

 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____ .

COMMISSION FILE NUMBERS:

333-75415
 333-75415-03

CC V HOLDINGS, LLC*

CC V HOLDINGS FINANCE, INC.*

(Exact names of Registrants as specified in their charters)

DELAWARE	13-4029965
DELAWARE	13-4029969
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Numbers)
12444 POWERSCOURT DRIVE -- SUITE 100	63131
ST. LOUIS, MISSOURI	(Zip code)
(Address of principal executive offices)	

(314) 965-0555

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No [].

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. X

State the aggregate market value of the voting equity securities held by non-affiliates of the Registrants:

All of the issued and outstanding shares of capital stock of CC V Holdings Finance, Inc. are held by CC V Holdings, LLC. All of the limited liability company membership interests of CC V Holdings, LLC are held by Charter Communications Holdings, LLC, a reporting company under the Exchange Act. There is no public trading market for any of the aforementioned limited liability company membership interests or shares of capital stock.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this Report by reference: None

* CC V Holdings, LLC and CC V Holdings Finance, Inc. meet the conditions set forth in General Instruction J(1)(a) and (b) to the Form 10-K and are therefore filing with the reduced disclosure format.

CC V HOLDINGS, LLC
CC V HOLDINGS FINANCE, INC.

1999 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

ORGANIZATION AND OWNERSHIP STRUCTURE

On November 15, 1999, Charter Communications Holding Company, LLC (Charter Holdco) purchased (the "Charter Transaction") Avalon Cable of Michigan Holdings, Inc. (Avalon Michigan Holdings) and directly and indirectly all of the equity interests of Avalon Michigan Holdings, including CC V Holdings, LLC (CC V Holdings, formerly known as Avalon Cable LLC). In connection with a multistep restructuring following the acquisition of Avalon Michigan Holdings, Avalon Michigan Holdings was merged with and into CC V Holdings. Effective January 1, 2000, these acquired interests were transferred to Charter Communications Holdings, LLC, a wholly owned subsidiary of Charter Holdco. Charter Communications Holdings, LLC is a reporting company under the Exchange Act.

GENERAL

CC V Holdings and its wholly owned subsidiaries (collectively, the "Company") were formed to acquire, operate and develop medium-sized cable television systems. The Company's systems are primarily clustered in Michigan (the "Michigan Systems") and western New England (the "New England Systems"). As of December 31, 1999, they passed approximately 401,200 homes and served approximately 255,100 customers. The Company also owns and operates various Internet service providers, which provide dial-up telephone access to the Internet via a modem. CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.) was formed for the sole purpose of facilitating financings associated with the acquisitions of various cable operating companies. It conducts no other activities.

The Company's objective is to increase operating cash flow by increasing the customer base and the amount of cash flow per customer. The Company intends to achieve this objective by improving its technical plant, resulting in increasing the bandwidth capacity of its systems, offering new products and services, and maximizing customer satisfaction. The Company also believes that by clustering systems it is able to realize economies of scale, such as reduced payroll, reduced billing and technical costs per subscriber, reduced advertising sales costs, increased local advertising sales, more efficient roll-out and utilization of new technologies, and consolidation of its customer service functions. The Company plans to offer new cable and broadband services including digital television and high-speed Internet access.

The principal executive offices of the Company are located at 12444 Powerscourt Drive -- Suite 100, St. Louis, Missouri 63131.

THE MICHIGAN SYSTEMS

The Michigan Systems serve approximately 228,800 customers as of December 31, 1999, located in and around Grand Rapids, Traverse City, Lapeer and Monroe, Michigan.

THE NEW ENGLAND SYSTEMS

The New England Systems serve approximately 26,300 customers as of December 31, 1999, located in and around Winsted, Connecticut; Berkshire, Massachusetts; and Chatham, New York in western New England and Charlton, Belchertown and Hadley, Massachusetts in central Massachusetts.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended, and of the Securities Act of 1933, as amended, and is subject to the safe harbors created by those sections. The Company's actual results could differ materially from those discussed herein, and its current business plans could be altered in response to market conditions and other factors beyond the Company's control. The forward-looking statements within this Form 10-K are identified by words such as "believes", "anticipates", "accepts", "intends", "may", "will" and other similar expressions. However, these

words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances occurring subsequent to the filing of this Form 10-K with the SEC.

Important factors that could cause actual results to differ materially from the forward-looking statements contained herein include, but are not limited to:

- General economic and business conditions, both nationally and in the regions where the Company operates;
- Anticipated capital expenditures for planned upgrades and the ability to fund these expenditures;
- Technology changes;
- The Company's ability to effectively compete in a highly competitive environment;
- Changes in business strategy or development plans;
- Beliefs regarding the effects of governmental regulation on the Company's business;
- The ability to attract and retain qualified personnel;
- Liability and other claims asserted against the Company.

Readers are urged to review and consider carefully the various disclosures made by the Company in this report and in the Company's other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect the Company's business.

ITEM 2. PROPERTIES

A cable television system consists of three principal operating components. The first component, known as the headend, receives television and information signals generally by means of special antennas and satellite earth stations. The second component, the distribution network, which originates at the headend and extends throughout the system's service area, consists of microwave relays, coaxial or fiber optic cables and associated electronic equipment placed on utility poles or buried underground. Coaxial cable is a type of cable used for broadband data and cable systems. This type of cable has excellent broadband frequency characteristics, noise, immunity and physical durability. Fiber optic cable is a communication medium that uses hair-thin glass fibers to transmit signals over long distances with minimum signal loss or distortion. The third component of the system is a "drop cable," which extends from the distribution network into each customer's home and connects the distribution system to the customer's television set. An additional component used in certain systems is the home terminal device, or converter/descrambler, that expands channel capacity to permit reception of multiple channels of programming on a non-cable ready television set and permits the operator to control the reception of program offerings by subscribers.

The Company's principal physical assets consist of cable television systems, including signal-receiving, encoding and decoding apparatus, headends, distribution systems and subscriber house drop equipment for each of the systems. The signal receiving apparatus typically includes a tower, antennas, ancillary electronic equipment and earth stations for reception of satellite signals. Headends, consisting of associated electronic equipment necessary for the reception, amplification and modulation of signals, typically are located near the receiving devices. The Company's distribution systems consist primarily of coaxial cable, fiber optic cable and related electronic equipment. As upgrades are completed, the Company will continue to incorporate fiber optic cable. At December 31, 1999, approximately 15% of the Company's customers were served by systems with at least 550 megahertz bandwidth capacity. Customer equipment consists of house drops, converters/descramblers and, in some cases, traps. The Company owns its distribution systems, various office fixtures, test equipment and certain service vehicles. The physical components of the systems require maintenance and periodic upgrading to keep pace with technological advances.

The Company's cables are generally attached to utility poles in accordance with pole rental agreements with local public utilities, although in some areas the distribution cable is buried in trenches or placed in underground ducts. The FCC regulates most pole attachment rates under the Federal Pole Attachment Act, although in certain cases attachment rates are regulated by state law.

The Company owns or leases parcels of real property for signal reception sites (antenna towers and headends), microwave complexes and business offices. The Company believes that its properties, both owned and leased, are in good condition and are suitable and adequate for the Company's business operations as presently conducted.

ITEM 3. LEGAL PROCEEDINGS

In connection with the Company's acquisition of Mercom, Inc. (Mercom), former Mercom shareholders holding approximately 731,894 Mercom common shares (approximately 15.3% of all outstanding Mercom common shares) gave notice of their election to exercise appraisal rights as provided by Delaware law. On July 2, 1999, former Mercom shareholders holding 535,501 shares of Mercom common stock filed a petition for appraisal of stock in the Delaware Chancery Court. With respect to 209,893 of the total number of shares for which the Company received notice, the notice provided to the Company was received from beneficial holders of Mercom shares who were not holders of record. The Company believes that the notice with respect to these shares did not comply with Delaware law and is ineffective.

The Company cannot predict at this time the effect of the elections to exercise appraisal rights on the Company since the Company does not know the extent to which these former Mercom shareholders will continue to pursue appraisal rights under Delaware law or choose to abandon these efforts and seek to accept the consideration payable in the Mercom merger. If these former shareholders continue to pursue their appraisal rights and if a Delaware court were to find that the fair value of the Mercom common shares, exclusive of any element of value arising from the acquisition of Mercom, exceeded \$12.00 per share, the Company would have to pay the additional amount for each Mercom common share subject to the appraisal proceedings together with a fair rate of interest. The Company could be ordered by the Delaware court also to pay reasonable attorney's fees and the fees and expenses of experts for the shareholders. In addition, the Company would have to pay its own litigation costs. The Company has already provided for the consideration of \$12.00 per Mercom common share due under the terms of the merger with Mercom with respect to these shares but has not provided for any additional amounts or costs. The Company can provide no assurance as to what a Delaware court would find in any appraisal proceeding or when this matter will be resolved. Accordingly, the Company cannot assure that the ultimate outcome would have no material adverse impact on the Company.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

There is no established trading market for the equity interests in CC V Holdings or CC V Holdings Finance, Inc. Charter Communications Holdings, LLC owns all of the limited liability company membership interests of CC V Holdings. CC V Holdings owns all of the outstanding capital stock of CC V Holdings Finance, Inc.

Effective with the Charter Transaction, the Company records distributions when management fees charged to the Company exceed expenses incurred on its behalf. For the period from November 15, 1999 to December 31, 1999, net distributions totaled \$273. The Company has not paid distributions to its members since its inception. The Company's ability to pay distributions is limited under the terms of covenants in the indentures governing the outstanding senior discount notes and the credit agreement.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table summarizes amounts and the percentage of total revenues for certain items for the periods indicated (dollars in thousands):

	PERIOD FROM NOVEMBER 15, 1999 TO DECEMBER 31, 1999		PERIOD FROM JANUARY 1, 1999 TO NOVEMBER 14, 1999		FOR THE YEAR ENDED DECEMBER 31, 1998	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Revenues:						
Basic Services.....	\$ 11,281	81.0	\$ 76,721	81.3	\$ 14,976	82.3
Premium Services.....	1,008	7.2	7,088	7.5	1,468	8.1
Other.....	1,641	11.8	10,574	11.2	1,743	9.6
	-----	-----	-----	-----	-----	-----
	13,930	100.0	94,383	100.0	18,187	100.0
	-----	-----	-----	-----	-----	-----
Operating Expenses:						
Programming, General and Administrative and Other.....	8,281	59.4	53,089	56.3	10,722	58.9
Depreciation and Amortization.....	7,822	56.2	39,943	42.3	8,183	45.0
Corporate Expense Charges-Related Party.....	501	3.6	--	--	--	--
	-----	-----	-----	-----	-----	-----
Operating Income (Loss).....	(2,674)	(19.2)	1,351	1.4	(718)	(3.9)
Interest Income.....	--	--	764	0.8	173	0.9
Interest Expense.....	(7,537)	(54.1)	(40,162)	(42.5)	(8,223)	(45.2)
Other Expense, Net.....	--	--	--	--	(65)	(0.4)
	-----	-----	-----	-----	-----	-----
Loss Before Income Taxes.....	(10,211)	(73.3)	(38,047)	(40.3)	(8,833)	(48.6)
Provision (Benefit) for Income Taxes....	--	--	(13,936)	(14.8)	186	1.0
	-----	-----	-----	-----	-----	-----
Loss Before Minority Interest.....	(10,211)	(73.3)	(24,111)	(25.5)	(9,019)	(49.6)
Minority Interest.....	--	--	4,499	4.7	(398)	(2.2)
	-----	-----	-----	-----	-----	-----
Loss Before Extraordinary Loss on Early Extinguishment of Debt.....	(10,211)	(73.3)	(19,612)	(20.8)	(9,417)	(51.8)
Extraordinary Loss on Early Exting. of Debt.....	--	--	--	--	(5,965)	(32.8)
	-----	-----	-----	-----	-----	-----
Net Loss.....	<u>\$(10,211)</u>	<u>(73.3)</u>	<u>\$(19,612)</u>	<u>(20.8)</u>	<u>\$(15,382)</u>	<u>(84.6)</u>

Other financial data is as follows for the periods indicated (dollars in thousands, except Revenue per Basic Customer):

	PERIOD FROM NOVEMBER 15, 1999 TO DECEMBER 31, 1999	FOR THE YEAR ENDED DECEMBER 31, 1998
EBITDA (a).....	\$ 5,148	\$ 7,400
Adjusted EBITDA (b).....	5,649	7,465
Homes Passed (at period end).....	401,192	377,512
Basic Customers.....	255,125	232,141
Basic Penetration.....	63.6%	61.5%
Premium Units.....	71,756	60,462
Premium Penetration.....	28.1%	26.0%
Average Monthly Revenue per Basic Customer.....	\$ 36.40	\$ 34.89

(a) EBITDA represents earnings (loss) before extraordinary item before interest, income taxes, depreciation and amortization. EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service indebtedness. However, EBITDA should not be considered as an alternative

to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. Management's discretionary use of funds depicted by EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

- (b) Adjusted EBITDA means EBITDA before corporate expense charges and other income (expense). Adjusted EBITDA is presented because it is a widely accepted financial indicator of a cable company's ability to service indebtedness. However, adjusted EBITDA should not be considered as an alternative to income from operations or to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles. Adjusted EBITDA should also not be construed as an indication of a company's operating performance or as a measure of liquidity. In addition, because adjusted EBITDA is not calculated identically by all companies, the presentation here may not be comparable to other similarly titled measures of other companies. Management's discretionary use of funds depicted by adjusted EBITDA may be limited by working capital, debt service and capital expenditure requirements and by restrictions related to legal requirements, commitments and uncertainties.

