

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

*(State or other jurisdiction of
incorporation or organization)*

4841

*(Primary Standard Industrial
Classification Code Number)*

84-1496755

*(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:

John C. Kennedy, Esq.
Robert B. Schumer, Esq.
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
(212) 373-3000

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.

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: ___

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

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

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

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.

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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

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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

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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.

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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.

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	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 September 30,					Pro
	As of December 31,					Forma
	2003	2004	2005	2005	2006	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.

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- (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	
	2003	2004	2005	September 30, 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 Nine Months	
	Year Ended December 31, 2005	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

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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	
	2003	2004	2005	September 30, 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,

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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.

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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.

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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 Adelpia 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

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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.

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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

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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.

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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.

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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 Adelpia 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 Adelpia 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, Adelpia 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

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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 Adelpia 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 of 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 Adelpia 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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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	Pro Forma
	(in millions)		
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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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.

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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.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

	As of September 30, 2006		
	Historical TWC	TKCCP Dissolution (in millions)	Pro Forma TWC
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
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See accompanying notes.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

	Year Ended December 31, 2005								
	Historical TWC	Historical Adelphia	Historical Comcast Systems	Less Items Not Acquired	Subtotal of Net Acquired Systems	Pro Forma Adjustments The Transactions	TKCCP Dissolution	Pro Forma Adjustments TKCCP	Pro Forma TWC
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.

Table of Contents**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

Nine Months Ended September 30, 2006

	Subtotal of								
	Comcast			Less Items	Net	Pro Forma		Pro Forma	
	Historical TWC	Historical Adelphia ⁽¹⁾	Historical Systems ⁽¹⁾	Not Acquired ⁽¹⁾	Acquired ⁽¹⁾ Systems ⁽¹⁾	Adjustments The Transactions	TKCCP Dissolution	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.

Table of Contents**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).

Table of Contents***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 Adelpia 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.

Adelpia Acquisition

	Long-term Debt	Annual Rate	Full Year Interest Expense
	(in millions)		(in millions)
TW NY Series A Preferred Membership Units ⁽¹⁾	\$ 300	8.21%	\$ 25

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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.

Table of Contents**Redemptions**

	Long-term Debt	Annual Rate	Full Year Interest Expense (in millions)
	(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 Adelpia 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:

Adelpia 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.

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(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		Total Items Not Acquired
				Adelphia Acquired Systems	Comcast Historical Systems	
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		Total Items Not Acquired
				Adelphia Acquired Systems	Comcast Historical Systems	
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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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 (in millions)	Seven Months Ended July 31, 2006
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

Table of Contents**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.

	2001	Year Ended December 31,				Nine Months Ended	
		2002	2003	2004	2005	September 30,	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, (restated, except current period data) (in millions)					As of September 30, 2005 2006	
	2001	2002	2003	2004	2005	2005	2006
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, (restated, except current period data) (in millions)					Nine Months Ended September 30, 2005 2006	
	2001	2002	2003	2004	2005	2005	2006
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, (in thousands, except percentages)					As of September 30, 2005 2006	
	2001	2002	2003	2004	2005	2005	2006
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⁾

Subscribers

Penetration⁽¹⁷⁾

NA	NA	NM	8,814	14,308	13,564	15,622
NA	NA	NM	206	998	766	1,649
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

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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:

	2001	Year Ended December 31,				Nine Months Ended	
		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
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- (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	
	2001	2002	2003	2004	2005	September 30,	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

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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

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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,

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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

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\$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).

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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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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

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