs. Britt, Hobbs, LaJoie, Lawrence-Apfelbaum, Rossetti, Baxter and Billock with 3.5, 5.0, 11.2, 16.2, 19.7, 5.0 and 3.5 years of benefit service, respectively. For vesting purposes under the TWC Pension Plans, each of Mr. Britt, Mr. Billock and Mr. LaJoie is credited with service under the TW Pension Plans and is therefore fully vested. Mr. Hobbs is also fully vested in his benefits under the TWC Pension Plans, based on past service with TWE and its affiliates. In the event that the benefits Mr. Britt or Mr. Billock receives upon retirement are not as generous as benefits he would have received if he had participated in the TW Pension Plans for his entire tenure, TWE will provide him with the financial equivalent of the difference between the two benefits.

Compensation covered by the TWC Pension Plans takes into account salary, bonus, some elective deferrals and other compensation paid, but excludes the payment of deferred or long-term incentive compensation and severance paid in a lump sum.

Time Warner Pension Plans

The Time Warner Employees Pension Plan, as amended (the Old TW Pension Plan), which provides benefits to eligible employees of Time Warner and certain of its subsidiaries, was amended effective as of January 1, 2000, as described below, and was renamed (the Amended TW Pension Plan and, together with the Old TW Pension Plan, the TW Pension Plans). Because of certain grandfathering provisions, the benefit of participants with a minimum of ten years of benefit service whose age and years of benefit service equal or exceed 65 years as of January 1, 2000, including Messrs. Britt and Billock, will be determined under either the provisions of the Old TW Pension Plan or the Amended TW Pension Plan, whichever produces the greater benefit. Mr. LaJoie s benefit is not subject to these provisions and his benefit will be determined under the Amended TW Pension Plan.

Under the Amended TW Pension Plan, a participant accrues benefits equal to the sum of 1.25% of a participant s average annual compensation (defined as the highest average annual compensation for any five consecutive full calendar years of employment, which includes regular salary, overtime and shift differential payments, and non-deferred bonuses paid according to a regular program) not in excess of his covered compensation up to the applicable average Social Security wage base and 1.67% of his average annual compensation in excess of such covered compensation multiplied by his years of benefit service (not in excess of 30). Compensation for purposes of calculating average annual compensation under the TW Pension Plans is limited to $200,000 per year for 1988 through 1993, $150,000 per year for 1994 through 2001 and $200,000 per year for 2002 and thereafter (each subject to adjustments provided in the Tax Code). Eligible employees become vested in all benefits under the TW Pension Plans on the earlier of five years of service or certain other events.

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Under the Old TW Pension Plan, a participant accrues benefits on the basis of 1.67% of the average annual compensation (defined as the highest average annual compensation for any five consecutive full and partial calendar years of employment, which includes regular salary, overtime and shift differential payments, and non-deferred bonuses paid according to a regular program) for each year of service up to 30 years and 0.50% for each year of service over 30. Annual pension benefits under the Old TW Pension Plan are reduced by a Social Security offset determined by a formula that takes into account benefit service of up to 35 years, covered compensation up to the average Social Security wage base and a disparity factor based on the age at which Social Security benefits are payable (the Social Security Offset). Under the Old TW Pension Plan and the Amended TW Pension Plan, the pension benefit of participants on December 31, 1977 in the former Time Employees Profit-Sharing Savings Plan (the Profit Sharing Plan) is further reduced by a fixed amount attributable to a portion of the employer contributions and investment earnings credited to such employees account balances in the Profit Sharing Plan as of such date (the Profit Sharing Offset).

Under the Amended TW Pension Plan, employees who are at least 62 years old and have completed at least ten years of service may elect early retirement and receive the full amount of their annual pension. This provision could apply to Messrs. Britt and Billock. Under the Old TW Pension Plan, employees who are at least 60 years old and have completed at least ten years of service may elect early retirement and receive the full amount of their annual pension. An early retirement supplement is payable to an employee terminating employment at age 55 and before age 60, after 20 years of service, equal to the actuarial equivalent of such person s accrued benefit, or, if greater, an annual amount equal to the lesser of 35% of such person s average compensation determined under the Old TW Pension Plan or such person s accrued benefit at age 60 plus Social Security benefits at age 65. The supplement ceases when the regular pension commences at age 60.

Federal law limits both the amount of compensation that is eligible for the calculation of benefits and the amount of benefits derived from employer contributions that may be paid to participants under both of the TW Pension Plans. However, as permitted by Employee Retirement Income Security Act of 1974 (ERISA), Time Warner has adopted the Time Warner Excess Benefit Pension Plan (the TW Excess Plan). The TW Excess Plan provides for payments by Time Warner of certain amounts which eligible employees would have received under the TW Pension Plans if eligible compensation (including deferred bonuses) were limited to $250,000 in 1994 (increased 5% per year thereafter, to a maximum of $350,000) and there were no payment restrictions.

The following table shows the estimated annual pension payable upon retirement to employees in specified remuneration and years-of-service classifications under the Amended TW Pension Plan. The amount of the estimated annual pension is based upon a pension formula that applies to all participants in both the Amended TW Pension Plan and the TW Excess Plan. The amounts shown in the table do not reflect the effect of an offset that affects certain participants in the TW Pension Plans on December 31, 1977. The estimated amounts are based on the assumption that payments under the Amended TW Pension Plan will commence upon normal retirement (generally age 65) or early retirement (for those who have at least ten years of service), that the Amended TW Pension Plan will continue in force in its present form, that the maximum compensation is $350,000 and that no joint and survivor annuity will be payable (which would on an actuarial basis reduce benefits to the employee but provide benefits to a surviving beneficiary). Amounts calculated under the pension formula which exceed ERISA limits will be paid under the TW Excess Plan from Time Warner s assets and are included in the amounts shown in the following table.

Highest Consecutive Five-Year Average Compensation	**Estimated Annual Pension for Years of Benefit Service**						
	5	**10**	**15**	**20**	**25**	**30**	**35**
$200,000	$ 15,624	$ 31,247	$ 46,871	$ 62,495	$ 78,119	$ 93,742	$ 93,742

250,000	19,799	39,597	59,396	79,195	98,994	118,792	118,792
300,000	23,974	47,947	71,921	95,895	119,869	143,842	143,842
350,000	28,149	56,297	84,446	112,595	140,744	168,892	168,892
400,000	28,149	56,297	84,446	112,595	140,744	168,892	168,892

The amount of covered compensation that would be considered in the determination of the highest five consecutive full or partial years of compensation under the TW Pension Plans and the TW Excess Plan for Messrs. Britt, Billock and LaJoie is limited as a result of the imposition of the limitations on eligible compensation. Messrs. Britt, Billock and LaJoie have ceased to be active participants in the TW Pension Plans described above and commenced participation in our pension plan which is described above. The estimated annual benefits payable under the Amended TW Pension Plan and the TW Excess Plan as of September 30, 2006 would be based on average compensation of $350,000 for Messrs. Britt, Billock and LaJoie with 30.7, 24.7 and 1.6 years of benefit service, respectively. The estimated annual pension payable to Mr. Britt and Mr. Billock under the Old TW Pension Plan and the TW Excess Plan upon retirement based on the indicated remuneration and years of service would be $179,482 and $144,839, respectively, without reflecting the effect of the previously described Social Security Offset and Profit Sharing Offset. This amount is greater than the estimated annual benefit payable under the Amended TW Pension Plan and the TW Excess Plan.

Additional Information

In connection with an order dated March 21, 2005, Mr. Pace reached a settlement with the SEC, pursuant to which he agreed, without admitting or denying the SEC s allegations, to the entry of an administrative order that he cease and desist from causing violations or future violations of certain reporting provisions of the securities laws; however, he is not subject to any suspension, bar or penalty. For more information, see Management s Discussion and Analysis of Results of Operations and Financial Condition Overview Restatement of Prior Financial Information.

2006 Equity Plan

2006 Stock Incentive Plan

In 2006, we adopted the 2006 Plan, which allows us to grant equity-based compensation awards to participants following the consummation of this offering. The purpose of the 2006 Plan is to aid us in attracting, retaining and motivating employees, directors and advisors and to provide us with a stock plan providing incentives directly related to our success.

Eligibility

Awards may be made to any of our or our affiliates employees, prospective employees, directors, officers and advisors in the discretion of our compensation committee or a subcommittee of our compensation committee (the Committee).

Shares Subject to the Plan

The total number of shares of Class A common stock that may be issued under the 2006 Plan is 100,000,000. The maximum number of shares with respect to which awards may be granted during each calendar year to any given participant may not exceed 1,500,000 shares; however, the maximum number of shares that may be awarded in the form of restricted stock or other stock-based awards payable in shares of Class A common stock shall be equal to 1,500,000 divided by a ratio that is the quotient resulting from dividing the most recent fair value of a share of such stock or award, as determined for financial reporting purposes, by the most recent fair value of a stock option granted under the 2006 Plan. The maximum aggregate number of shares with respect to which awards may be made during each calendar year is 1.5% of the number of shares of Class A common stock outstanding on December 31 of the preceding year. If any award is forfeited or otherwise terminates or lapses without payment of consideration, the shares subject to that award will again be available for future grant. In addition, any shares issued in connection with awards other than stock options or stock appreciation rights shall be counted against the 100,000,000 authorization as the number of shares equal to the ratio described above for every one share issued in connection with such award, or by which the award is valued.