COMPARISON OF RESULTS

As a result of the Charter Transaction, the application of push-down accounting, and the allocation of purchase price, the financial results for the periods presented above are not comparable. In addition, in 1999 prior to the Charter Transaction, Avalon Michigan Holdings acquired the minority interest of Mercom, and the Company acquired eight cable systems. These transactions further complicate any comparison of the above results.

YEAR 2000 ISSUES

The Company has not experienced significant service disruptions or any other problems since the beginning of the year 2000. Management can not assure, however, that such problems will not arise in connection with customer billing or other periodic information gathering. The cost of the year 2000 remediation program was approximately \$463,000. Management does not anticipate significant additional expenditures during 2000.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CONCENTRATION OF CREDIT RISK

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and customer and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1999. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

INTEREST RATE HEDGE AGREEMENTS

The company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain of its debt agreements. Interest rate caps are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

Interest rate caps are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes. Management believes that the sellers of the interest rate hedge agreements will be able to meet their obligations under the agreements. The Company has policies regarding the financial stability and credit standing of the major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial position or results of operations.

INTEREST RATE RISK

The following summarizes the contract terms and fair values of the Company's financial instruments subject to interest rate risk at December 31, 1999 (dollars in thousands):

	EXPECTED MATURITY DATE					THEREAFTER	TOTAL	FAIR VALUE
	2000	2001	2002	2003	2004			
DEBT								
Fixed Rate.....	\$--	\$--	\$ --	\$72,979	\$ --	\$273,521	\$346,500	\$281,212
Avg. Interest Rate.....	--	--	--	11.8%	--	10.5%	10.8%	
Variable Rate.....	--	--	--	1,250	1,250	167,500	170,000	170,000
Avg. Interest Rate.....	--	--	--	9.7%	9.8%	9.8%	9.8%	
INTEREST RATE CAP.....	\$--	\$--	\$15,000	\$ --	\$ --	\$ --	\$ 15,000	\$ 16
Avg. Cap Rate.....	--	--	9.0%	--	--	--	9.0%	

The notional amount of the interest rate cap presented above is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds to settle the outstanding contract. Interest rates on variable debt are estimated using the average implied forward London Interbank Offering Rate rates for the year of maturity based on the yield curve in effect at December 31, 1999.

Subsequent to year end, the Company repurchased all 150,000 of its senior subordinated notes outstanding (each with a \$1,000 face amount) and 16,250 of its senior discount notes outstanding (each with a \$1,000 face amount at maturity), primarily pursuant to change of control offers. Both of these issues were included in fixed-rate debt in the table above.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements, the related notes thereto, and the reports of independent auditors are included in this Form 10-K beginning on page F-1.

Separate financial statements for CC V Holdings Finance, Inc., have not been presented as CC V Holdings Finance, Inc. had substantially no assets or equity. Accordingly, management has determined that such financial statements would not be material to investors.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company filed a form 8-K dated January 28, 2000 (amended on February 24, 2000), which announced a change in the Company's principal independent accountants from PricewaterhouseCoopers LLP to Arthur Andersen LLP.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements: A listing of the financial statements, notes and reports of independent auditors required by Item 8 begins on page F-1 of this Annual Report on Form 10-K.

2. Financial Statement Schedules: All schedules are omitted because they are not required, not applicable, or the information is given in the financial statements or notes thereto.

3. Exhibits (listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K):

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Taconic Technology Corp. acquisition agreement. (1)
2.2	Securities Purchase Agreement, dated as of May 13, 1999, by and between Avalon Cable Holdings, LLC, Avalon Investors, L.L.C., Avalon Cable of Michigan Holdings, Inc., CC V Holdings, LLC (formerly known as Avalon Cable LLC), Charter Communications Holdings LLC and Charter Communications, Inc. (1)
3.1	Certificate of Formation of CC V Holdings, LLC (formerly known as Avalon Cable LLC). (2)
3.1(a)*	Amendment to Certificate of Formation of CC V Holdings, LLC (formerly known as Avalon Cable LLC).
3.2	Certificate of Incorporation of CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.). (2)
3.5	Amended and Restated Limited Liability Company Agreement of CC V Holdings, LLC (formerly known as Avalon Cable LLC). (2)
3.6*	Amended and Restated By-Laws of CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.).
4.1	Indenture, dated as of December 10, 1998, by and among CC V Holdings, LLC (formerly known as Avalon Cable LLC), Avalon Cable of Michigan Holdings, Inc. and CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), as Issuers and The Bank of New York, as Trustee for the Notes. (2)
4.2	Supplemental Indenture, dated as of March 26, 1999, by and among CC V Holdings, LLC (formerly known as Avalon Cable LLC), Avalon Cable of Michigan Holdings, Inc. and CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), as Issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as Trustee for the Notes. (2)
10.10	Credit Agreement, dated as of November 15, 1999, among CC V Holdings, LLC (formerly known as Avalon Cable LLC), CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC), and CC New England, LLC (formerly known as Avalon Cable of New England LLC), several banks and other financial institutions or entities named therein, First Union National Bank and PNC Bank, National Association, as syndication agents, Bank of Montreal, Chicago Branch and Mercantile Bank National Association, as co-documentation agents, and Bank of Montreal, as administrative agent. (3)

EXHIBIT NUMBER -----	DESCRIPTION -----
10.10(a)	First Amendment to Credit Agreement, dated December 21, 1999, by and among CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC) and CC New England, LLC (formerly known as Avalon Cable of New England LLC) as borrowers, CC V Holdings, LLC (formerly known as Avalon Cable LLC) as guarantor and several banks and other financial institutions named therein. (4)
27.1*	Financial Data Schedule.

(1)	Incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-75453) filed by CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC), CC New England, LLC (formerly known as Avalon Cable of New England LLC), Avalon Cable Finance, Inc. and Avalon Cable of Michigan, Inc. on May 28, 1999.
(2)	Incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-75415) filed by CC V Holdings, LLC (formerly known as Avalon Cable LLC), CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. on May 28, 1999.
(3)	Incorporated by reference to the report on Form 8-K of Charter Communications, Inc. (File No. 333-83887) filed on November 29, 1999.
(4)	Incorporated by reference to the Annual Report on Form 10-K of Charter Communications, Inc. (File No. 000-27927) filed on March 28, 2000.

* Filed herewith.

(b) Reports on Form 8-K:

On November 30, 1999, the Company filed a Form 8-K announcing that on November 15, 1999, all of the equity interests of Avalon Cable LLC (now known as CC V Holdings, LLC) were acquired (directly or indirectly) by Charter Communications, Inc. (Charter Communications) and Charter Holdco. Immediately after this acquisition, Charter Communications contributed its indirect interest in Avalon Cable LLC to Charter Holdco.

In addition, the Company filed a form 8-K dated January 28, 2000 (amended on February 24, 2000), which announced a change in the Company's principal independent accountants, provided results on the Company's change of control offer for its senior discount notes, and discussed a corporate reorganization.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

No annual reports or proxy materials were sent to the Registrants' security holders during fiscal year 1999.

CC V HOLDINGS, LLC
CC V HOLDINGS FINANCE, INC.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO CC V HOLDINGS, LLC:

We have audited the accompanying consolidated balance sheet of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and the related consolidated statements of operations and cash flows for the period from November 15, 1999, through December 31, 1999, and the consolidated statements of operations, changes in shareholders' equity and cash flows for the period from January 1, 1999, through November 14, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and the results of their operations and their cash flows for the period from November 15, 1999, through December 31, 1999, and for the period from January 1, 1999, through November 14, 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, substantially all of CC V Holdings, LLC was acquired by Charter Communications Holding Company, LLC as of November 15, 1999, in a business combination accounted for as a purchase. As a result of the application of purchase accounting, the consolidated financial statements of CC V Holdings, LLC and subsidiaries as of December 31, 1999, and for the Successor Period (November 15, 1999, through December 31, 1999), are presented on a different cost basis than financial statements presented for the Predecessor Period (January 1, 1999, through November 14, 1999), and accordingly, are not directly comparable.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,
February 16, 2000

CC V HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(DOLLARS IN THOUSANDS)

	SUCCESSOR ----- DECEMBER 31, 1999 -----
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents.....	\$ 6,806
Accounts receivable, net of allowance for doubtful accounts of \$1,143.....	1,920
Prepaid expenses and other.....	663

Total current assets.....	9,389

INVESTMENT IN CABLE PROPERTIES:	
Property, plant and equipment.....	121,285
Franchises.....	721,744

Total investment in cable properties.....	843,029

DEFERRED FINANCING COSTS.....	1,983

	\$854,401
	=====
LIABILITIES AND MEMBER'S EQUITY	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses.....	\$ 25,132
Payables to manager of cable systems--related parties.....	4,971

Total current liabilities.....	30,103

LONG-TERM DEBT.....	451,212
DEFERRED MANAGEMENT FEES--RELATED PARTIES.....	262
MEMBER'S EQUITY--100 units issued and outstanding.....	372,824

	\$854,401
	=====

The accompanying notes are an integral part of this consolidated statement.

CC V HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS)

	SUCCESSOR ----- PERIOD FROM NOVEMBER 15, 1999, THROUGH DECEMBER 31, 1999 -----	PREDECESSOR ----- PERIOD FROM JANUARY 1, 1999, THROUGH NOVEMBER 14, 1999 -----
REVENUES:		
Basic services.....	\$ 11,281	\$ 76,721
Premium services.....	1,008	7,088
Other.....	1,641	10,574
	-----	-----
	13,930	94,383
	-----	-----
OPERATING EXPENSES:		
Programming.....	3,597	24,927
General and administrative.....	1,991	10,968
Service.....	2,377	16,311
Marketing.....	316	883
Depreciation and amortization.....	7,822	39,943
Corporate expense charges--related parties.....	501	--
	-----	-----
	16,604	93,032
	-----	-----
(Loss) income from operations.....	(2,674)	1,351
	-----	-----
OTHER INCOME (EXPENSE):		
Interest income.....	--	764
Interest expense.....	(7,537)	(40,162)
	-----	-----
	(7,537)	(39,398)
	-----	-----
Loss before income taxes.....	(10,211)	(38,047)
BENEFIT FROM INCOME TAXES.....	--	(13,936)
	-----	-----
Loss before minority interest.....	(10,211)	(24,111)
MINORITY INTEREST IN LOSS OF SUBSIDIARY.....	--	4,499
	-----	-----
Net loss.....	\$(10,211)	\$(19,612)
	=====	=====

The accompanying notes are an integral part of these consolidated statements.

CC V HOLDINGS, LLC AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 (DOLLARS IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----
BALANCE, January 1, 1999.....	\$--	\$35,000	\$ (8,918)	\$ 26,082
Net loss.....	--	--	(19,612)	(19,612)
	-----	-----	-----	-----
BALANCE, November 14, 1999.....	\$--	\$35,000	\$(28,530)	\$ 6,470
	==	=====	=====	=====

The accompanying notes are an integral part of this consolidated statement.