Types of Awards

Under the 2006 Plan, the committee administering the plan may award stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards, as described below.

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Stock Options and Stock Appreciation Rights

Stock options awarded under the 2006 Plan may be nonqualified or incentive stock options. Stock appreciation rights may be granted independent of or in conjunction with stock options. The exercise price per share of Class A common stock for any nonqualified or incentive stock options or stock appreciation rights cannot be less than the fair market value of a share of Class A common stock on the date the award is granted; except that, in the case of a stock appreciation right granted in conjunction with a stock option, the exercise price cannot be less than the exercise price of the related stock option. The Committee will be responsible for administering the 2006 Plan and may impose the terms and conditions of stock options and stock appreciation rights as it deems fit, but the awards generally will not be exercisable for a period of more than ten years after they are granted. Participants in the 2006 Plan will not receive dividends or dividend equivalents or have any voting rights with respect to shares underlying stock options or stock appreciation rights. Each stock appreciation right granted independent of a stock option will entitle a participant upon exercise to an amount equal to the product of (i) the excess of (A) the fair market value on the exercise date of one share of Class A common stock over (B) the exercise price, multiplied by (ii) the number of shares of Class A common stock covered by the stock appreciation right, and each unexercised stock appreciation right granted in conjunction with a stock option will entitle a participant to surrender the stock option and receive the amount described in the preceding formula. Payment of the exercise price will be made in cash and/or shares of Class A common stock (valued at fair market value), as determined by the Committee. Once granted, no option or stock appreciation right may be repriced.

Restricted Stock

The Committee will determine the terms and conditions of restricted stock awards, including the number of shares of restricted stock to grant to a participant. The Committee may also determine the period during which, and the conditions, if any, under which, the restricted stock may be forfeited; however, except with respect to awards to members of our Board of Directors, not less than 95% of the shares of restricted stock shall remain subject to forfeiture for at least three years after the date of grant, though such forfeiture condition may expire earlier, in whole or in part, in the event of a change in control of our company or the death, disability or other termination of the award holder s employment. Dividends on restricted stock may be paid directly to the participant, withheld by us subject to vesting, or reinvested in additional shares of restricted stock, as determined by the Committee, in its sole discretion. Certain restricted stock awards may be granted in a manner designed to allow us to deduct their value under section 162(m) of the Tax Code; these awards will be based on one or more of the performance criteria set forth below.

Other Stock-Based Awards

The Committee may grant stock awards, unrestricted stock and other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, our Class A common stock. Such stock-based awards may be in the form, and dependent on conditions, determined by the Committee, including the right to receive, or vest with respect to, one or more shares of Class A common stock (or the equivalent cash value of such shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The maximum amount of other stock-based awards that may be granted during a calendar year to any participant is: (i) the number of shares equal to 1,500,000 divided by the ratio described above, with respect to other stock-based awards that are denominated or payable in shares of Class A common stock, and (ii) $10 million, with respect to non-stock denominated awards.

Performance-Based Awards

Certain awards may be granted in a manner designed to allow us to deduct their value under section 162(m) of the Tax Code. These performance-based awards will be based on one or more of the following performance criteria: (i) Operating Income before depreciation and amortization, (ii) Operating Income, (iii) earnings per share, (iv) return on shareholders equity, (v) revenues or sales, (vi) Free Cash Flow, (vii) return on invested capital, (viii) total shareholder return and (ix) revenue generating unit-based metrics. The Committee will establish the performance goals for these performance-based awards and certify that the goals have been met, in each case, in the manner required by section 162(m) of the Tax Code.

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Adjustments Upon Certain Events

In the event of a change in the outstanding shares of our Class A common stock due to a stock dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination, share exchange or any other similar transaction, the Committee may adjust (i) the number or kind of shares of Class A common stock or other securities issued or reserved for issuance pursuant to the 2006 Plan or pursuant to outstanding awards, (ii) the maximum number of shares for which awards may be granted during a calendar year to any participant, (iii) the option price or exercise price of any stock appreciation right and/or (iv) any other affected terms of such awards. Upon the occurrence of a change in control of our company (as defined in the plan), the Committee may (w) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an award, (x) cancel awards for fair value, (y) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the 2006 Plan, as determined by the Committee in its sole discretion, or (z) provide that, for a period of at least 30 days prior to the change in control, such stock options will be exercisable as to all shares subject to the 2006 Plan and that upon the occurrence of the change in control, such stock options will terminate.

Administration

The 2006 Plan is currently administered by the Committee, which may appoint a subcommittee that consists of two directors who are intended to qualify as non-employee directors within the meaning of Rule 16b-3 under the Exchange Act and outside directors within the meaning of section 162(m) of the Tax Code. The Committee is authorized to interpret the 2006 Plan, to establish, amend and rescind any rules and regulations relating to the 2006 Plan, and to make any other determinations that it deems necessary or desirable for the administration of the 2006 Plan.

Amendment and Termination

Our board of directors or the Committee may amend, alter or discontinue the 2006 Plan, but no amendment, alteration or discontinuation will be made (i) without stockholder approval, if it would increase the total number of shares of Class A common stock reserved under the plan or the maximum number of shares of restricted stock or other stock-based awards that may be awarded thereunder, or if it would increase the maximum number of shares for which awards may be granted to any participant, (ii) without the consent of a participant, if it would diminish any of the rights of the participant under any award previously granted to the participant or (iii) without stockholder approval, to permit repricing of options or stock appreciation rights. No new awards may be made under the 2006 Plan after the fifth anniversary of the first grant of an award under the 2006 Plan.

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PRINCIPAL STOCKHOLDERS AND THE SELLING STOCKHOLDER

Beneficial Ownership of Our Common Stock

The following table sets forth information as of November 15, 2006 as to the number of shares of our common stock beneficially owned by each person known to us to be the beneficial owner of more than 5% of our common stock. As of November 15, 2006, none of our executive officers or directors beneficially owned any shares of our common stock and such ownership is not expected to change prior to the effectiveness of the registration statement of which this prospectus forms a part.

	Common Stock Beneficially Owned[1]							
	Class A Common Stock				Class B Common Stock		Total Voting Power Percentage[5]	
Name of Beneficial Owner	Number of Shares Owned Before the Offering	Percent of Class Owned Before the Offering	Number of Shares Owned After the Offering	Percent of Class Owned After the Offering	Number of Shares Owned Before and After the Closing	Percent of Class Owned Before and After the Offering	Before the Offering	After the Offering
Time Warner[2,3]	746,000,000	82.7%	746,000,000	82.7%	75,000,000	100%	90.6%	90.6%
ACC[4]	155,913,430	17.3%		%			9.4%	%

1 Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power.

2 The shares are registered in the name of WCI, an indirect and wholly owned subsidiary of Time Warner. By virtue of Time Warner s control of WCI, Time Warner is deemed to beneficially own the shares of Class A and Class B common stock held by WCI. The address of each of Time Warner and WCI is One Time Warner Center, New York, NY 10019.

3 Amounts shown as owned by Time Warner may be deemed to be beneficially owned by Mr. Pace who is an executive officer of Time Warner and is also a member of our board of directors.

4 Amounts shown include 6,148,283 shares of Class A common stock held in escrow to secure Adelphia s obligations in respect of any post-closing adjustments to the purchase price in the Adelphia Acquisition and Adelphia s indemnification obligations under the TWC Adelphia Purchase Agreement. For more information, see The Transactions Agreements with ACC The TWC Purchase Agreement. The address of ACC is 5619 DTC Parkway, Greenwood Village, CO 80111.

5 Reflects the total voting power of such person or entity when both our Class A and Class B common stock vote together as a single class.

ACC

In connection with the Adelphia Acquisition, ACC received 149,765,147 shares of our Class A common stock and an additional 6,148,283 shares were paid into escrow, together representing 17.3% of our outstanding Class A common stock. Under the Adelphia Registration Rights and Sale Agreement, we granted ACC rights to require us to register these shares of our Class A common stock under certain circumstances. In accordance with the Adelphia Registration Rights and Sale Agreement, at least one-third of these shares are required to be sold in a single firm commitment underwritten offering. For more information on the Adelphia Acquisition and the Adelphia Registration Rights and Sale Agreement, see The Transactions Agreements with ACC.

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Beneficial Ownership of Time Warner s Common Stock

The following table sets forth information as of , 2006 as to the number of shares of Time Warner s common stock beneficially owned by:

each named executive officer;

each of our directors; and

all of our current executive officers and directors as a group.

Name of Beneficial Owner	Time Warner Common Stock Beneficially Owned[1] Number of Shares	Option Shares[2]	Percent of Class
Thomas Baxter			*
John Billock			*
Carole Black			*
Glenn A. Britt			*
Thomas H. Castro			*
David C. Chang			*
James E. Copeland, Jr.			*
Peter R. Haje			*
Landel C. Hobbs			*
Michael LaJoie			*
Marc Lawrence-Apfelbaum			*
Don Logan			*
Michael Lynne			*
N.J. Nicholas, Jr.			*
Wayne H. Pace			*
Carl U.J. Rossetti			*
All current directors and executive officers as a group (17 persons)			

* Represents beneficial ownership of less than one percent of Time Warner s issued and outstanding common stock on November 15, 2006.

1 Beneficial ownership as reported in the above table has been determined in accordance with Rule 13d-3 of the Exchange Act. Unless otherwise indicated, beneficial ownership represents both sole voting and sole investment power. As of November 15, 2006, the only equity securities of Time Warner beneficially owned by the named persons or group were shares of Time Warner s common stock and options to purchase Time Warner s common stock.

2 Reflects shares of Time Warner s common stock subject to options to purchase common stock issued by Time Warner which, on November 15, 2006, were unexercised but were exercisable on or within 60 days after that date. These shares are excluded from the column headed Number of Shares.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Transactions

We and/or our subsidiaries entered into the following agreements with Time Warner, Comcast and Adelphia in connection with the Transactions:

TWC Purchase Agreement;

the Adelphia Registration Rights and Sale Agreement;

Exchange Agreement;

TWC Redemption Agreement; and

TWE Redemption Agreement.

We also entered into the TWC/Comcast Tax Matters Agreement in connection with the Transactions. See The Transactions for a description of these agreements. In addition, we entered into the Shareholder Agreement with Time Warner in connection with the Transactions, the terms of which are described below under Relationship between Time Warner and Us.

TWE

TWE, a Delaware limited partnership and an indirect subsidiary of ours, was formed in 1992. Prior to the TWE Restructuring, subsidiaries of Time Warner owned general and limited partnership interests in TWE consisting of 72.36% of the pro-rata priority capital and residual equity capital and 100% of the junior priority capital, and trusts formed by Comcast owned limited partnership interests in TWE consisting of 27.64% of the pro-rata priority capital and residual equity capital. Before the TWE Restructuring described below, TWE was engaged in three businesses cable television, filmed entertainment and programming.

The TWE Restructuring was completed on March 31, 2003 under a Restructuring Agreement, dated as of August 20, 2002 and amended as of March 31, 2003, among our company, Time Warner, TWE, AT&T Corp., Comcast and other parties (the Restructuring Agreement). We were formed prior to the TWE Restructuring to be the successor in interest to an indirect, wholly-owned subsidiary of Comcast which merged into us as part of the TWE Restructuring.

Through a series of steps executed in connection with the TWE Restructuring:

TWE transferred its filmed entertainment and network programming businesses, along with associated liabilities, to WCI, a wholly owned subsidiary of Time Warner, in partial redemption of the TWE partnership interests held by WCI;

we repaid a $2.1 billion promissory note that we had issued to Comcast prior to the TWE Restructuring;

in exchange for shares of our Class B common stock, Time Warner issued approximately $1.5 billion of its convertible preferred stock to Comcast Trust II; this Time Warner convertible preferred stock, by its terms, automatically converted into shares of Time Warner common stock on March 31, 2005;

Time Warner contributed all of its interests in TWE, other than the partnership interest held by ATC discussed below, and all of the cable businesses that were owned by TWI Cable and its subsidiaries prior the restructuring, to us, in exchange for shares of our Class A common stock; and

the ownership structure of TWE was reorganized so that:

we owned 94.3% of the residual equity interests in TWE,

Comcast Trust I owned 4.7% of the residual equity interests in TWE, and

ATC, a wholly owned subsidiary of Time Warner, owned an interest in TWE, which consisted of a 1.0% residual equity component and a $2.4 billion mandatorily redeemable preferred component.

As a result of the TWE Restructuring, Time Warner held shares of our Class A common stock and Class B common stock representing, in the aggregate, 89.3% of our voting power and 82.1% of our outstanding equity. Additionally, as part of the TWE Restructuring, TWE issued $2.4 billion in mandatorily redeemable preferred equity to ATC, a subsidiary of Time Warner.

In the TWE Redemption, which occurred on July 31, 2006 immediately prior to the Adelphia Acquisition, TWE redeemed all of the residual equity interest of TWE held by Comcast Trust I in exchange for 100% of the limited liability company interests of Cable Holdco III. As a result of the TWE Redemption, Comcast no longer has an interest in TWE. See The Transactions TWC/Comcast Agreements The TWE Redemption Agreement.

The ATC Contribution was consummated on July 28, 2006. In the ATC Contribution, ATC contributed its 1% common equity interest and $2.4 billion preferred equity interest in TWE that it received in the TWE Restructuring to TW NY Holding, the direct parent of TW NY and an indirect, wholly owned subsidiary of ours, for a non-voting common stock interest in TW NY Holding. The non-voting common stock interest in TW NY Holding received by ATC represents approximately 12.4% of the equity securities of TW NY Holding and was valued at approximately $2.9 billion, reflecting the value of the $2.4 billion preferred interest in TWE and the 1% residual equity interest in TWE.

As a result of the TWE Redemption and the ATC Contribution, two of our subsidiaries are the sole general and limited partners of TWE.

Restructuring Agreement

General. The Restructuring Agreement required the parties to enter into various agreements to accomplish the restructuring steps outlined above. In addition, the Restructuring Agreement provided for the following indemnities and special distributions:

Indemnification for claims not related to taxes. In the Restructuring Agreement, Time Warner made various representations and warranties to AT&T and Comcast with respect to the business of Time Warner, TWE and TWI Cable, and AT&T and Comcast made various representations and warranties to Time Warner with respect to the conduct of our business prior to the TWE Restructuring and the business of AT&T and Comcast. In addition, the parties made some covenants with respect to their businesses and the businesses of their subsidiaries. The parties agreed to indemnify us for liabilities resulting from breaches of specified representations, warranties and covenants. In addition, Comcast agreed to indemnify us for some employment- and benefits-related claims arising prior to the TWE Restructuring, and agreed to indemnify us for the failure of their permitted transferees to comply with restructuring-related agreements or the TWE partnership agreement prior to the TWE Restructuring. Comcast, Comcast Trust II and Comcast Trust I have the right to enforce our rights to indemnification under the Restructuring Agreement against Time Warner.

Responsibility for taxes. During various periods prior to the closing of the TWE Restructuring, we were a member of consolidated groups, filing consolidated federal income tax returns, in which MediaOne Group, Inc., AT&T or Comcast was the common parent corporation. We were also, during various periods prior to the closing of the TWE Restructuring, a member of combined or unitary groups that filed combined or unitary state income tax returns. Each member of a consolidated group filing consolidated federal income tax returns is jointly and severally liable for the federal income tax liability of each other member of the consolidated group. Some states have similar joint and several liability for state income taxes of companies that file combined or unitary state income tax returns. Comcast is responsible for paying any of our taxes, including any taxes for which we may be liable by virtue of having been a member of any consolidated, combined or unitary tax group, in respect of events occurring or taxable periods ending on or before the TWE Restructuring, and, with respect to any taxable period that begins before but ends after the date of the TWE Restructuring, the portion of that period that ends on the date of the TWE Restructuring, including any taxes incurred by us with respect to the TWE Restructuring. Although Comcast has indemnified us against this joint and several liability for the period set forth above, we would be liable in the event that this liability was incurred but not discharged by Comcast or by another member of the relevant consolidated, combined or unitary group.

We agreed to indemnify Comcast for any taxes attributable to taxable periods beginning on or after the date of the TWE Restructuring and, with respect to any taxable period that begins before but ends after the date of the TWE Restructuring, the portion of the period beginning the day after the date of the TWE Restructuring.

Special distribution. We agreed that, in the event that:

income realized by us and Comcast as a result of some of the aspects of the TWE Restructuring exceeds $300 million; or

the aggregate amount of adjustments to our income resulting from TWE s tax audits or other proceedings relating to taxable periods, or portions of taxable periods, prior to the TWE Restructuring exceeds $300 million

then TWE is required to make a special distribution to Comcast to cover a portion of the taxes resulting from these events.

TWE Distribution Agreement

In the TWE Restructuring, TWE entered into a distribution agreement with us, Time Warner and WCI. Under the distribution agreement, TWE distributed to WCI all of its assets other than cable-related assets held by TWE or its subsidiaries.

WCI assumed all of TWE s liabilities other than liabilities primarily related to TWE s cable business and some of the debt that was retained by TWE under the Restructuring Agreement. The liabilities retained by TWE included cable-related contractual liabilities, liabilities related to the assets retained by TWE, liabilities with respect to employees employed in the cable business and a liability in respect of unpaid management fees.

Notwithstanding WCI s assumption of TWE s non-cable-related liabilities, TWE s general partner and TWE remain liable to third parties for some of these liabilities. Time Warner agreed to indemnify TWE against any liabilities relating to, arising out of or resulting from the transferred businesses, from failures to perform or discharge the assumed liabilities and breaches of the distribution agreement. We and TWE agreed to indemnify WCI in a similar fashion with respect to liabilities arising from the cable business retained by TWE. Our independent directors have the right to enforce TWE s rights under the distribution agreement, and any amendments to the distribution agreement require the written consent of the party against whom the amendment is sought.