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CC V HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	SUCCESSOR ----- PERIOD FROM NOVEMBER 15, 1999, THROUGH DECEMBER 31, 1999 -----	PREDECESSOR ----- PERIOD FROM JANUARY 1, 1999, THROUGH NOVEMBER 14, 1999 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.....	\$(10,211)	\$(19,612)
Adjustments to reconcile net loss to net cash provided by operating activities--		
Depreciation and amortization.....	7,822	39,943
Deferred income taxes.....	--	(16,969)
Minority interest in loss of subsidiary.....	--	4,499
Noncash interest expense.....	1,855	11,764
Net change in certain assets and liabilities, net of effects from acquisitions--		
Accounts receivable.....	782	(1,182)
Prepaid expenses and other.....	76	(409)
Receivable from affiliate.....	--	124
Accounts payable and accrued expenses.....	(3,399)	15,285
Payables to manager of cable systems--related parties.....	4,971	--
Payable to affiliate.....	--	(2,206)
Other operating activities.....	(469)	(2,905)
Net cash provided by operating activities.....	1,427	28,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment.....	(2,042)	(13,683)
Payments for acquisitions, net of cash acquired.....	--	(47,237)
Other investing activities.....	--	(11,414)
Net cash used in investing activities.....	(2,042)	(72,334)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt.....	5,000	39,428
Repayments of long-term debt.....	--	(20)
Payment of deferred financing costs.....	(2,000)	--
Distributions.....	(273)	--
Net cash provided by financing activities.....	2,727	39,408
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	2,112	(4,594)
CASH AND CASH EQUIVALENTS, beginning of period.....	4,694	9,288
CASH AND CASH EQUIVALENTS, end of period.....	\$ 6,806	\$ 4,694
CASH PAID FOR INTEREST.....	\$ 2,551	\$ 30,429
CASH PAID FOR TAXES.....	\$ --	\$ 283
NONCASH TRANSACTION -- Increase in franchises and member's equity resulting from the application of purchase accounting.....	\$383,308	\$ --

The accompanying notes are an integral part of these consolidated statements.

CC V HOLDINGS, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Basis of Presentation

The accompanying consolidated financial statements include the accounts of CC V Holdings, LLC (CC V Holdings), (formerly known as Avalon Cable LLC (Avalon Cable)), and its wholly owned subsidiaries (collectively, the "Company"). CC V Holdings is a Delaware limited liability company. The Company derives its primary source of revenues by providing various levels of cable programming and services to residential and business customers. The Company operates primarily in the state of Michigan and in the New England area. The Company also owns and operates various Internet service providers, which provide dial-up telephone access to the Internet via a modem.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Acquisition

On November 15, 1999, Charter Communications Holding Company, LLC (Charter Holdco) purchased directly and indirectly all of the equity interests of Avalon Cable of Michigan Holdings, Inc. (Avalon Michigan Holdings) for an aggregate purchase price of \$832,000, including assumed debt of \$273,400 (the "Charter Acquisition"). In connection with a multistep restructuring following the acquisition of Avalon Michigan Holdings, Avalon Michigan Holdings was merged with and into CC V Holdings. Effective January 1, 2000, these interests acquired were transferred to Charter Communications Holdings, LLC, a wholly owned subsidiary of Charter Holdco.

As a result of the Charter Acquisition, the Company has applied purchase accounting in the preparation of the accompanying consolidated financial statements. Accordingly, CC V Holdings' increased its member's equity to \$383,308 to reflect the amount paid in the Charter Acquisition and has allocated that amount to assets acquired and liabilities assumed based on their relative fair values including amounts assigned to franchises of \$727,720. The allocation of the purchase price is based, in part, on preliminary information, which is subject to adjustment upon completion of certain appraisal and valuation information. Management believes that finalization of the purchase price and allocation will not have a material impact on the consolidated results of operations or financial position of the Company.

As a result of the Charter Acquisition and the application of purchase accounting, financial information in the accompanying consolidated financial statements and notes thereto as of December 31, 1999, and for the period from November 15, 1999, through December 31, 1999 (the "Successor Period") are presented on a different cost basis than the financial information for the period from January 1, 1999, through November 14, 1999, (the "Predecessor Period") and therefore, such information is not comparable.

Prior to the Charter Acquisition, Avalon Michigan Holdings had a majority interest in CC V Holdings.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost that approximates market value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, including all direct and certain indirect costs associated with the construction of cable television transmission and distribution facilities, and the cost of new customer installations. The costs of disconnecting a customer are charged to expense in the period incurred. Expenditures for repairs and maintenance are charged to expense as incurred, while equipment replacement and betterments are capitalized.

Depreciation for the Successor Period is provided on the straight-line method over the estimated useful lives of the related assets as follows:

Cable distribution systems.....	3-15 years
Buildings and leasehold improvements.....	5-15 years
Vehicles and equipment.....	3-5 years

Depreciation for the Predecessor Period was provided on the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvement.....	10-25 years
Cable plant and equipment.....	5-12 years
Vehicles.....	5 years
Office furniture and equipment.....	5-10 years

Franchises

Costs incurred in obtaining and renewing cable franchises are deferred and amortized over the lives of the franchises. Costs relating to unsuccessful franchise applications are charged to expense when it is determined that the efforts to obtain the franchise will not be successful. Franchise rights acquired through the purchase of cable systems, including the Charter Acquisition, represent the excess of the cost of properties acquired over the amounts assigned to net tangible assets and identifiable intangible assets at the date of acquisition and are amortized using the straight-line method over a period of 15 years. The period of 15 years is management's best estimate of the useful lives of the franchises and assumes substantially all of those franchises that expire during the period will be renewed by the Company. Accumulated amortization was \$5,976 at December 31, 1999. Amortization expense for the period from January 1, 1999 through November 14, 1999 and for the period from November 15, 1999, through December 31, 1999, was \$29,679 and \$5,976, respectively.

Deferred Financing Costs

Costs related to the Senior Credit Facilities (as defined below) are deferred and amortized to interest expense using the effective interest rate method over the term of the related borrowing. As of December 31, 1999, accumulated amortization of deferred financing costs is \$17.

Impairment of Assets

If facts and circumstances suggest that a long-lived asset may be impaired, the carrying value is reviewed. If a review indicates that the carrying value of such asset is not recoverable based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of such asset is reduced to its estimated fair value.

Revenues

Cable television revenues from basic and premium services are recognized when the related services are provided.

Installation revenues are recognized to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated average period that customers are expected to remain connected to the cable system. As of December 31, 1999, no installation revenue has been deferred, as direct selling costs have exceeded installation revenue.

Fees collected from programmers to guarantee carriage are deferred and amortized to income over the life of the contracts. Local governmental authorities impose franchise fees on the Company ranging up to a federally mandated maximum of 5.0% of gross revenues. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to local franchises. Franchise fees collected and paid are reported as revenues and expenses.

Interest Rate Hedge Agreements

The Company manages fluctuations in interest rates by using interest rate hedge agreements, as required by certain of its debt agreements. Interest rate caps are accounted for as hedges of debt obligations, and accordingly, the net settlement amounts are recorded as adjustments to interest expense in the period incurred. Premiums paid for interest rate caps are deferred, included in other assets, and are amortized over the original term of the interest rate agreement as an adjustment to interest expense.

Interest rate caps are entered into by the Company to reduce the impact of rising interest rates on floating rate debt.

The Company's participation in interest rate hedging transactions involves instruments that have a close correlation with its debt, thereby managing its risk. Interest rate hedge agreements have been designated for hedging purposes and are not held or issued for speculative purposes.

Income Taxes

Prior to the Charter Acquisition, the Company filed a consolidated income tax return. The tax benefit of \$13,936 in the accompanying consolidated statement of operations for the period from January 1, 1999, through November 14, 1999, is recorded at 37%. This approximates the statutory tax rate of the Company.

Beginning November 15, 1999, the Company and all subsidiaries are limited liability companies such that all income taxes are the responsibility of the equity member of the Company and are not provided for in the accompanying consolidated financial statements. In addition, certain subsidiaries or corporations are subject to income taxes but have no operations and, therefore, no material income tax liabilities or assets.

Segments

Segments have been identified based upon management responsibility. The Company operates in one segment, cable services.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1999. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

2. MEMBER'S EQUITY:

For the period from November 15, 1999, through December 31, 1999, successor member's equity consisted of the following:

BALANCE, November 15, 1999.....	\$383,308
Net loss.....	(10,211)
Distributions to Charter Communications, Inc. and Charter Investment, Inc.....	(273)

BALANCE, December 31, 1999.....	\$372,824
	=====

3. ACQUISITIONS:

On March 26, 1999, Avalon Michigan Holdings acquired the minority interest of Mercom Inc. (Mercom) for \$21,875. In addition, the Company acquired eight cable systems for an aggregate purchase price of \$25,362 in 1999. These eight acquisitions, which were completed during the Predecessor Period, were accounted for using the purchase method of accounting and, accordingly, results of operations of the acquired systems have been included in the accompanying consolidated financial statements from the dates of acquisition. The purchase prices were allocated to tangible and intangible assets based on estimated fair market values at the dates of acquisition. The excess of the consideration paid over the estimated fair market values of the net assets acquired was \$12,940 and was amortized using the straight-line method over 15 years during the Predecessor Period. All goodwill was eliminated as a result of the Charter Acquisition.

Unaudited pro forma operating results as though the 1999 acquisitions discussed above, including the Charter Acquisition, had occurred on January 1, 1999, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments are as follows:

	YEAR ENDED DECEMBER 31, 1999

	(UNAUDITED)
Revenues.....	\$110,308
Loss from operations.....	(17,580)
Net loss.....	(59,668)

The unaudited pro forma financial information has been presented for comparative purposes and does not purport to be indicative of the results of operations had these transactions been completed as of the assumed date or which may be obtained in the future.

4. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of the following at December 31, 1999:

Cable distribution systems.....	\$101,675
Buildings and leasehold improvements.....	16,636
Vehicles and equipment.....	4,776

	123,087
Less--Accumulated depreciation.....	(1,802)

	\$121,285
	=====

Depreciation expense for assets owned by the Company for the period from January 1, 1999, through November 14, 1999, and for the period from November 15, 1999, through December 31, 1999, was \$10,264 and \$1,802, respectively.

5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following at December 31, 1999:

Accrued litigation costs--see Note 10.....	\$ 9,435
Accrued interest.....	5,417
Accounts payable.....	3,427
Accrued programming.....	3,047
Accrued franchises.....	1,578
Other.....	2,228

	\$25,132
	=====

6. LONG-TERM DEBT:

The Company has outstanding the following borrowings on long-term debt arrangements at December 31, 1999:

Senior Credit Facility.....	\$170,000
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	196,000
7.0% Note Payable, due May 2003.....	500

	516,500
Less--Unamortized net discount.....	(65,288)

	\$451,212
	=====

Credit Facilities

On November 6, 1998, Avalon Michigan became a co-borrower along with Avalon Cable of New England LLC (Avalon New England) and Avalon Cable Finance, Inc. (Avalon Finance), affiliated companies on the \$320,888 senior credit facilities, which included term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000 and a revolving credit facility of \$30,000 (collectively, the "Old Credit Facilities").

In connection with the Senior Subordinated Notes (as defined below) and Senior Discount Notes (as defined below) offerings, Avalon Michigan repaid \$125,013 of the Old Credit Facilities, and the availability under the Old Credit Facilities was reduced to \$195,875 prior to the Charter Acquisition.

The interest rate under the Old Credit Facilities was a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, an applicable margin.

In connection with the Charter Acquisition, the Old Credit Facilities were terminated.

Effective November 15, 1999, the Company became a borrower on \$300,000 senior credit facilities, which includes term loan facilities consisting of (i) a Term B Loan of \$125,000 that matures on November 15, 2008, and (ii) a revolving credit facility of \$175,000 that matures on May 15, 2008 (collectively, the "Senior Credit Facilities"). The Senior Credit Facilities also provide for, at the option of the lenders, supplemental credit facilities in the amounts of \$75,000, available until December 31, 2003.