TWI Cable Contribution Agreement

In the TWE Restructuring, we entered into a contribution agreement with WCI. Under the contribution agreement, WCI contributed to us all of the cable business that was operated by TWI Cable and its subsidiaries prior to the TWE Restructuring and all of the TWE partnership interests held by WCI prior to the TWE Restructuring. In connection with the contribution, we assumed all liabilities primarily related to TWI Cable s cable business and all liabilities resulting from WCI s capacity as a partner of TWE that primarily relate to TWE s cable business.

Time Warner and WCI agreed to indemnify us against any liabilities relating to, arising out of or resulting from the businesses formerly operated by TWI Cable and its subsidiaries that were not contributed to us, from failures to perform or discharge liabilities relating to those businesses, from breaches of the contribution agreement and from all liabilities resulting from any person s capacity as a partner of TWE that are not primarily related to TWE s cable business. We agreed to indemnify WCI in a similar fashion with respect to liabilities arising from the cable business transferred to us and liabilities resulting from any person s capacity as a partner of TWE that primarily relate to TWE s cable business. Our independent directors have the non-exclusive right to enforce our rights under the contribution agreement. Any amendments to the contribution agreement require the written consent of the party against whom the amendment is sought.

Description of Certain Agreements Related to Comcast

Prior to the TWE Restructuring, trusts formed by Comcast owned limited partnership interests in TWE consisting of 27.64% of the pro-rata priority capital and residual equity capital. After the TWE Restructuring, trusts established for the benefit of Comcast, held a 21% economic interest in us through a 17.9% direct common stock ownership interest in us and a 4.7% residual equity interest TWE. In the Redemptions, we redeemed all of Comcast s common stock ownership in us and its residual equity interest in TWE and, as a result, Comcast no longer beneficially owns an interest in our company. In the ordinary course of our cable business, we have entered into various agreements with Comcast and its various divisions and affiliates on terms that we believe are no less favorable than those that could be obtained in agreements with third parties. We do not believe that any of these agreements are material to our business. These agreements include:

- agreements, often entered into on a spot basis, to sell advertising to various video programming vendors owned by Comcast and carried on our cable systems;

- local, regional and national advertising interconnect agreements under which Comcast or we owned cable system operators arrange for local or regional advertising to be carried by the various cable system operators in a market area;

- agreements under which affiliates of Comcast sell advertising on our behalf in some geographic areas to local advertisers and our affiliates sell advertising on Comcast s behalf in some geographic areas to local advertisers;

- an agreement under which a joint venture owned by us (or our affiliates), Comcast and another cable operator sells national advertising on our behalf to national advertisers;

- agreements, which generally expire between 2006 and 2013, to purchase or license programming from various programming vendors owned in whole or in part by Comcast with license fees to the various vendors calculated generally on a per subscriber basis; and

- agreements with and related to iN DEMAND, which is a joint venture among TWE-A/N, Comcast and Cox Communications Holdings, Inc., that licenses, from film studios and other producers, motion pictures and other materials, which it then licenses to cable operators for VOD and Pay-Per-View distribution.

Under these agreements, we received $188,000, $0, $6.8 million and $11.6 million from Comcast and its affiliates, and we conferred $29.4 million, $43.5 million, $39.6 million and $28.2 million to Comcast and its affiliates (other than us and our subsidiaries) during the nine months ended September 30, 2006 and the years ended December 31, 2005, 2004 and 2003, respectively.

Relationship between Time Warner and Us

Time Warner Registration Rights Agreement

On March 31, 2003, Time Warner entered into a registration rights agreement with us (the Time Warner Registration Rights Agreement) relating to Time Warner s shares of our common stock. The following description of the Time Warner Registration Rights Agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Time Warner Registration Rights Agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

Subject to several exceptions, including our right to defer a demand registration under some circumstances, Time Warner may, under that agreement, require that we take commercially reasonable steps to register for public resale under the Securities Act all shares of common stock that Time Warner requests be registered. Time Warner may demand an unlimited number of registrations. In addition, Time Warner has been granted piggyback registration rights subject to customary restrictions, and we are permitted to piggyback on Time Warner s registrations. Any registration statement filed under the Time Warner Registration Rights Agreement is subject to the cut back priority contained in the Adelphia Registration Rights and Sale Agreement which is discussed under The Transactions Agreements with ACC The Adelphia Registration Rights and Sale Agreement.

In connection with registrations under the Time Warner Registration Rights Agreement, we are required to indemnify Time Warner and bear all fees, costs and expenses, except underwriting discounts and selling commissions.

Indebtedness Approval Right

Under the Shareholder Agreement, until such time as our indebtedness is no longer attributable to Time Warner, in Time Warner s reasonable judgment, we, our subsidiaries and the entities that we manage may not, without the consent of Time Warner, create, incur or guarantee any indebtedness, including preferred equity, or rental obligations (other than with respect to certain approved leases) if our ratio of indebtedness plus six times our annual rental expense to EBITDA (as defined in the Shareholder Agreement) 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 (other than with respect to certain approved leases) or the issuance of preferred stock in the future will require Time Warner s approval. See Risk Factors Risks Related to Our Relationship with Time Warner Time Warner s approval right over our ability to incur indebtedness may harm our liquidity and operations and restrict our growth.

The description of the Shareholder Agreement herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Shareholder Agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

Other Time Warner Rights

Under the Shareholder Agreement, as long as Time Warner has the power to elect a majority of our board of directors, we must obtain Time Warner s consent before we enter into any agreement that binds or purports to bind Time Warner or its affiliates or that would subject us or our subsidiaries to significant penalties or restrictions as a result of any action or omission of Time Warner or its affiliates; or adopt a stockholder rights plan, become subject to section 203 of the Delaware General Corporation Law, adopt a fair price provision in our certificate of incorporation or take any similar action.

Furthermore, pursuant to the Shareholder Agreement, Time Warner (and its subsidiaries) may purchase debt securities issued by TWE under an existing indenture between TWE, Time Warner and the Bank of New York (TWE Indenture) only after giving notice to us of the approximate amount of debt securities it intends to purchase and the general time period (the Specified Period) for the purchase, which period may not be greater than 90 days. If we, within five business days following receipt of such notice, indicate our good faith intention to purchase the amount of debt securities indicated in Time Warner s notice within the Specified Period, then Time Warner (and its subsidiaries) will not purchase any debt securities under the TWE Indenture during the Specified Period and shall give notice to us prior to any subsequent purchase of debt securities issued under the TWE Indenture. If we do not indicate our good faith intention to purchase the amount of debt securities indicated in Time Warner s notice, then Time Warner will be entitled to proceed with its purchase of debt securities issued under the TWE Indenture for the duration of the Specified Period.

Time Warner Standstill

Under the Shareholder Agreement, Time Warner has agreed that for a period of three years following the closing of the Adelphia Acquisition, Time Warner will not make or announce a tender offer or exchange offer for our Class A common stock without the approval of a majority of our independent directors; and for a period of 10 years following the Adelphia Closing, Time Warner will not enter into any business combination with us, including a short-form merger, without the approval of a majority of our independent directors. Under the TWC Purchase Agreement, we have agreed that for a period of two years following the Adelphia Closing, we will not enter into any short-form merger and that for a period of 18 months following the Adelphia Closing we will not issue equity securities to any person (other than, subject to satisfying certain requirements, us and our affiliates) that have a higher vote per share than our Class A common stock.

Limitation on Transactions between Time Warner and Us

Our by-laws, which were amended in connection with the Adelphia Acquisition, provide that Time Warner may only enter into transactions with us and our subsidiaries, including TWE, that are on terms that, at the time of entering into such transaction, are substantially as favorable to us or our subsidiaries as we or they would be able to receive in a comparable arm s-length transaction with a third party. Any such transaction involving reasonably anticipated payments or other consideration of $50 million or greater also requires the prior approval of a majority of our independent directors. Our by-laws prohibit us from entering into any transaction having the intended effect of benefiting Time Warner and any of its affiliates (other than us and our subsidiaries) in a manner that would deprive us of the benefit we would have otherwise obtained if the transaction were to have been effected on arm s-length terms. Pursuant to the TWC Purchase Agreement, we have included a provision in our by-laws that prohibits amending this provision for a period of five years following the Adelphia Closing, without the consent of a majority of the holders of our Class A common stock, other than any member of the Time Warner Group.

Reimbursement for Time Warner Equity Compensation

From time to time our employees and employees of TWE, TWE-A/N and our joint ventures are granted options to purchase shares of Time Warner common stock in connection with their employment with subsidiaries and affiliates of Time Warner. We and TWE have agreed that, upon the exercise by any of our officers or employees of any options to purchase Time Warner common stock, we will reimburse Time Warner in an amount equal to the excess of the closing price of a share of Time Warner common stock on the date of the exercise of the option over the aggregate exercise price paid by the exercising officer or employee for each share of Time Warner common stock. As of September 30, 2006, we had accrued $59 million of stock option reimbursement obligations payable to Time Warner. That amount, which is not payable until the underlying options are exercised, will be adjusted in subsequent accounting periods based on the number of additional options granted and changes in the quoted market prices for shares of Time Warner common stock. We reimbursed amounts of $7 million in the first nine months of 2006 and $7 million, $8 million and $3 million in 2005, 2004 and 2003, respectively. See Note 10 to our audited consolidated financial statements for the year ended December 31, 2005 and Note 3 to our unaudited consolidated financial statements for the nine months ended September 30, 2006, both of which are included elsewhere in this prospectus.

Debt Guarantees

As described in Management s Discussion and Analysis of Results of Operations and Financial Condition Financial Condition and Liquidity Bank Credit Agreements and Commercial Paper Programs, and TWE Notes and Debentures, WCI and ATC, subsidiaries of Time Warner that are not our subsidiaries, previously guaranteed our obligations under the Credit Facilities and the TWE Notes. On November 2, 2006, each of WCI s and ATC s guarantee of the TWE Notes and the Cable Facilities were terminated and we directly guaranteed TWE s obligations under the TWE Notes. See also Risk Factors Risks Related to Our Relationship with Time Warner.

Other Agreements Related to Our Cable Business

In the ordinary course of our cable business, we have entered into various agreements and arrangements with Time Warner and its various divisions and affiliates on terms that we believe are no less favorable than those that could be obtained in agreements with third parties. We do not believe that any of these agreements or arrangements are individually material to our business. These agreements and arrangements include:

- agreements to sell advertising to various video programming vendors owned by Time Warner and its affiliates and carried on our cable systems;
- agreements to purchase or license programming from various programming vendors owned in whole or in part by Time Warner and its affiliates;
- leases with AOL, an affiliate of ours, and Time Warner Telecom, a former affiliate of Time Warner s, relating to the use of fiber and backbone networks;

real property lease agreements with Time Warner and its affiliates;

intellectual property license agreements with Time Warner and its affiliates; and

carriage agreements with AOL and its affiliates.

Under these agreements, we received $82.8 million, $106.7 million, $105.4 million and $113.2 million in aggregate payments from Time Warner and its affiliates (other than us and our subsidiaries), and we made $586.3 million, $604.4 million, $592.9 million and $569.2 million in aggregate payments to Time Warner and its affiliates (other than us and our subsidiaries) during the nine months ended September 30, 2006 and the years ended December 31, 2005, 2004 and 2003, respectively.

Reimbursement for Services

Prior to the TWE Restructuring, TWE historically paid a management fee to Time Warner to cover general overhead, a portion of which was allocated to our cable business in preparing our historical financial statements. The amount allocated for the year ended December 31, 2003 was $12 million. Under an arrangement that went into effect immediately after the completion of the TWE Restructuring, Time Warner provides us with specified administrative services, including selected tax, human resources, legal, information technology, treasury, financial, public policy and corporate and investor relations services. We pay fees that approximate Time Warner s estimated overhead cost for services rendered. The services rendered and fees paid are renegotiated annually. In the first nine months of 2006, we incurred a total of $8.9 million under this arrangement, and in 2005, 2004 and 2003, we incurred a total of $7.6 million, $6.6 million and $5.7 million, respectively.

Time Warner Brand and Trade Name License Agreement

In connection with the TWE Restructuring, we entered into a license agreement with Time Warner, under which Time Warner granted us a perpetual, royalty-free, exclusive license to use, in the United States and its territories and possessions, the TW, Time Warner Cable, TWC and TW Cable marks and specified related marks as a trade name on marketing materials, promotional products, portals and equipment and software. We may extend these rights to our subsidiaries and specified others involved in delivery of our products and services. The description of the license agreement herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the license agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

This license agreement contains restrictions on use and scope, including as to exclusivity, as well as cross-indemnification provisions.

Time Warner may terminate the agreement if we fail to cure a material breach or other specified breach of the agreement, we become bankrupt or insolvent or if a change of control of us occurs. A change of control occurs upon the earlier of:

- Time Warner and its affiliates ceasing to beneficially own at least 40% of either our outstanding common stock or our outstanding securities entitled to vote in an election of directors; or

- Time Warner and its affiliates ceasing to beneficially own at least 60% of our outstanding common stock or our outstanding securities entitled to vote in the election of directors, and Time Warner determines in good faith that it no longer has the power to direct our management and policies.

Road Runner Brand License Agreement

In connection with the TWE Restructuring, we entered into a license agreement with WCI. WCI granted us a perpetual, royalty-free license to use, in the United States and its territories and possessions and in Canada, the Road Runner mark and copyright and some of the related marks. We may use the Road Runner licensed marks in connection with high-speed data services and other services ancillary to those services, and on marketing materials, promotional products, portals and equipment and software. The license is exclusive regarding high-speed data services, ancillary broadband services and equipment and software. The license is non-exclusive regarding promotional products and portals. WCI is prohibited from licensing to third parties the right to use these marks in connection with DSL, dial-up or direct broadcast satellite technologies in the United States, its territories and possession, or in Canada. The description of the Road Runner license agreement herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Road Runner license agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

We may extend these rights to our subsidiaries and specified others involved in delivery of our products and services. This license agreement contains restrictions on use and scope, including quality control standards, as well as cross-indemnification provision. WCI may terminate the agreement if we fail to cure a material breach or other specified breach of the agreement, if we become bankrupt or insolvent or if a change of control of us occurs. A change of control occurs upon the earlier of:

- Time Warner and its affiliates ceasing to beneficially own at least 40% of either our outstanding common stock or our outstanding securities entitled to vote in an election of directors; or

- Time Warner and its affiliates ceasing to beneficially own at least 60% of our outstanding common stock or our outstanding securities entitled to vote in the election of directors, and Time Warner determines in good faith that it no longer has the power to direct our management and policies.

TWE Intellectual Property Agreement

As part of the TWE Restructuring, TWE entered into an intellectual property agreement (the TWE Intellectual Property Agreement) with WCI that allocated to TWE intellectual property relating to the cable business and allocated to WCI intellectual property relating to the non-cable business, primarily content-related assets, such as HBO assets and Warner Bros. Studio assets. The agreement also provided for cross licenses between TWE and WCI so that each may continue to use intellectual property that each was respectively using at the time of the TWE Restructuring. Under the TWE Intellectual Property Agreement, each of TWE and WCI granted the other a non-exclusive, fully paid up, worldwide, perpetual, non-sublicensable (except to affiliates), non-assignable (except to affiliates), royalty free and irrevocable license to use the intellectual property covered by the TWE Intellectual Property Agreement. In addition, both TWE and WCI granted each other sublicenses to use intellectual property licensed to either by third parties that were being used at the time of the TWE Restructuring. The description of the TWE Intellectual Property Agreement herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the TWE Intellectual Property Agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

TWI Cable Intellectual Property Agreement

Prior to the TWE Restructuring, TWI Cable entered into an intellectual property agreement (the TWI Cable Intellectual Property Agreement) with WCI with substantially the same terms as the TWE Intellectual Property Agreement. The TWI Cable Intellectual Property Agreement allocated to WCI intellectual property related to the cable business and allocated to TWI Cable intellectual property related to the non-cable business. As part of the TWE Restructuring, WCI then assigned to us the cable-related intellectual property assets it received under that agreement. These agreements make us the beneficiary of cross licenses to TWI Cable intellectual property related to the non-cable business, on substantially the same terms as those described above. In connection with the TWI Cable Intellectual Property Agreement, TW Cable and WCI executed and delivered assignment agreements in substantially the same form as those executed in connection with the TWE Intellectual Property Agreement.

Tax Matters Agreement

We are party to a tax matters agreement with Time Warner that governs our inclusion in any Time Warner consolidated, combined or unitary group for federal and state tax purposes for taxable periods beginning on and after the date of the TWE Restructuring.

Under the tax matters agreement, for each year we are included in the Time Warner consolidated group for federal income tax purposes, we have agreed to make periodic payments, subject to specified adjustments, to Time Warner based on the applicable federal income tax liability that we and our affiliated subsidiaries would have had for each taxable period if we had not been included in the Time Warner consolidated group. Time Warner agreed to reimburse us, subject to specified adjustments, for the use of tax items, such as net operating losses and tax credits attributable to us or an affiliated subsidiary, to the extent that these items are applied to reduce the taxable income of a member of the Time Warner consolidated group other than us or one of our subsidiaries. Similar provisions apply to any state income, franchise or other tax returns filed by any Time Warner consolidated, combined or unitary group for each year we are included in such consolidated, combined or unitary group for any state income, franchise or other tax purposes.

Under applicable United States Treasury Department regulations, each member of a consolidated group filing consolidated federal income tax returns is severally liable for the federal income tax liability of each other member of the consolidated group. Similar rules apply with respect to members of combined or unitary groups for state tax purposes.

If we ceased to be a member of the Time Warner consolidated group for federal income tax purposes, we would continue to have several liability for the federal income tax liability of the Time Warner consolidated group for all taxable years, or portions of taxable years, during which we were a member of the Time Warner consolidated group. In addition, we would have several liability for some state income taxes of groups with which we file or have filed combined or unitary state tax returns. Although Time Warner has indemnified us against this several liability, we would be liable in the event that this federal and/or state liability was incurred but not discharged by Time Warner or any member of the relevant consolidated, combined or unitary group.