The interest rate under the Senior Credit Facilities is a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, an applicable margin. The variable interest rate as of December 31, 1999, ranged from 7.995% to 8.870%. A quarterly commitment fee of between 0.250% to 0.375% per annum is payable on the unborrowed balance of the revolving credit facility.

Commencing March 31, 2003, and at the end of each quarter thereafter through September 30, 2008, the Term B Loan is payable in installments of 0.25% of the outstanding balance, and the remaining 94.25% unpaid outstanding balance is due on November 15, 2008. Commencing March 31, 2003, and at the end of each quarter thereafter, available borrowings under the revolving credit facility shall be reduced on an annual basis by 5.0% in 2003, 15.0% in 2004, 20.0% in 2005, 22.0% in 2006, 24.0% in 2007 and 14.0% in 2008.

The Senior Credit Facilities contain restrictive covenants which, among other things, require the Company to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage.

The obligations of the Company under the Senior Credit Facilities agreement are secured by substantially all of the assets of the Company.

Senior Subordinated Notes

In December 1998, Avalon Michigan became a co-issuer of a \$150,000 principal amount of 9.375% Senior Subordinated Notes (the "Senior Subordinated Notes").

The indenture governing the Senior Subordinated Notes provides that upon the occurrence of a change of control each holder of the Senior Subordinated Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Senior Subordinated Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the indentures) thereof, if any, to the date of purchase. The Charter Acquisition constituted a change of control.

Pursuant to a change of control offer dated December 3, 1999, 134,050 of the Company's 9.375% Senior Subordinated Notes due December 1, 2008 were validly tendered.

The aggregate repurchase price was \$137,400, including accrued and unpaid interest through January 28, 2000, and was funded with equity contributions from Charter Communications Holdings, LLC (Charter Holdings), a wholly owned subsidiary of Charter Holdco and parent of CC V Holdings, which made the cash available from the proceeds of its sale of \$1.5 billion of high yield notes in January 2000 (the "January 2000 Charter Holdings Notes").

In addition to the above change of control repurchase, the Company repurchased the remaining 15,950 notes (including accrued and unpaid interest) in the open market for \$16,300, also using cash received from equity contributions ultimately from Charter Holdings, which made the cash available from the sale proceeds of the January 2000 Charter Holdings Notes.

Senior Discount Notes

On December 10, 1998, Avalon Michigan Holdings and Avalon Cable Holdings Finance, Inc. (collectively, the "Holdings Co-Issuers") issued \$196,000 aggregate principal amount at maturity of 11.875% Senior Discount Notes (the "Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, for proceeds of approximately \$110,400. Interest on the Senior Discount Notes will accrue but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum commencing December 1, 2003, and will be payable semiannually in arrears on June 1 and December 1 of each year. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003, on a semiannual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003.

On December 1, 2003, the Holdings Co-Issuers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity.

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holdings Co-Issuers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
-----	-----
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
2006 and thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment.

Upon the occurrence of a change of control, each holder of Senior Discount Notes will have the right to require the Holdings Co-Issuers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a change of control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase. The Charter Acquisition constituted a change of control.

Upon expiration of the change of control offer (January 26, 2000), 16,250 of the Senior Discount Notes due were validly tendered.

The Senior Discount Notes were repurchased for \$10,500 using cash received from equity contributions from Charter Holdings. As of February 29, 2000, 179,750 Senior Discount Notes remain outstanding with an accreted value of \$116,400.

Based upon outstanding indebtedness at December 31, 1999, and the amortization of term, and scheduled reductions in available borrowings of the revolving credit facility, aggregate future principal payments on the total borrowings under all debt agreements at December 31, 1999, are as follows:

YEAR	AMOUNT
----	-----
2000.....	\$ --
2001.....	--
2002.....	--
2003.....	74,229
2004.....	1,250
Thereafter.....	441,021

	\$516,500
	=====

7. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying and fair values of the Company's significant financial instruments as of December 31, 1999, are as follows:

	CARRYING VALUE	NOTIONAL AMOUNT	FAIR VALUE
	-----	-----	-----
Debt:			
Senior Credit Facilities.....	\$170,000	\$ --	\$170,000
Senior Subordinated Notes.....	151,500	--	151,500
Senior Discount Notes.....	129,212	--	129,212
7.0% Note payable, due May 2003.....	500	--	500
Interest Rate Hedge Agreement:			
Cap.....	--	15,000	16

The carrying amount of the Senior Credit Facilities approximates fair value as the outstanding borrowings bear interest at market rates. The fair values of the Senior Subordinated Notes and Senior Discount Notes are based on quoted market prices.

The interest pay rate for the interest rate cap agreement was 9.0% at December 31, 1999.

The notional amount of the interest rate hedge agreement does not represent amounts exchanged by the parties and, thus, are not a measure of the Company's exposure through its use of the interest rate hedge agreement. The amounts exchanged are determined by reference to the notional amount and the other terms of the contract.

The fair value of the interest rate hedge agreement generally reflects the estimated amount that the Company would receive (excluding accrued interest) to terminate the contract on the reporting date, thereby taking into account the current unrealized gains or losses of the open contract. Dealer quotations are available for the Company's interest rate hedge agreement.

Management believes that the seller of the interest rate hedge agreement will be able to meet their obligations under the agreement. In addition, the interest rate hedge agreement is with certain of the participating banks under the Company's Senior Credit Facilities thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of the major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial position or results of operations.

8. RELATED-PARTY TRANSACTIONS:

Charter Investment, Inc. (Charter Investment) provides management services to the Company including centralized customer billing services, and data processing and related support. Costs for these services are charged directly to the Company's operating subsidiaries and are included in operating costs. These billings are determined based on the number of basic customers. Charter Investment utilizes a combination of excess insurance coverage and self-insurance programs for its medical, dental and workers' compensation claims. Charges are made to the Company as determined by independent actuaries at the present value of the actuarially computed present and future liabilities for such benefits. Depreciation and amortization incurred by Charter Investment and Charter have been allocated to the Company based on the number of the basic customers. Such costs totaled \$44 for the period from November 15, 1999, through December 31, 1999, are reflected as a capital contribution. Management believes that costs incurred by Charter Investment on the Company's behalf and included in the accompanying financial statements are not materially different than costs the Company would have incurred as a stand-alone entity.

Charter, an entity controlled by Paul G. Allen, was named manager of CC V Holdings pursuant to the terms of the limited liability company agreement for CC V Holdings dated as of November 15, 1999. Furthermore, Charter now manages and operates the Company's cable systems pursuant to a Management Agreement entered into with certain subsidiaries of CC V Holdings. The term of the management agreement is 10 years, commencing on November 15, 1999. Charter is entitled to reimbursement for all expenses, costs, losses and liabilities or damages incurred by Charter in connection with the performance of its services. Payment of the management fee is permitted under the Company's credit agreement, but ranks below the Company's senior debt and shall not be paid except to the extent permitted under the Senior Credit Facilities. Such costs totaled \$501 for the period from November 15, 1999, through December 31, 1999, and are recorded in corporate expense charges-related parties in the accompanying consolidated financial statements. Deferred management fees at December 31, 1999, are \$262.

9. EMPLOYEE BENEFIT PLAN:

Avalon Michigan had a qualified savings plan under Section 401(k) of the Internal Revenue Code (the "Plan"). In connection with the Charter Acquisition, the Plan's assets were frozen as of November 14, 1999, and employees became fully vested. Effective January 1, 2000, the Company's employees with two months of service are eligible to participate in the Charter Communications, Inc. 401(k) Plan (the "Charter Plan").

Employees that qualify for participation in the Charter Plan can contribute up to 15% of their salary, on a before tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service.

10. COMMITMENTS AND CONTINGENCIES:

Leases

The Company rents poles from utility companies for use in its operations. While rental agreements are generally short-term, the Company anticipates such rentals will continue in the future. The Company also leases office facilities and various equipment under month-to-month operating leases. Rent expense was \$1,506 and \$212 for the periods from January 1, 1999, through November 14, 1999, and from November 15, 1999, through December 31, 1999, respectively. Rental commitments are expected to continue at approximately the same level for the foreseeable future, including pole rental commitments which are cancelable.

Regulation in the Cable Television Industry

The cable television industry is subject to extensive regulation at the federal, local and, in some instances, state levels. The Cable Communications Policy Act of 1984 (the "1984 Cable Act"), the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act" and together with the 1984 Cable Act, the "Cable Acts"), and the Telecommunications Act of 1996 (the "1996 Telecom Act"), establish a national policy to guide the development and regulation of cable television systems. The Federal Communications Commission (FCC) has principal responsibility for implementing the policies of the Cable Acts. Many aspects of such regulation are currently the subject of judicial proceedings and administrative or legislative proposals. Legislation and regulations continue to change, and the Company cannot predict the impact of future developments on the cable television industry.

The 1992 Cable Act and the FCC's rules implementing that act generally have increased the administrative and operational expenses of cable television systems and have resulted in additional regulatory oversight by the FCC and local or state franchise authorities. The Cable Acts and the corresponding FCC regulations have established rate regulations.

The 1992 Cable Act permits certified local franchising authorities to order refunds of basic service tier rates paid in the previous twelve-month period determined to be in excess of the maximum permitted rates. As of December 31, 1999, the amount refunded by the Company has been insignificant. The Company may be required to refund additional amounts in the future.

The Company believes that it has complied in all material respects with the provisions of the 1992 Cable Act, including the rate setting provisions promulgated by the FCC. However, in jurisdictions that have chosen not to certify, refunds covering the previous twelve-month period may be ordered upon certification if the Company is unable to justify its basic rates. As of December 31, 1999, approximately 26% of the Company's local franchising authorities are certified to regulate basic tier rates. The Company is unable to estimate at this time the amount of refunds, if any, that may be payable by the Company in the event certain of its rates are successfully challenged by franchising authorities or found to be unreasonable by the FCC. The Company does not believe that the amount of any such refunds would have a material adverse effect on the consolidated financial position or results of operations of the Company.

The 1996 Telecom Act, among other things, immediately deregulated the rates for certain small cable operators and in certain limited circumstances rates on the basic service tier, and as of March 31, 1999, deregulated rates on the cable programming service tier (CPST). The FCC has taken the position that it will still adjudicate pending CPST complaints but will strictly limit its review, and possible refund orders, to the time period predating the sunset date, March 31, 1999. The Company does not believe any adjudications regarding their pre-sunset complaints will have a material adverse effect on the Company's consolidated financial position or results of operations.

A number of states subject cable television systems to the jurisdiction of centralized state governmental agencies, some of which impose regulation of a character similar to that of a public utility. State governmental

agencies are required to follow FCC rules when prescribing rate regulation, and thus, state regulation of cable television rates is not allowed to be more restrictive than the federal or local regulation.

Litigation

In connection with the Company's acquisition of Mercom, former Mercom shareholders holding approximately 731,894 Mercom common shares (approximately 15.3% of all outstanding Mercom common shares) gave notice of their election to exercise appraisal rights as provided by Delaware law. On July 2, 1999, former Mercom shareholders holding 535,501 shares of Mercom common stock filed a petition for appraisal of stock in the Delaware Chancery Court. With respect to 209,893 of the total number of shares for which the Company received notice, the notice provided to the Company was received from beneficial holders of Mercom shares who were not holders of record. The Company believes that the notice with respect to these shares did not comply with Delaware law and is ineffective.

The Company cannot predict at this time the effect of the elections to exercise appraisal rights on the Company since the Company does not know the extent to which these former Mercom shareholders will continue to pursue appraisal rights under Delaware law or choose to abandon these efforts and seek to accept the consideration payable in the Mercom merger. If these former Mercom shareholders continue to pursue their appraisal rights and if a Delaware court were to find that the fair value of the Mercom common shares, exclusive of any element of value arising from our acquisition of Mercom, exceeded \$12.00 per share, the Company would have to pay the additional amount for each Mercom common share subject to the appraisal proceedings together with a fair rate of interest. The Company could be ordered by the Delaware court also to pay reasonable attorney's fees and the fees and expenses of experts for the shareholders. In addition, the Company would have to pay their own litigation costs. The Company has already provided for the consideration of \$12.00 per Mercom common share due under the terms of the merger with Mercom with respect to these shares but has not provided for any additional amounts or costs. The Company can provide no assurance as to what a Delaware court would find in any appraisal proceeding or when this matter will be resolved. Accordingly, the Company cannot assure you that the ultimate outcome would have no material adverse impact on the Company.

11. ACCOUNTING STANDARDS NOT YET IMPLEMENTED:

The Company is required to adopt Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) in 2001. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the consolidated balance sheet as either an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The adoption of SFAS No. 133 is not expected to have a material impact on the consolidated financial statements.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of
Avalon Cable LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in members' interest and cash flows present fairly, in all material respects, the financial position of Avalon Cable LLC and its subsidiaries (the "Company") at December 31, 1997 and 1998 and the results of their operations, changes in members' interest and their cash flows for the period from September 4, 1997 (inception), through December 31, 1997 and for the year ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/S/ PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999, except for Note 12,
as to which the date is May 13, 1999

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1998	1997
	(DOLLARS IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash.....	\$ 9,288	\$ --
Subscriber receivables, less allowance for doubtful accounts of \$943.....	5,862	--
Accounts receivable-affiliate.....	124	--
Deferred income taxes.....	479	--
Prepaid expenses and other current assets.....	580	504
	-----	----
Total current assets.....	16,333	504
Property, plant and equipment, net.....	111,421	--
Intangible assets, net.....	462,117	--
Other assets.....	227	--
	-----	----
Total assets.....	\$590,098	\$504
	=====	=====
LIABILITIES AND MEMBERS' INTEREST		
CURRENT LIABILITIES:		
Current portion of notes payable.....	\$ 20	\$ --
Accounts payable and accrued expenses.....	11,646	--
Accounts payable, net-affiliate.....	2,023	500
Advance billings and customer deposits.....	3,171	--
	-----	----
Total current liabilities.....	16,860	500
Note payable, net of current portion.....	402,949	--
Note payable-affiliate.....	3,341	--
Deferred income taxes.....	1,841	--
	-----	----
Total liabilities.....	424,991	500
	-----	----
Minority interest.....	13,855	--
Commitments and contingencies (Note 10)		
MEMBERS' INTEREST:		
Members' capital.....	166,630	--
Accumulated earnings (deficit).....	(15,378)	4
	-----	----
Total members' interest.....	151,252	4
	-----	----
Total liabilities and members' interest.....	\$590,098	\$504
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1997
	-----	-----
	(DOLLARS IN THOUSANDS)	
REVENUE:		
Basic services.....	\$ 14,976	\$ --
Premium services.....	1,468	--
Other.....	1,743	--
	-----	-----
Total revenues.....	18,187	--
Operating expenses:		
Selling, general and administrative.....	4,207	--
Programming.....	4,564	--
Technical and operations.....	1,951	--
Depreciation and amortization.....	8,183	--
	-----	-----
Loss from operations.....	(718)	--
Other income (expense):		
Interest income.....	173	4
Interest expense.....	(8,223)	--
Other expense, net.....	(65)	--
	-----	-----
Income (loss) before income taxes.....	(8,833)	4
Provision for income taxes.....	(186)	--
	-----	-----
Income (loss) before minority interest and extraordinary item.....	(9,019)	4
Minority interest in consolidated entity.....	(398)	--
	-----	-----
Income (loss) before the extraordinary loss on early extinguishment of debt.....	(9,417)	4
Extraordinary loss on early extinguishment of debt.....	(5,965)	--
	-----	-----
Net income (loss).....	\$(15,382)	\$ 4
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' INTEREST
 FROM THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION)
 THROUGH DECEMBER 31, 1998

	CLASS A		CLASS B-1		ACCUMULATED EARNINGS (DEFICIT)	TOTAL MEMBERS' INTEREST
	UNITS	\$	UNITS	\$		
	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)					
Net income for the period from September 4, 1997 through December 31, 1997.....	--	\$ --	--	\$ --	\$ 4	\$ 4
Issuance of Class A units.....	45,000	45,000	--	--	--	45,000
Issuance of Class B-1 units in consideration for Avalon Cable of New England LLC.....	--	--	64,696	4,345	--	4,345
Contribution of assets and liabilities of Avalon Cable of Michigan Inc.....	--	--	510,994	117,285	--	117,285
Net loss for the year ended December 31, 1998.....	--	--	--	--	(15,382)	(15,382)
Balance at December 31, 1998.....	45,000	\$45,000	575,690	\$121,630	\$(15,378)	\$151,252
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM
SEPTEMBER 4, 1997
(INCEPTION) THROUGH
DECEMBER 31, 1997

FOR THE YEAR ENDED
DECEMBER 31, 1998

(DOLLARS IN THOUSANDS)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss).....	\$ (15,382)	\$ 4
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization.....	8,183	--
Deferred income taxes, net.....	1,010	--
Extraordinary loss on extinguishment of debt.....	5,965	--
Provision for loss on accounts receivable.....	75	--
Minority interest in consolidated entity.....	398	--
Accretion of senior discount notes.....	1,083	--
Changes in operating assets and liabilities Increase in subscriber receivables.....	(1,679)	--
Increase in accounts receivable-affiliates.....	(124)	--
Increase in prepaid expenses and other current assets.....	(76)	(4)
Increase in accounts payable and accrued expenses.....	4,863	--
Increase in accounts payable-affiliates.....	1,523	--
Increase in advance billings and customer deposits.....	1,684	--
Change in Other, net.....	(227)	--
	-----	-----
Net cash provided by operating activities.....	7,296	--
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.....	(11,468)	--
Acquisitions, net of cash acquired.....	(554,402)	--
	-----	-----
Net cash used in investing activities.....	(565,870)	--
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of credit facility.....	265,888	--
Principal payment on credit facility.....	(125,013)	--
Proceeds from issuance of senior subordinated debt.....	150,000	--
Proceeds from issuance of note payable-affiliate.....	3,341	--
Proceeds from issuance of senior discount notes.....	110,411	--
Proceeds from other notes payable.....	600	--
Payments for debt issuance costs.....	(3,995)	--
Contribution by members.....	166,630	--
	-----	-----
Net cash provided by financing activities.....	567,862	--
Increase in cash.....	9,288	--
Cash, beginning of period.....	--	--
	-----	-----
Cash, end of period.....	\$ 9,288	\$ --
	=====	=====
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest.....	\$ 3,480	\$ --
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Avalon Cable LLC ("Avalon"), and its wholly owned subsidiaries Avalon Cable Holdings Finance, Inc. ("Avalon Holdings Finance") and Avalon Cable of Michigan LLC ("Avalon Michigan"), were formed in October 1998, pursuant to the laws of the State of Delaware, as a wholly owned subsidiary of Avalon Cable of New England Holdings, Inc. ("Avalon New England Holdings").

On November 6, 1998, Avalon New England Holdings contributed its 100% interest in Avalon Cable of New England LLC ("Avalon New England") to Avalon in exchange for a membership interest in Avalon. This contribution was between entities under common control and was accounted for similar to a pooling-of-interests. Under this pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (September 4, 1997) of Avalon New England. On that same date, Avalon received \$63,000 from affiliated entities, which was comprised of (i) a \$45,000 capital contribution by Avalon Investors, LLC ("Avalon Investors") and (ii) a \$18,000 promissory note from Avalon Cable Holdings LLC ("Avalon Holdings"), which was used to make a \$62,800 cash contribution to Avalon New England.

The cash contribution received by Avalon New England was used to (i) extinguish existing indebtedness of \$29,600 and (ii) fund a \$33,200 loan to Avalon Holdings Finance which matures on December 31, 2001.

On December 10, 1998, Avalon received a dividend distribution from Avalon New England in the amount of \$18,206, which was used by Avalon to pay off the promissory note payable to Avalon Holdings, plus accrued interest.

Avalon Cable of Michigan, Inc. was formed in June 1998, pursuant to the laws of the state of Delaware, as a wholly owned subsidiary of Avalon Cable of Michigan Holdings, Inc. ("Michigan Holdings"). On June 3, 1998, Avalon Cable of Michigan, Inc. entered into an Agreement and Plan of Merger (the "Agreement") among Avalon Cable of Michigan, Inc., Michigan Holdings and Cable Michigan, Inc. ("Cable Michigan"), pursuant to which Avalon Cable of Michigan, Inc. will merge into Cable Michigan and Cable Michigan will become a wholly owned subsidiary of Michigan Holdings (the "Merger"). As part of the Merger, the name of the company was changed to Avalon Cable of Michigan, Inc.

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of Cable Michigan outstanding prior to the effective time of the Merger (other than treasury stock shares owned by Michigan Holdings or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

In conjunction with the acquisition of Cable Michigan, Avalon Cable of Michigan, Inc. acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, Avalon Cable of Michigan, Inc. completed its Merger. The total consideration payable in conjunction with the Merger, including fees and expenses is \$431,629, including repayment of all existing Cable Michigan indebtedness and accrued interest of \$135,205. Subsequent to the Merger, the arrangements with RCN and CTE for certain support services were terminated. The Agreement also permitted Avalon Cable of Michigan, Inc. to agree to acquire the remaining shares of Mercom that it did not own.

Michigan Holdings contributed \$137,375 in cash to Avalon Cable of Michigan, Inc., which was used to consummate the Merger. On November 5, 1998, Michigan Holdings received \$105,000 in cash in exchange for promissory notes to lenders (the "Bridge Agreement"). On November 6, 1998, Michigan Holdings contributed the proceeds received from the Bridge Agreement and an additional \$35,000 in cash to Avalon Cable of Michigan Inc. in exchange for 100 shares of common stock.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

On March 26, 1999, Avalon completed a series of transactions to facilitate certain aspects of its financing between affiliated entities under common control. As a result of these transactions:

- Avalon Cable of Michigan Inc. contributed its assets and liabilities excluding deferred tax liabilities, net to Avalon in exchange for an approximate 88% voting interest in Avalon. Avalon contributed these assets and liabilities to its wholly-owned subsidiary, Avalon Cable of Michigan.
- Avalon Michigan has become the operator of the Michigan cluster replacing Avalon Cable of Michigan, Inc.
- Avalon Michigan is an obligor on the Senior Subordinated Notes replacing Avalon Cable of Michigan, Inc., and
- Avalon Cable of Michigan, Inc. is a guarantor of the obligations of Avalon Michigan under the Senior Subordinated Notes. Avalon Cable of Michigan, Inc. does not have significant assets, other than its investment in Avalon.
- Avalon is an obligor on the Senior Discount Notes replacing Avalon Cable of Michigan Holdings, Inc.

As a result of the reorganization between entities under common control, Avalon accounted for the reorganization similar to a pooling-of-interests. Under the pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (June 2, 1998) inception of Avalon Cable of Michigan, Inc. and the date of acquisition of the completed acquisitions.

Avalon New England and Avalon Michigan provide cable service to the western New England area and the state of Michigan, respectively. Avalon cable systems offer customer packages of basic and premium cable programming services which are offered at a per channel charge or are packaged together to form a tier of services offered at a discount from the combined channel rate. Avalon cable systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principal sources of revenue for Avalon.

Avalon Holdings Finance was formed for the sole purpose of facilitating financings associated with the acquisitions of various cable operating companies. Avalon Holdings Finance conducts no other activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements of Avalon and its subsidiaries, include the accounts of Avalon and its wholly owned subsidiaries, Avalon New England, Avalon Michigan and Avalon Holdings Finance (collectively, the "Company"). All significant transactions between Avalon and its subsidiaries have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and the disclosure for contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reported period. Actual results may vary from estimates used.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

Revenue recognition

Revenue is recognized as cable services are provided. Installation fee revenue is recognized in the period in which the installation occurs to the extent that direct selling costs meet or exceed installation revenues.

Advertising costs

Advertising costs are charged to operations as incurred. Advertising costs were \$82 for the year ended December 31, 1998.

Concentration of credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1998. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in the state of Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based upon the following lives:

Vehicles.....	5 years
Cable plant and equipment.....	5-12 years
Office furniture and equipment.....	5-10 years
Buildings and improvements.....	10-25 years

Intangible assets

Intangible assets represent the estimated fair value of cable franchises and goodwill resulting from acquisitions. Goodwill is the excess of the purchase price over the fair value of the net assets acquired, determined through an independent appraisal. Deferred financing costs represent direct costs incurred to obtain long-term financing and are amortized to interest expense over the term of the underlying debt utilizing the effective interest method. Amortization is computed for financial statement purposes using the straight-line method based upon the anticipated economic lives:

Cable franchises.....	13-15 years
Goodwill.....	15 years
Non-compete agreement.....	5 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

Financial instruments

The Company estimates that the fair value of all financial instruments at December 31, 1998 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The fair value of the notes payable-affiliate are considered to be equal to carrying values since the Company believes that its credit risk has not changed from the time this debt instrument was executed and therefore, would obtain a similar rate in the current market.