The description of the tax matters agreement herein does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the tax matters agreement, which is an exhibit to the registration statement on Form S-1 of which this prospectus forms a part.

The income tax benefits and provisions, related tax payments, and current and deferred tax balances have been prepared as if we operated as a stand-alone taxpayer for all periods presented in accordance with the tax matters agreement. Income taxes are provided using the liability method required by FASB Statement No. 109, *Accounting for Income Taxes.* Under this method, income taxes (i.e., deferred tax assets, deferred tax liabilities, taxes currently payable/refunds receivable and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any difference between GAAP accounting and tax reporting. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The financial effect of changes in tax laws or rates is accounted for in the period of enactment. During the years ended December 31, 2005 and 2003, we made cash tax payments to Time Warner of $496 million and $208 million, respectively. During the year ended December 31, 2004, we received cash tax refunds, net of cash tax payments, from Time Warner of $58 million.

Other Transactions

On December 31, 2003, in conjunction with the restructuring by Time Warner of Interactive Video Group (IVG), we entered into a stock purchase agreement with a subsidiary of Time Warner to purchase all of the outstanding stock of IVG at a purchase price of $7.5 million. IVG was established by Time Warner in 2001 to accelerate the growth of interactive television and to develop certain advanced cable services. Our consolidated financial statements have been restated to include the historical operations of IVG for all periods presented because the transfer of IVG to us was a transfer of assets under common control by Time Warner.

For a description of our other partnerships and certain of our joint ventures, the most significant of which is TKCCP, see Our Operating Partnerships and Joint Ventures and Management s Discussion and Analysis of Results of Operations and Financial Condition.

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DESCRIPTION OF CAPITAL STOCK

The following summary of the terms of our capital stock does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of Delaware law and our restated certificate of incorporation and by-laws, copies of which are exhibits to the registration statement of which this prospectus forms a part.

As of November 15, 2006, there were two holders of record of our Class A common stock and one holder of record of our Class B common stock.

Common Stock

Common stock authorized and outstanding. We are authorized to issue up to 20 billion shares of Class A common stock, par value $0.01 per share, and 5 billion shares of Class B common stock, par value $0.01 per share. As of November 15, 2006, 901,913,430 shares of our Class A common stock and 75,000,000 shares of our Class B common stock were issued and outstanding. Time Warner currently indirectly holds approximately 84.0% of our outstanding common stock, including 82.7% of our outstanding Class A common stock and all outstanding shares of our Class B common stock.

Voting. The shares of Class A common stock vote as a separate class with respect to the election of Class A directors. Class A directors must 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. The shares of Class B common stock vote as a separate class with respect to the election of Class B directors. Class B directors must represent between four-fifths and five-sixths of our directors. There are currently eight Class B directors. Under our restated certificate of incorporation, the composition of our board of directors must satisfy the applicable requirements of the NYSE and at least 50% of the members of our board of directors must be independent for three years following the closing of the Adelphia Acquisition.

Except as described above and otherwise provided by applicable law, each share of Class B common stock issued and outstanding has ten votes on any matter submitted to a vote of our stockholders, and each share of Class A common stock issued and outstanding has one vote on any matter submitted to a vote of stockholders. The Class B common stock is not convertible into Class A common stock. The Class A common stock and the Class B common stock will vote together as a single class on all matters submitted to a vote of stockholders except with respect to the election of directors and except in connection with the matters described below. Time Warner controls approximately 90.6% of the vote in matters where the Class A common stock and the Class B common stock vote together as a single class and 82.7% of the vote of the Class A common stock in any other vote. In addition to any other vote or approval required, the approval of the holders of a majority of the voting power of the then-outstanding shares of Class A common stock held by persons other than any member of the Time Warner Group will be necessary in connection with:

- any merger, consolidation or business combination in which the holders of Class A common stock do not receive per share consideration identical to that received by the holders of Class B common stock (other than with respect to voting power) or which would adversely affect the Class A common stock relative to the Class B common stock;

- any change to the restated certificate of incorporation that would have a material adverse effect on the rights of the holders of the Class A common stock in a manner different from the effect on the holders of the Class B common stock;

through and until the fifth anniversary of the Adelphia Closing, any change to provisions of our by-laws concerning restrictions on transactions between us and Time Warner and its affiliates;

any change to the provisions of the restated certificate of incorporation that would affect the right of Class A common stock to vote as a class in connection with any of the events discussed above; and

through and until the third anniversary of the Adelphia Closing, any change to the restated certificate of incorporation that would alter the number of independent directors on our board of directors.

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Dividends. The holders of Class A common stock and Class B common stock are entitled to receive dividends when, as, and if declared by our board of directors out of legally available funds. Under our restated certificate of incorporation, dividends may not be declared in respect of Class B common stock unless they are declared in the same amount in respect of shares Class A common stock, and vice versa. With respect to stock dividends, holders of Class B common stock must receive Class B common stock while holders of Class A common stock must receive Class A common stock.

Preferred Stock

Under our restated certificate of incorporation, we are authorized to issue up to 1 billion shares of preferred stock. The board of directors is authorized, subject to limitations prescribed by Delaware law, by our restated certificate of incorporation and by the Shareholder Agreement, to determine the terms and conditions of the preferred stock, including whether the shares of preferred stock will be issued in one or more series, the number of shares to be included in each series and the powers, designations, preferences and rights of the shares. Our board of directors also is authorized to designate any qualifications, limitations or restrictions on the shares without any further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of us and may adversely affect the voting and other rights of the holders of our common stock, which could have an adverse impact on the market price of Class A common stock. We have no current plan to issue any shares of preferred stock.

Selected Provisions of our Restated Certificate of Incorporation and By-laws and the Delaware General Corporation Law

Board of Directors. Our restated certificate of incorporation and by-laws provide that the number of directors constituting our board shall be initially set at six, and then fixed from time-to-time by our board of directors, subject to the right of holders of any series of preferred stock that we may issue in the future to designate additional directors. Our restated certificate of incorporation does not provide for cumulative voting in the election of directors. Any vacancy in respect of a director elected by the holders of our Class A Common Stock will be filled by a vote of a majority of the Class A directors then serving and, if there are no Class A directors then serving, by a vote of a majority of all of the directors then serving. Any vacancy in respect of a director elected by the holders of our Class B Common Stock will be filled by a vote of a majority of the Class B directors then serving and, if there are no Class B directors then serving, by a vote of a majority of all of the directors then serving.

Any director elected by the holders of our Class A common stock or Class B common stock, as the case may be, may be removed without cause by a majority vote of the class of common stock that elected that director at any annual or special meeting of the stockholders, subject to the provisions of our restated certificate of incorporation and by-laws, or by written consent. In addition, any director may be removed for cause as provided for under Delaware law. If a director resigns, is removed from office or otherwise is unable to serve, the remaining directors of the same Class will be entitled to replace that director or, if no directors of the same Class are then serving, by a majority of all directors then serving.

Corporate opportunities. Our restated certificate of incorporation provides that Time Warner and its affiliates, other than us and our affiliates, which we refer to as the Time Warner Group, and their respective officers, directors and employees do not have a fiduciary duty or any other obligation to share any business opportunities with us and releases all members of the Time Warner Group from any liability that would result from a breach of this kind of obligation. Specifically, our restated certificate of incorporation provides as follows:

the Time Warner Group, its officers, directors and employees are not liable to us or our stockholders for breach of a fiduciary duty by reason of its activities with respect to not sharing any investment or business opportunities with us;

if any member of the Time Warner Group or its officers, directors and employees, except as provided below, acquires knowledge of a potential transaction or matter which may be a corporate opportunity for both any member or members of the Time Warner Group and our company, such member, or its officers, directors and employees, will have no duty to communicate or offer corporate opportunities to us, will have the right to hold the corporate opportunities for such member or for another person and is not liable for breach of any fiduciary duty as a stockholder of our company because such person pursues or acquires the corporate opportunity for itself, directs the corporate opportunity to another person, or does not communicate information regarding the corporate opportunity to our company; and

in the event that an officer or employee of our company who is also a stockholder or employee of any member of the Time Warner Group, is offered a potential transaction or matter which may be a corporate opportunity for both our company and a member of the Time Warner Group and such offer is made expressly to such person in his or her capacity as an officer or employee of our company, then such opportunity belongs to us.

Our restated certificate of incorporation also provides that a director of our company who is chairman of the board of directors or chairman of a committee of our board is not deemed to be an officer of our company by reason of holding that position, unless that person is a full-time employee of ours.

Any person purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and to have consented to the foregoing provisions of our restated certificate of incorporation described above.

Anti-takeover provisions of Delaware law. In general, section 203 of the Delaware General Corporation Law prevents an interested stockholder, which is defined generally as a person owning 15% or more of the corporation s outstanding voting stock, of a Delaware corporation from engaging in a business combination (as defined therein) for three years following the date that person became an interested stockholder unless various conditions are satisfied. Under our restated certificate of incorporation, we have opted out of the provisions of section 203. Pursuant to the Shareholder Agreement, we have agreed, for so long as Time Warner has the right to elect a majority of our directors, not to become subject to section 203 or to adopt a stockholders rights plan, in each case without obtaining Time Warner s consent. See Certain Relationships and Related Transactions Relationship between Time Warner and Us Other Time Warner Rights for a description of the Shareholder Agreement.

Directors liability; indemnification of directors and officers. Our restated certificate of incorporation provides that, to the fullest extent permitted by applicable law, a director will not be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director.

The inclusion of this provision in our restated certificate of incorporation may have the effect of reducing the likelihood of derivative litigation against our directors, and may discourage or deter stockholders or us from bringing a lawsuit against our directors for breach of their duty of care, even though such an action, if successful, might benefit us and our stockholders. This provision does not limit or eliminate our rights or those of any stockholder to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director s duty of care. The provisions will not alter the liability of directors under federal securities laws. In addition, our by-laws provide that we will indemnify each director and officer and may indemnify employees and agents, as determined by our board, to the fullest extent provided by the laws of the State of Delaware.

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

Transactions with or for the benefit of affiliates. For so long as we are an affiliate of Time Warner, our by-laws prohibit us from entering into, extending, renewing or materially amending the terms of any transaction with Time Warner or any of its affiliates unless that transaction is on terms and conditions substantially as favorable to us as we would be able to obtain in a comparable arm s-length transaction with a third party negotiated at the same time. If a transaction described in the preceding sentence is expected to involve $50 million or greater over its term, the transaction must be approved by a majority of our independent directors. In addition, during such period, our by-laws prohibit us from entering into any transaction having the intended effect of benefiting any member of the Time Warner Group in a manner that would deprive us of the benefit we would have otherwise obtained if the transaction were to have been effected on arm s-length terms.

Special meetings of stockholders. Our by-laws provide that special meetings of our stockholders may be called only by the chairman, the chief executive officer or by a majority of the members of our board of directors.

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Subject to the rights of holders of our preferred stock, if any, our stockholders are not permitted to call a special meeting of stockholders, to require that the chairman or chief executive officer call such a special meeting, or to require that the board request the calling of a special meeting of stockholders.

Advance notice requirements for stockholder proposals and director nominations. Our by-laws establish advance notice procedures for:

- stockholders to nominate candidates for election as a director; and
- stockholders to propose topics at annual stockholders meetings.

Stockholders must notify the corporate secretary in writing prior to the meeting at which the matters are to be acted upon or the directors are to be elected. The notice must contain the information specified in our restated by-laws. To be timely, the notice must be received at our corporate headquarters not less than 90 days nor more than 120 days prior to the first anniversary of the date of the preceding year s annual meeting of stockholders. If the annual meeting is advanced by more than 30 days, or delayed by more than 60 days, from the anniversary of the preceding year s annual meeting, notice by the stockholder to be timely must be received not earlier than the 120th day prior to the annual meeting and not later than the later of the 90th day prior to the annual meeting or the 10th day following the day on which we first notify stockholders of the date of the annual meeting, either by mail or other public disclosure. In the case of a special meeting of stockholders called to elect directors, the stockholder notice must be received not earlier than the 90th day prior to the special meeting and not later than the later of the 60th day prior to the special meeting or the 10th day following the day on which we first notify stockholders of the date of the special meeting, either by mail or other public disclosure. These provisions may preclude some stockholders from bringing matters before the stockholders at an annual or special meeting or from nominating candidates for director at an annual or special meeting.

Transfer Agent and Registrar

Upon the offering, the Transfer Agent and Registrar for our Class A common stock will be .

SHARES ELIGIBLE FOR FUTURE ISSUANCE

There is no established public trading market for our Class A or Class B common stock. There are no outstanding options or warrants to purchase, or securities convertible into our Class A or Class B common stock.

Future sales of substantial amounts of our common stock in the public market, or the perception that substantial sales may occur, could adversely affect the prevailing market price of our Class A common stock. As of November 15, 2006, there were 901,913,430 shares of Class A common stock outstanding and 75,000,000 shares of Class B common stock outstanding. Of these shares, shares of Class A common stock sold pursuant to this registration statement will be freely transferable without restriction under the Securities Act, except by persons who may be deemed to be our affiliates. It is expected that after this offering the remaining shares held by the selling stockholder will be distributed to Adelphia s creditors and equity holders pursuant to the exemption from the Securities Act provided by section 1145(a) of the Bankruptcy Code upon confirmation of Adelphia s Remainder Plan. Any shares distributed by the selling stockholder to Adelphia s creditor and other equity holders in reliance on the exemption provided by section 1145(a) of the Bankruptcy Code will be freely tradable without restriction or further registration pursuant to the resale provisions of section 1145(b) of the Bankruptcy Code, subject to certain exceptions. Additionally, prior to any distribution of our Class A common stock by the selling stockholder under a Remainder Plan, Adelphia s creditors 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 a Remainder Plan, which transactions could have an adverse affect on the market price of our Class A common stock. For more information regarding the distribution of shares of our Class A common stock by the selling stockholder see The Transactions The TWC Purchase Agreement and The Adelphia Registration Rights and Sale Agreement.

All the remaining shares of common stock, including shares held by Time Warner and any shares not distributed by Adelphia in its Remainder Plan, may not be sold unless they are registered under the Securities Act or are sold under an exemption from registration, including an exemption contained in Rule 144 under the Securities Act if the holder has complied with the holding period and other requirements of Rule 144 discussed below. Time Warner has demand and piggy-back registration rights with respect to all of the shares of our Class A common stock and Class B common stock that it or its affiliates own. Additionally, the selling stockholder has demand and piggyback rights with respect to the shares it does not sell in this offering and under certain circumstances, we may require the selling stockholder to register for public sale any shares it holds that are not sold in this offering. For more information regarding these registration rights, please see Certain Relationships and Related Transactions Relationship between Time Warner and Us Time Warner Registration Rights Agreement and The Transactions The Adelphia Registration Rights and Sale Agreement.

In accordance with the terms of the Adelphia Registration Rights and Sale Agreement, if requested by the underwriters, we, our executive officers and directors and ACC are required to enter into customary agreements with underwriters not to dispose of our or their shares of common stock (including the distribution of shares of our Class A common stock by the selling stockholder in accordance with a Remainder Plan) or securities convertible into or exchangeable for shares of common stock for a period of up to 180 days after the completion of this offering.

Beginning 90 days after we become a public company, all shares of our Class A common stock held by Time Warner will be eligible for sale under Rule 144 of the Securities Act, subject to volume and manner of sale limitations, and to the provisions of any lock-up agreements entered into by stockholders in connection with this offering. Beginning on July 31, 2007, the shares of our Class A common stock held by ACC and not offered in this offering will be eligible for sale under Rule 144 of the Securities Act, subject to volume and manner of sale limitations.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), who has beneficially owned restricted shares for at least one year, including persons who may be deemed to be our affiliates, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1.0% of the then outstanding shares of Class A common stock; or

- the average weekly trading volume of our Class A common stock on the NYSE during the four calendar weeks before a notice of the sale on Form 144 is filed with the SEC.

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Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of certain public information about us.

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an affiliate, is entitled to sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

We cannot predict the effect, if any, that market sales of restricted shares or the availability of restricted shares for sale will have on the market price of our Class A common stock prevailing from time to time. Nevertheless, sales of substantial amounts of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our Class A common stock and could impair our future ability to raise capital through an offering of our equity securities, as described under Risk Factors Risks Factors Relating to Our Class A Common Stock 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.

Following this offering, we intend to file a registration statement on Form S-8 to register 100 million shares of our common stock reserved for issuance under our 2006 Plan. Immediately upon consummation of this offering, no options to purchase our common stock will be issued and outstanding under our 2006 Plan, which is the only equity plan we have in place.

CERTAIN U.S. FEDERAL TAX CONSEQUENCES

The following summary describes the material U.S. federal income tax and estate tax consequences of the ownership and disposition of shares of our Class A common stock purchased pursuant to this offering by a Holder that is a non-U.S. Holder as we define that term below. This summary does not address all aspects of U.S. federal income or estate taxation that may be relevant to a non-U.S. Holder s decision to purchase shares of Class A common stock and is limited to persons that will hold the shares of Class A common stock as capital assets (generally, property held for investment) within the meaning of the section 1221 of the Tax Code. In addition, this summary does not deal with foreign, state and local tax consequences that may be relevant to non-U.S. Holders in light of their personal circumstances. This summary does not address the tax treatment of special classes of non-U.S. Holders, such as banks and certain other financial institutions, insurance companies, tax-exempt entities, broker-dealers, partnerships (including any entity treated as a partnership for U.S. federal income tax purposes) or other pass-through entities, controlled foreign corporations, passive foreign investment companies, persons holding our Class A common stock as part of a hedging or conversion transaction or as part of a straddle or other integrated transaction, persons subject to the alternative minimum tax, real estate investment trusts, regulated investment companies, traders in securities that elect to mark to market, or U.S. expatriates. Furthermore, the discussion below is based upon the provisions of the Tax Code, U.S. Treasury regulations, judicial opinions, published positions of the IRS and other applicable authorities, all as in effect on the date of this prospectus and all of which are subject to differing interpretations or change, possibly with retroactive effect, which could result in federal tax consequences that are materially different from those discussed below. We have not sought, and will not seek, any ruling from the IRS or opinion of counsel with respect to the tax consequences discussed in this prospectus. Consequently, the IRS may disagree with or challenge any of the tax consequences discussed in this prospectus.