Income taxes

The Company is not subject to federal and state income taxes since the income or loss of the Company is included in the tax returns of Avalon Cable of Michigan, Inc. and the Company's minority partners. However, Mercom, its majority-owned subsidiary is subject to taxes that are accounted for using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

3. MEMBERS' CAPITAL

Avalon has authorized two classes of equity units; class A units ("Class A Units") and class B units ("Class B Units") (collectively, the "Units"). Each class of the Units represents a fractional part of the membership interests in Avalon and has the rights and obligations specified in Avalon's Limited Liability Company Agreement. Each Class B Unit is entitled to voting rights equal to the percentage such units represents of the aggregate number of outstanding Class B Units. The Class A Units are not entitled to voting rights.

Class A Units

The Class A Units are participating preferred equity interests. A preferred return accrues annually (the Company's "Preferred Return") on the initial purchase price (the Company's "Capital Value") of each Class A Unit at a rate of 15, or 17% under certain circumstances, per annum. The Company cannot pay distributions in respect of other classes of securities including distributions made in connection with a liquidation until the Company's Capital Value and accrued Preferred Return in respect of each Class A Unit

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

is paid to the holders thereof (such distributions being the Company's "Priority Distributions"). So long as any portion of the Company's Priority Distributions remains unpaid, the holders of a majority of the Class A Units are entitled to block certain actions by the Company including the payment of certain distributions, the issuance of senior or certain types of pari passu equity securities or the entering into or amending of certain related-party agreements. In addition to the Company's Priority Distributions, each Class A Unit is also entitled to participate in common distributions, pro rata according to the percentage such unit represents of the aggregate number of the Company's units then outstanding.

Class B Units

The Class B Units are junior equity securities which are divided into two identical subclasses, Class B-1 Units and Class B-2 Units. After the payment in full of Avalon's Priority Distributions, each Class B Unit is entitled to participate in distributions pro rata according to the percentage such unit represents of the aggregate number of the Avalon units then outstanding.

4. MERGER AND ACQUISITIONS

The Merger was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on their fair market values at the date of the Merger. The purchase price was allocated as follows: current assets and liabilities at fair values of \$470, approximately \$94,000 to property, plant and equipment, \$315,000 to cable franchises and the excess of consideration paid over the fair market value of the net assets acquired, or goodwill, of \$81,705, offset by deferred taxes net of \$60,000.

The Merger agreement between Michigan Holdings and Avalon Cable of Michigan, Inc. permitted Avalon Cable of Michigan, Inc. to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 Avalon Cable of Michigan, Inc. and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by Avalon Cable of Michigan, Inc. of all of such shares at a price of \$12.00 per share. Avalon Cable of Michigan, Inc. completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

In March 1999, Avalon Michigan acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

On May 29, 1998, the Company acquired certain assets of Amrac Clear View, A Limited Partnership ("Amrac") for consideration of \$8,124, including acquisition costs of \$589. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through the use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$256.

On July 21, 1998, the Company acquired certain assets and liabilities from Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc. (collectively, "Pegasus") for consideration of \$30,467, including acquisition costs of \$175. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$977.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

Unaudited pro forma results of operations of the Company for the year ended December 31, 1998, as if the Merger and acquisitions occurred on January 1, 1998.

	DECEMBER 31, 1998
	----- (UNAUDITED)
Revenues.....	\$ 96,751 =====
Loss from operations.....	\$ (5,292) =====
Net loss.....	\$(22,365) =====

In September 1998, the Company entered into a definitive agreement to purchase all of the cable systems of Taconic Technology Corporation ("Taconic") for approximately \$8,525 (excluding transaction fees). As of December 31, 1998, the Company incurred \$41 of transaction costs related to the acquisition of Taconic. This merger is expected to close in the second quarter of 1999.

5. PROPERTY, PLANT AND EQUIPMENT

At December 31, 1998, property, plant and equipment consists of the following:

Cable plant and equipment.....	\$106,602
Vehicles.....	2,572
Office furniture and fixtures.....	1,026
Buildings and improvements.....	2,234
Construction in process.....	768

	113,202
Less: accumulated depreciation.....	(1,781)

	\$111,421 =====

Depreciation expense charged to operations was \$1,781 for the year ended December 31, 1998.

6. INTANGIBLE ASSETS

At December 31, 1998, intangible assets consist of the following:

	1998

Cable franchises.....	\$374,773
Goodwill.....	82,928
Deferred financing costs.....	10,658
Non-compete agreement.....	100

	468,459
Less: accumulated amortization.....	(6,342)

	\$462,117 =====

Amortization expense was \$6,342 for the year ended December 31, 1998.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 1998, accounts payable and accrued expenses consist of the following:

Accounts payable.....	\$ 5,321
Accrued corporate expenses.....	404
Accrued programming costs.....	2,388
Taxes payable.....	1,383
Other.....	2,150

	\$11,646
	=====

8. DEBT

At December 31, 1998, Long-term debt consists of the following:

Senior Credit Facility.....	\$140,875
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	111,494
Other Note Payable.....	600

	402,969
Less: current portion of notes payable.....	20

	\$402,949
	=====

Credit Facilities

On May 28, 1998, Avalon New England entered into a term loan and revolving credit agreement with a major commercial lending institution (the "Credit Agreement"). The Credit Agreement allowed for aggregate borrowings under Term Loans A and B (collectively, the "Term Loans") and a revolving credit facility of \$30,000 and \$5,000, respectively. The proceeds from the Term Loans and revolving credit facility were used to fund the acquisitions made by Avalon New England and to provide for Avalon New England's working capital requirements.

In December 1998, Avalon New England retired the Term Loans and revolving credit agreement through the proceeds of a capital contribution from Avalon. The fees and associated costs relating to the early retirement of this debt was \$1,110.

On November 6, 1998, Avalon New England became a co-borrower along with Avalon Michigan and Avalon Cable Finance, Inc. ("Avalon Finance"), affiliated companies (collectively referred to as the "Co-Borrowers"), on a \$320,888 senior credit facility, which includes term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000, and a revolving credit facility of \$30,000 (collectively, the "Credit Facility"). Subject to compliance with the terms of the Credit Facility, borrowings under the Credit Facility will be available for working capital purposes, capital expenditures and pending and future acquisitions. The ability to advance funds under the tranche A term loan facility terminated on March 31, 1999. The tranche A term loans are subject to minimum quarterly amortization payments commencing on January 31, 2001 and maturing on October 31, 2005. The tranche B term loans are subject to minimum quarterly payments commencing on January 31, 2001 with substantially all of tranche B term loans scheduled to be repaid in two equal installments on July 31, 2006 and October 31, 2006. The revolving credit facility borrowings are scheduled to be repaid on October 31, 2005.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

On November 6, 1998, Avalon Michigan borrowed \$265,888 under the Credit Facility. In connection with the Senior Subordinated Notes and Senior Discount Notes offerings, Avalon Michigan repaid \$125,013 of the Credit Facility, and the availability under the Credit Facility was reduced to \$195,000. Avalon Michigan had borrowings of \$11,300 and \$129,575 outstanding under the tranche A and tranche B term note facilities, respectively, and had available \$30,000 for borrowings under the revolving credit facility. Avalon New England and Avalon Finance had no borrowings outstanding under the Credit Facility at December 31, 1998.

The interest rate under the Credit Facility is a rate based on either (i) the Base Rate (a rate per annum equal to the greater of the prime rate and the federal funds rate plus one-half of 1%) or (ii) the Eurodollar Rate (a rate per annum equal to the Eurodollar base rate divided by 1.00 less the Eurocurrency reserve requirement plus, in either case, the applicable margin). As of December 31, 1998, the applicable margin was (a) with respect to the tranche B term loans was 2.75% per annum for Base Rate loans and 3.75% per annum for Eurodollar loans and (b) with respect to tranche A term loans and the revolving credit facility was 2.00% per annum for Base Rate loans and 3.00% for Eurodollar loans. The applicable margin for the tranche A term loans and the revolving credit facility are subject to performance based grid pricing which is determined based upon the consolidated leverage ratio of the Co-Borrowers. The interest rate for the tranche A and tranche B term loans outstanding at December 31, 1998 was 8.58% and 9.33%, respectively. Interest is payable on a quarterly basis. Accrued interest on the borrowings incurred by Avalon Cable of Michigan Inc. under the credit facility was \$1,389 at December 31, 1998.

The Credit Facility contains restrictive covenants which among other things require the Co-Borrowers to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage ratio.

The obligations of the Co-Borrowers under the Credit Facility are secured by substantially all of the assets of the Co-Borrowers. In addition, the obligations of the Co-Borrowers under the Credit Facility are guaranteed by affiliated companies; Avalon Cable of Michigan Holdings, Inc., Avalon Cable Finance Holdings, Inc., Avalon New England Holdings, Inc., Avalon Cable Holdings, LLC and the Company.

A Change of Control as defined under the Credit Facility agreement would constitute an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable.

Subordinated Debt

In December 1998, Avalon New England and Avalon Michigan became co-issuers of a \$150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering. In conjunction with this financing, Avalon New England received \$18,130 from Avalon Michigan as a partial payment against the Company's note receivable-affiliate from Avalon Michigan. Avalon Michigan paid \$75 in interest during the period from October 21, 1998 (inception) through December 31, 1998. The cash proceeds received by Avalon New England of \$18,206 was paid to Avalon as a dividend.

The Subordinated Notes mature on December 1, 2008, and interest accrued at a rate of 9.375% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 1999. Accrued interest on the Subordinated Notes was \$1,078 at December 31, 1998.

The Senior Subordinated Notes will not be redeemable at the Co-Borrowers' option prior to December 1, 2003. Thereafter, the Senior Subordinated Notes will be subject to redemption at any time at the option of the Co-Borrowers, in whole or in part at the redemption prices (expressed as percentages of principal amount) set

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

forth below plus accrued and unpaid interest, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
-----	-----
2003.....	104.688%
2004.....	103.125%
2005.....	101.563%
2006 and thereafter.....	100.000%

The scheduled maturities of the long-term debt are \$2,000 in 2001, \$4,000 in 2002, \$7,000 in 2003, and the remainder thereafter.

At any time prior to December 1, 2001, the Co-Borrowers may on any one or more occasions redeem up to 35% of the aggregate principal amount of Senior Subordinate Notes originally issued under the Indenture at a redemption price equal to 109.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Subordinated Notes originally issued remain outstanding immediately after each such redemption.

As used in the preceding paragraph, "Equity Offering and Strategic Equity Investment" means any public or private sale of Capital Stock of any of the Co-Borrowers pursuant to which the Co-Borrowers together receive net proceeds of at least \$25 million, other than issuances of Capital Stock pursuant to employee benefit plans or as compensation to employees; provided that to the extent such Capital Stock is issued by the Co-Borrowers, the net cash proceeds thereof shall have been contributed to one or more of the Co-Borrowers in the form of an equity contribution.

The Indentures provide that upon the occurrence of a change of control (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the Indentures) thereof, if any, to the date of purchase.

The Senior Discount Notes

On December 3, 1998, the Company, Avalon Michigan and Avalon Cable Holdings Finance, Inc. (the "Holding Co-Borrowers") issued \$196.0 million aggregate principal amount at maturity of 11 7/8% Senior Discount Notes ("Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, to generate gross proceeds of approximately \$110.4 million. Interest on the Senior Discount Notes will accrue but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum, and will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2003. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003 on a semi-annual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003. Original issue discount accretion on the Senior Discount Notes was \$1,083 at December 31, 1998.

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

On December 1, 2003, the Holding Co-Borrowers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holding Co-borrowers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
- - - - -	- - - - -
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
2006 and thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Discount Notes originally issued remain outstanding immediately after each occurrence of such redemption.

Upon the occurrence of a Change of Control, each holder of Senior Discount Notes will have the right to require the Holding Co-Borrowers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a Change of Control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase.

Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

On September 29, 1997, Cable Michigan, Inc. purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables. At December 31, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

Note payable

Avalon New England issued a note payable for \$500 which is due on May 29, 2003, and bears interest at a rate of 7% per annum (which approximates Avalon New England's incremental borrowing rate) payable

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

annually. Additionally, Avalon New England has a \$100 non-compete agreement. The agreement calls for five annual payments of \$20, commencing on May 29, 1999.

9. INCOME TAXES

The income tax provision in the accompanying consolidated financial statements of operations relating to Mercom, Inc., a majority-owned subsidiary, is comprised of the following:

	1998

Current	
Federal.....	\$ --
State.....	--

Total Current.....	--

Deferred	
Federal.....	171
State.....	15

Total Deferred.....	186

Total provision for income taxes.....	\$186
	=====

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1998. The differences are as follows:

	1998

Loss before provision for income taxes.....	\$(8,833)
	=====
Federal tax provision at statutory rates.....	\$(3,092)
State income taxes.....	(182)
Allocated to members.....	3,082
Goodwill.....	6

Provision for income taxes.....	\$ 186
	=====

YEAR	TAX NET OPERATING LOSSES	EXPIRATION DATE
- - - - -	-----	-----
1998.....	\$922	2018

AVALON CABLE LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 DECEMBER 31, 1998
 (DOLLARS IN THOUSANDS)

Temporary differences that give rise to significant portion of deferred tax assets and liabilities at December 31 are as follows:

	1998

NOL carryforwards.....	\$ 922
Reserves.....	459
Other, net.....	20

Total deferred assets.....	1,401

Property, plant and equipment.....	(2,725)
Intangible assets.....	(38)

Total deferred liabilities.....	(2,763)

Subtotal.....	(1,362)

Valuation allowance.....	--

Total deferred taxes.....	\$(1,362)
	=====

10. COMMITMENTS AND CONTINGENCIES

Leases

Avalon New England and Avalon Michigan rent poles from utility companies for use in their operations. While rental agreements are generally short-term, Avalon New England and Avalon Michigan anticipate such rentals will continue in the future. Avalon New England and Avalon Michigan also lease office facilities and various items of equipment under month-to-month operating leases. Rent expense was \$58 for the year ended December 31, 1998. Rental commitments are expected to continue at approximately \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

Legal matters

Avalon and its subsidiaries are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

Avalon and its subsidiaries are subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. Avalon and its Subsidiaries have either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that there will not be further additional challenges to its rates.

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of Avalon and its subsidiaries.

11. RELATED PARTY TRANSACTIONS AND BALANCES

During 1998, Avalon New England received \$3,341 from Avalon Holdings. In consideration for this amount, Avalon New England executed a note payable to Avalon Holdings. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at a rate of 5.57% per year and Avalon New England has recorded accrued interest on this note of \$100 at December 31, 1998.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
DECEMBER 31, 1998
(DOLLARS IN THOUSANDS)

12. SUBSEQUENT EVENT

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt. The acquisition by Charter Communications is subject to regulatory approvals. The Company expects to consummate this transaction in the fourth quarter of 1999.

This agreement, if closed, would constitute a change in control under the Indenture pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. The Indenture provides that upon the occurrence of a change of control of the Company (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon (or 101% of the accreted value for the Senior Discount Notes as of the date of purchase if prior to the full accretion date) plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture) thereof, if any, to the date of purchase.

This agreement, if closed, would represent a Change of Control which, on the closing date, constitutes an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable. Charter Communications has agreed to repay all amounts due under the Credit Facility or cause all events of default under the Credit Facility arising from the Change of Control to be waived.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Managers of
Avalon Cable of Michigan Holdings, Inc. and Subsidiaries

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Avalon Cable of Michigan Holdings, Inc. and subsidiaries (collectively, the "Company") at December 31, 1997 and 1998, and the results of their operations, changes in shareholders' equity and their cash flows for the period from September 4, 1997 (inception) through December 31, 1997, and for the year ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/S/ PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999, except for Note 13,
as to which the date is May 13, 1999

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1998	1997
	(DOLLARS IN THOUSANDS)	
ASSETS		
Cash.....	\$ 9,288	\$ --
Accounts receivable, net of allowance for doubtful accounts of \$943.....	5,862	--
Prepayments and other current assets.....	1,388	504
Accounts receivable from related parties.....	124	--
Deferred income taxes.....	377	--
	-----	-----
Current assets.....	17,039	504
Property, plant and equipment, net.....	111,421	--
Intangible assets, net.....	462,117	--
Deferred charges and other assets.....	1,302	--
	-----	-----
Total assets.....	\$591,879	\$504
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of notes payable.....	\$ 20	\$ --
Accounts payable and accrued expenses.....	11,646	--
Advance billings and customer deposits.....	3,171	--
Accounts payable-affiliate.....	2,023	500
	-----	-----
Current liabilities.....	16,860	500
Long-term debt.....	402,949	--
Notes payable-affiliate.....	3,341	--
Deferred income taxes.....	80,811	--
	-----	-----
Total liabilities.....	503,961	500
	-----	-----
Commitments and contingencies (Note 11).....	--	--
Minority interest.....	61,836	4
	-----	-----
Stockholders equity:		
Common stock.....	--	--
Additional paid-in capital.....	35,000	--
Accumulated deficit.....	(8,918)	--
	-----	-----
Total shareholders' equity.....	26,082	--
	-----	-----
Total liabilities and shareholders' equity.....	\$591,879	\$504
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1997
	-----	-----
	(DOLLARS IN THOUSANDS)	
REVENUE:		
Basic services.....	\$14,976	\$ --
Premium services.....	1,468	--
Other.....	1,743	--
	-----	-----
	18,187	--
OPERATING EXPENSES:		
Selling, general and administrative.....	4,207	--
Programming.....	4,564	--
Technical and operations.....	1,951	--
Depreciation and amortization.....	8,183	--
	-----	-----
Loss from operations.....	(718)	--
Interest income.....	173	4
Interest expense.....	(8,223)	--
Other expense, net.....	(65)	--
	-----	-----
Income (loss) before income taxes.....	(8,833)	4
(Benefit) from income taxes.....	(2,754)	--
	-----	-----
Income (loss) before minority interest and extraordinary item.....	(6,079)	4
Minority interest in income of consolidated entity.....	1,331	(4)
	-----	-----
Income (loss) before extraordinary item.....	(4,748)	--
Extraordinary loss on extinguishment of debt (net of tax of \$1,743).....	(4,170)	--
	-----	-----
Net income (loss).....	\$(8,918)	\$ --
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1998

	COMMON SHARES OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)				
Net income from date of inception through December 31, 1997.....	--	\$--	\$ --	\$ --	\$ --
Balance, January 1, 1998.....	100	--	--	--	--
Net loss.....	--	--	--	(8,918)	(8,918)
Contributions by parent.....	--	--	35,000	--	35,000
	---	---	-----	-----	-----
Balance, December 31, 1998.....	100	\$--	\$35,000	\$(8,918)	\$26,082
	===	==	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE PERIOD FROM SEPTEMBER 4, 1997 (INCEPTION) THROUGH DECEMBER 31, 1997
	-----	-----
	(DOLLARS IN THOUSANDS)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss).....	\$ (8,918)	\$ 4
Extraordinary loss on extinguishment of debt.....	4,170	--
Depreciation and amortization.....	8,183	--
Deferred income taxes, net.....	82,370	--
Provision for loss on accounts receivable.....	75	--
Increase in minority interest.....	1,331	--
Accretion on senior discount notes.....	1,083	--
Net change in certain assets and liabilities, net of business acquisitions Increase in accounts receivable....	(1,679)	--
Increase in accounts receivable from related parties.....	(124)	--
Increase in prepayment and other current assets.....	(884)	(4)
Increase in accounts payable and accrued expenses.....	4,863	--
Increase in accounts payable to related parties.....	1,523	--
Increase in deferred revenue.....	1,684	--
Change in Other, net.....	1,339	--
	-----	-----
Net cash provided by operating activities.....	92,338	--
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment.....	(11,468)	--
Payment for acquisition.....	(554,402)	--
	-----	-----
Net cash used in investing activities.....	565,870	--
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of the Credit Facility.....	265,888	--
Principal payment on debt.....	(125,013)	--
Proceeds from the issuance of senior subordinated notes....	150,000	--
Payments made on bridge loan.....	(105,000)	--
Proceeds from bridge loan.....	105,000	--
Proceeds from the senior discount notes.....	110,411	--
Proceeds from sale to minority interest.....	46,588	--
Proceeds from other notes payable.....	600	--
Proceeds from the issuance of note payable affiliate.....	3,341	--
Payments made for debt financing costs.....	(3,995)	--
Proceeds from the issuance of common stock.....	35,000	--
	-----	-----
Net cash provided by financing activities.....	482,820	--
	-----	-----
Net increase in cash.....	9,288	--
Cash at beginning of the period.....	--	--
	-----	-----
Cash at end of the period.....	\$ 9,288	\$ --
	-----	-----
Supplemental disclosures of cash flow information.....		
Cash paid during the year for Interest.....	\$ 3,480	\$ --
Income taxes.....	--	--

The accompanying notes are an integral part of these consolidated financial statements.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

1. BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

Avalon Cable of Michigan Holdings, Inc. ("the Company") was formed in June 1998, pursuant to the laws of the state of Delaware. Avalon Cable of Michigan Inc. ("Avalon Michigan") was formed in June 1998, pursuant to the laws of the state of Delaware as a wholly owned subsidiary of the Company. On June 3, 1998, Avalon Michigan entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Cable Michigan, Inc. ("Cable Michigan") and Avalon Michigan, pursuant to which Avalon Michigan will merge into Cable Michigan and Cable Michigan will become a wholly owned subsidiary of the Company (the "Merger").

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of Cable Michigan outstanding prior to the effective time of the Merger (other than treasury stock shares owned by the Company or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

In conjunction with the acquisition of Cable Michigan, Avalon Michigan acquired Cable Michigan's 62% ownership interest in Mercom, Inc. ("Mercom").

On November 6, 1998, Avalon Michigan completed its merger into and with Cable Michigan. The total consideration paid in conjunction with the merger, including fees and expenses was \$431,629, including repayment of all existing Cable Michigan indebtedness and accrued interest of \$135,205. Subsequent to the merger, the arrangements with RCN and CTE for certain support services were terminated. The Agreement also permitted Avalon Michigan to agree to acquire the remaining shares of Mercom that it did not own.

The Company contributed \$137,375 in cash to Avalon Michigan, which was used to consummate the Merger. On November 5, 1998, the Company received \$105,000 in cash in exchange for promissory notes to lenders (the "Bridge Agreement"). On November 6, 1998, the Company contributed the proceeds received from the Bridge Agreement and an additional \$35,000 in cash to Avalon Michigan in exchange for 100 shares of common stock.

On November 6, 1998, Avalon Cable of New England Holdings, Inc. contributed its 100% interest in Avalon Cable of New England LLC ("Avalon New England") to Avalon Cable LLC in exchange for a membership interest in Avalon Cable LLC. This contribution was between entities under common control and was accounted for similar to a pooling-of-interests. Under this pooling-of-interests method, the results of operations for Avalon include the results of operations from the date of inception (September 4, 1997) of Avalon New England. On that same date, Avalon Cable LLC received \$63,000 from affiliated entities, which was comprised of (i) a \$45,000 capital contribution by Avalon Investors, LLC ("Avalon Investors") and (ii) a \$18,000 promissory note from Avalon Cable Holdings LLC ("Avalon Holdings"), which was used to make a \$62,800 cash contribution to Avalon New England.

The cash contribution received by Avalon New England was used to (i) extinguish existing indebtedness of \$29,600 and (ii) fund a \$33,200 loan to Avalon Holdings Finance which matures on December 31, 2001.

On December 10, 1998, Avalon Cable LLC received a dividend distribution from Avalon New England in the amount of \$18,206, which was used by Avalon Cable LLC to pay off the promissory note payable to Avalon Holdings, plus accrued interest.