We urge you to consult your own tax advisor concerning the U.S. federal, state or local income tax and federal, state or local estate tax consequences of your ownership and disposition of shares of our Class A common stock in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction or under any applicable tax treaty.

As used in this discussion, a non-U.S. Holder means a beneficial owner of shares of Class A common stock who is not, for U.S. tax purposes:

- a citizen or individual resident of the United States;
- a corporation, including any entity treated as a corporation for U.S. tax purposes, created or organized in or under the laws of the United States, any State of the United States or any political subdivision of such State, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and that has one or more U.S. persons who have the authority to control all substantial decisions of the trust; or (2) has validly elected to be treated as a U.S. person for U.S. federal income tax purposes under applicable Treasury regulations.

The test for whether an individual is a resident of the United States for U.S. federal estate tax purposes differs from the test used for U.S. federal income tax purposes.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) or other pass-through entity holds our shares, the tax treatment of a partner in or owner of the partnership or pass-through entity will generally depend upon the status of the partner or owner and the activities of the partnership or pass-through entity. If you are a partner or owner of a partnership or other pass-through entity that is considering holding shares, you should consult your tax advisor.

Payment of Dividends

We do not presently anticipate paying cash dividends on shares of our Class A common stock. For more information, please see Dividend Policy. If dividends are paid on shares of our Class A common stock, however, these dividends will generally be subject to withholding of U.S. federal income tax at a rate of 30% of the gross

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amount, or any lower rate that may be specified by an applicable income tax treaty if we have received proper certification of the application of that income tax treaty. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the manner of claiming the benefits of such treaty. A non-U.S. Holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the IRS.

Dividends that are effectively connected with a non-U.S. Holder s conduct of a trade or business in the U.S. or, if provided in an applicable income tax treaty, dividends that are attributable to a permanent establishment (or, in the case of an individual, a fixed base) maintained by the non-U.S. Holder in the U.S., are not subject to U.S. withholding tax, but are instead taxed on a net income basis at graduated tax rates in the manner applicable to U.S. persons. In that case, we will not have to withhold U.S. federal withholding tax, provided that the non-U.S. Holder complies with applicable certification and disclosure requirements. In addition, dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the U.S. may be subject to a branch profits tax at a 30% rate, or any lower rate as may be specified in an applicable income tax treaty.

Sale or Exchange

A non-U.S. Holder will generally not be subject to U.S. federal income tax, including by way of withholding, on gain recognized on a sale, exchange or other disposition of shares of Class A common stock unless any one of the following is true:

- the gain is effectively connected with the non-U.S. Holder s conduct of a trade or business in the United States and, if an applicable tax treaty applies, is attributable to a permanent establishment (or, in the case of an individual, a fixed base) maintained by the non-U.S. Holder in the United States, in which case, the branch profits tax discussed above may also apply if the non-U.S. Holder is a corporation;

- a non-U.S. Holder, who is an individual, is present in the United States for 183 days or more in the taxable year of sale, exchange or other disposition and some additional conditions are met; or

- the Foreign Investment in Real Property Tax Act, or FIRPTA, rules apply because (1) our Class A common stock constitutes a U.S. real property interest by reason of our status as a United States real property holding corporation for U.S. federal income tax purposes at any time during the shorter of the period during which you hold our Class A common stock or the five-year period ending on the date on which you dispose of shares of our Class A common stock; and (2) assuming that our Class A common stock constitutes a U.S. real property interest and is treated as regularly traded on an established securities market (within the meaning of applicable Treasury regulations), the non-U.S. Holder held, directly or indirectly, at any time within the five-year period preceding the disposition, more than 5% of our Class A common stock.

We believe that we are not currently and do not anticipate becoming a United States real property holding corporation. However, since the determination of United States real property holding corporation status in the future will be based upon the composition of our assets from time to time and there are uncertainties in the application of certain relevant rules, we may become a United States real property holding corporation in the future.

Individual non-U.S. Holders who are subject to U.S. tax because the holder was present in the U.S. for 183 days or more during the year of disposition are taxed on their gains, including gains from the sale of shares of our Class A common stock and net of applicable U.S. losses from sale or exchanges of other capital assets incurred during the year, at a flat rate of 30%. Other non-U.S. Holders who may be subject to U.S. federal income tax on the disposition of our Class A common stock will be taxed on such disposition on a net income basis at graduated tax rates in the manner applicable to U.S. persons. In addition, if any of this gain is taxable because we are a United States real property holding corporation and the selling holder s ownership of our Class A common stock exceeds 5%, the buyer of our Class A common stock may be required to withhold a tax equal to 10% of the amount realized on the sale.

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Federal Estate Tax

Shares of Class A common stock owned or treated as owned by an individual who is not a U.S. citizen or resident for U.S. federal estate tax purposes will be included in that holder s estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

Under U.S. Treasury regulations, we must report annually to the IRS and to each non-U.S. Holder the amount of dividends paid to that holder and the tax withheld with respect to those dividends. These information reporting requirements apply even if withholding was not required because the dividends were effectively connected dividends or withholding was reduced or eliminated by an applicable tax treaty. Under an applicable tax treaty, that information may also be made available to the tax authorities in the country in which the non-U.S. Holder resides or is established.

The gross amount of dividends paid to a non-U.S. Holder that fails to certify its non-U.S. Holder status in accordance with applicable U.S. Treasury regulations or to otherwise establish an applicable exemption generally will be reduced by backup withholding tax imposed at a rate of 28% in 2006.

The payment of the proceeds of the disposition of Class A common stock by a non-U.S. Holder to or through the U.S. office of a broker generally will be reported to the IRS and reduced by backup withholding unless the non-U.S. Holder either certifies its status as a non-U.S. Holder in accordance with applicable U.S. Treasury regulations or otherwise establishes an exemption and the broker has no actual knowledge, or reason to know, to the contrary. The payment of the proceeds on the disposition of Class A common stock by a non-U.S. Holder to or through a non-U.S. office of a broker generally will not be reduced by backup withholding or reported to the IRS. If, however, the broker is a U.S. person or has specified connections with the United States, unless some conditions are met, the proceeds from that disposition generally will be reported to the IRS, but not reduced by backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the non-U.S. Holder s U.S. federal income tax liability, if any, provided that certain required information is furnished to the IRS. Non-U.S. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them and the availability and procedure for obtaining an exemption from backup withholding under current U.S. Treasury regulations.

The above discussion is included for general information only. You should consult your tax advisor with respect to the U.S. federal income tax and federal estate tax consequences of the ownership and disposition of our Class A common stock, as well as the application and effect of the laws of any state, local, foreign or other taxing jurisdiction.

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PLAN OF DISTRIBUTION

The selling stockholder may only sell the shares of common stock covered by this prospectus in a single firm commitment underwritten offering. In accordance with the Adelphia Registration Rights and Sale Agreement, the selling stockholder will act with us and the underwriters in deciding the timing of the sale of the common stock covered by this prospectus and will consult with us in making decisions with the underwriters on the pricing of the common stock covered by this prospectus.

We are required, under the Adelphia Registration Rights and Sale Agreement, to enter into customary underwriting agreements in connection with the sale of the shares of common stock under this prospectus, subject to some limitations. For more information regarding the Adelphia Registration Rights and Sale Agreement, see The Transactions The Adelphia Registration Rights and Sale Agreement. The specific terms of any such underwriting agreement will be disclosed in a supplement to this prospectus filed with the SEC under Rule 424(b) under the Securities Act, or, if appropriate, a post-effective amendment to the registration statement of which this prospectus forms a part.

The aggregate proceeds to the selling stockholder from the sale of the shares offered by it will be the purchase price of the shares less discounts and commissions, if any. The selling stockholder will be responsible for underwriting discounts and commissions. We will not receive any of the proceeds from the sale of the shares of common stock covered by this prospectus.

The shares to be sold, the respective purchase prices and public offering prices, the names of any underwriter, and any applicable commissions or discounts with respect to this offering will be set forth in a prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part.

We have agreed to indemnify the selling stockholder and its directors, officers and controlling persons against certain liabilities, including specified liabilities under the Securities Act, or to contribute with respect to payments which the selling stockholder may be required to make in respect of such liabilities. The selling stockholder has agreed to indemnify us for liabilities arising under the Securities Act with respect to certain written information furnished to us by it or to contribute with respect to payments in connection with such liabilities. Additionally, we expect that we and the selling stockholder will agree to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute with respect to payments which the underwriters may be required to make in respect of such liabilities.

We have agreed to pay all of the costs, fees and expenses incident to our registration of the selling stockholder s common stock, excluding any legal fees of the selling stockholder, certain expenses and commissions, fees and discounts of underwriters.

Under the Adelphia Registration Rights and Sale Agreement, we agreed to use our commercially reasonable efforts to keep the registration statement of which this prospectus is a part continuously effective, subject to customary suspension periods, until (1) the shares offered in this prospectus are sold in a firm commitment underwritten offering or (2) three months (six months under certain limited circumstances) after the registration statement of which this prospectus forms a part is first declared effective.