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On March 26, 1999, after the acquisition of Mercom, Inc., the Company completed a series of transactions to facilitate certain aspects of its financing between affiliated entities under common control. As a result of these transactions:

- Avalon Michigan contributed its assets and liabilities excluding deferred tax liabilities, net to Avalon Cable LLC in exchange for an approximate 88% voting interest in Avalon Cable LLC. Avalon Cable LLC contributed these assets and liabilities to its wholly-owned subsidiary, Avalon Cable of Michigan LLC ("Avalon Michigan LLC");
- Avalon Michigan LLC has become the operator of the Michigan cluster replacing Avalon Michigan;
- Avalon Michigan LLC is an obligor on the Senior Subordinated Notes replacing Avalon Michigan; and
- Avalon Michigan is a guarantor of the obligations of Avalon Michigan LLC under the Senior Subordinated Notes. Avalon Michigan does not have significant assets, other than its investment in Avalon Cable LLC.
- The Company contributed the Senior Discount Notes to Avalon Cable LLC and became a guarantor of the Senior Discount Notes. The Company does not have significant assets, other than its 88% investment in Avalon Cable LLC.

As a result of this reorganization between entities under common control, the Company accounted for the reorganization similar to a pooling-of-interests. Under the pooling-of-interests method, the results of operations include the results of operations from the earliest date that a member became a part of the control group by inception or acquisition. For the Company, the results of operations are from the date of inception (September 4, 1997) for Avalon New England, a wholly-owned subsidiary of Avalon Cable LLC.

Avalon Michigan has a majority-interest in Avalon Cable LLC. Avalon Cable LLC wholly-owns Avalon Cable Holdings Finance, Avalon New England, and Avalon Michigan LLC.

Avalon New England and Avalon Michigan provide cable service to the western New England area and the state of Michigan, respectively. Avalon New England and Avalon Michigan LLC's cable systems offer customer packages for basic cable programming services which are offered at a per channel charge or packaged together to form a tier of services offered at a discount from the combined channel rate. Avalon New England and Avalon Michigan LLC's cable systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principle sources of revenue for the Company.

Avalon Holdings Finance was formed for the sole purpose of facilitating financings associated with the acquisitions of various cable operating companies. Avalon Holdings Finance conducts no other activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and of all its wholly and majority owned subsidiaries. All significant transactions between the Company and its subsidiaries have been eliminated.

AVALON CABLE OF MICHIGAN HOLDINGS, INC. AND SUBSIDIARIES

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Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenues from cable services are recorded in the month the service is provided. Installation fee revenue is recognized in the period in which the installation occurs to the extent that direct selling costs meet or exceed installation revenues.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was \$82 for the year ended December 31, 1998.

Concentration of credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk include cash and subscriber and other receivables. The Company had cash in excess of federally insured deposits at financial institutions at December 31, 1998. The Company does not believe that such deposits are subject to any unusual credit risk beyond the normal credit risk associated with operating its business. The Company extends credit to customers on an unsecured basis in the normal course of business. The Company maintains reserves for potential credit losses and such losses, in the aggregate, have not historically exceeded management's expectations. The Company's trade receivables reflect a customer base centered in Michigan and New England. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

Property, plant and equipment

Property, plant and equipment is stated at its fair value for items acquired from Cable Michigan, historical cost for the minority interests' share of Mercom property, plant and equipment and cost for additions subsequent to the merger. Initial subscribers installation costs, including materials, labor and overhead costs, are capitalized as a component of cable plant and equipment. The cost of disconnection and reconnection are charged to expense when incurred. Depreciation is computed for financial statement purposes using the straight-line method based on the following lives:

Buildings and improvements.....	10-25 years
Cable plant and equipment.....	5-12 years
Vehicles.....	5 years
Office furniture and equipment.....	5-10 years

Intangible assets

Intangible assets represent the estimated fair value of cable franchises and goodwill resulting from acquisitions. Cable franchises are amortized over a period ranging from 13 to 15 years on a straight-line basis. Goodwill is the excess of the purchase price over the fair value of the net assets acquired, determined through

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an independent appraisal, and is amortized over 15 years using the straight-line method. Deferred financing costs represent direct costs incurred to obtain long-term financing and are amortized to interest expense over the term of the underlying debt utilizing the effective interest method.

Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

Fair value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. The Company estimates that the fair value of all financial instruments at December 31, 1998 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The fair value of the notes payable-affiliate are considered to be equal to carrying values since the Company believes that its credit risk has not changed from the time this debt instrument was executed and therefore, would obtain a similar rate in the current market.

b. The fair value of the cash and temporary cash investments approximates fair value because of the short maturity of these instruments.

Income taxes

The Company and Mercom file separate consolidated federal income tax returns. The Company accounts for income taxes using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

3. MERGER AND ACQUISITIONS

The Merger was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on their fair market values at the date of the Merger. The purchase price was allocated as follows: current assets and liabilities at fair values of \$470, approximately \$94,000 to property, plant and equipment, \$315,000 to cable franchises and the excess of consideration paid

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over the fair market value of the net assets acquired, or goodwill, of \$81,705, offset by deferred taxes, net of \$60,000.

The Merger agreement between the Company and Avalon Michigan permitted Avalon Michigan to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 Avalon Michigan and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by Avalon Michigan of all of such shares at a price of \$12.00 per share. Avalon Michigan completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

On May 29, 1998, the Company acquired certain assets of Amrac Clear View, A Limited Partnership ("Amrac") for consideration of \$8,124, including acquisition costs of \$589. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through the use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$256.

On July 21, 1998, the Company acquired certain assets and liabilities from Pegasus Cable Television, Inc. and Pegasus Cable Television of Connecticut, Inc. (collectively, "Pegasus") for consideration of \$30,467, including acquisition costs of \$175. The acquisition was accounted for using the purchase method of accounting. Accordingly, the consideration was allocated to the net assets acquired based on the fair market values at the date of acquisition as determined through use of an independent appraisal. The excess of the consideration paid over the estimated fair market value of the net assets acquired, or goodwill, was \$977.

Following is the unaudited pro forma results of operations for the year ended December 31, 1998, as if the Merger and acquisitions occurred on January 1, 1998:

	DECEMBER 31, 1998 ----- (UNAUDITED)
Revenue.....	\$ 96,751 =====
Loss from operations.....	\$ (5,292) =====
Net loss.....	\$(22,365) =====

In March 1999, Avalon Michigan acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

In September 1998, the Company entered into a definitive agreement to purchase all of the cable systems of Taconic Technology Corporation ("Taconic") for approximately \$8,525 (excluding transaction fees). As of December 31, 1998, the Company incurred \$41 of transaction costs related to the acquisition of Taconic. This merger is expected to close in the second quarter of 1999.

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4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

Cable plant and equipment.....	\$106,602
Vehicles.....	2,572
Buildings and improvements.....	1,026
Office furniture and equipment.....	2,234
Construction in process.....	768

Total property, plant and equipment.....	113,202
Less-accumulated depreciation.....	(1,781)

Property, plant and equipment, net.....	\$111,421
	=====

Depreciation expense was \$1,781 for the year ended December 31, 1998.

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

Cable Franchise.....	\$374,773
Goodwill.....	82,928
Deferred Financing Costs.....	10,658
Non-compete agreement.....	100

Total.....	468,459
Less-accumulated amortization.....	(6,342)

Intangible assets, net.....	\$462,117
	=====

Amortization expense for the year ended December 31, 1998 was \$6,342.

6. ACCOUNT PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

Accounts payable.....	\$ 5,321
Accrued corporate expenses.....	404
Accrued cable programming costs.....	2,388
Accrued taxes.....	1,383
Other.....	2,150

	\$11,646
	=====

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7. INCOME TAXES

The income tax provision (benefit) in the accompanying consolidated financial statements of operations is comprised of the following:

	1998

Current	
Federal.....	\$ 243
State.....	--
Total Current.....	----- 243
Deferred	
Federal.....	(2,757)
State.....	(240)
Total Deferred.....	----- (2,997)
Total (benefit) for income taxes.....	----- \$(2,754) =====

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1998. The differences are as follows:

	1998

(Loss) before (benefit) for income taxes.....	\$(8,833) =====
Federal tax (benefit) at statutory rates.....	\$(3,092)
State income taxes.....	(177)
Goodwill.....	77
Benefit for taxes allocated to minority partners.....	84
(Benefit) for income taxes.....	----- \$(3,108) =====

YEAR	TAX NET OPERATING LOSSES	EXPIRATION DATE
-----	-----	-----
1998.....	\$10,360	2018

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Temporary differences that give rise to significant portion of deferred tax assets and liabilities at December 31 are as follows:

	1998
NOL carryforwards.....	\$ 5,363
Alternative minimum tax credits.....	141
Reserves.....	210
Other, net.....	309

Total deferred assets.....	6,023

Property, plant and equipment.....	(10,635)
Intangible assets.....	(76,199)

Total deferred liabilities.....	(86,834)

Subtotal.....	(80,811)

Valuation allowance.....	--

Total deferred taxes.....	\$(80,811)
	=====

The tax benefit related to the loss on extinguishment of debt results in deferred tax, and it approximates the statutory U.S. tax rate. The tax benefit of \$2,036 related to the exercise of certain stock options of Cable Michigan Inc. was charged directly to goodwill in conjunction with the closing of the merger.

8. DEBT

At December 31, 1998, long-term debt consists of the following:

Senior Credit Facility.....	\$140,875
Senior Subordinated Notes.....	150,000
Senior Discount Notes.....	111,494
Other Note Payable.....	600

	402,969
Current portion.....	20

	\$402,949
	=====

Credit Facilities

On May 28, 1998, Avalon New England entered into a term loan and revolving credit agreement with a major commercial lending institution (the "Credit Agreement"). The Credit Agreement allowed for aggregate borrowings under Term Loans A and B (collectively, the "Term Loans") and a revolving credit facility of \$30,000 and \$5,000, respectively. The proceeds from the Term Loans and revolving credit facility were used to fund the acquisitions made by Avalon New England and to provide for Avalon New England's working capital requirements.

In December 1998, Avalon New England retired the Term Loans and revolving credit agreement through the proceeds of a capital contribution from Avalon Cable LLC. The fees and associated costs relating to the early retirement of this debt was \$1,110.

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On November 6, 1998, Avalon Michigan became a co-borrower along with Avalon New England and Avalon Cable Finance, Inc. (Avalon Finance), affiliated companies, collectively referred to as the ("Co-Borrowers") on a \$320,888 senior credit facility, which includes term loan facilities consisting of (i) tranche A term loans of \$120,888 and (ii) tranche B term loans of \$170,000 and a revolving credit facility of \$30,000 (collectively, the "Credit Facility"). Subject to compliance with the terms of the Credit Facility, borrowings under the Credit Facility will be available for working capital purposes, capital expenditures and pending and future acquisitions. The ability to advance funds under the tranche A term loan facility terminated on March 31, 1999. The tranche A term loans are subject to minimum quarterly amortization payments commencing on January 31, 2001 and maturing on October 31, 2005. The tranche B term loans are scheduled to be repaid in two equal installments on July 31, 2006 and October 31, 2006. The revolving credit facility borrowings are scheduled to be repaid on October 31, 2005.

On November 6, 1998, Avalon Michigan borrowed \$265,888 under the Credit Facility in order to consummate the Merger. In connection with the Senior Subordinated Notes (as defined below) and Senior Discount Notes (as defined below) offerings, Avalon Michigan repaid \$125,013 of the Credit Facility, and the availability under the Credit Facility was reduced to \$195,000. Avalon Michigan had borrowings of \$11,300 and \$129,575 outstanding under the tranche A and tranche B term note facilities, and had available \$30,000 for borrowings under the revolving credit facility. Avalon New England and Avalon Finance had no borrowings outstanding under the Credit Facility at December 31, 1998.

The interest rate under the Credit Facility is a rate based on either (i) the base rate (a rate per annum equal to the greater of the Prime Rate and the Federal Funds Effective Rate plus 1/2 of 1%) or (ii) the Eurodollar rate (a rate per annum equal to the Eurodollar Base Rate divided by 1.00 less the Eurocurrency Reserve Requirements) plus, in either case, the applicable margin. As of December 31, 1998, the applicable margin was (a) with respect to the tranche B term loans was 2.75% per annum for Base Rate loans and 3.75% per annum for Eurodollar loans and (b) with respect to tranche A term loans and the revolving credit facility was 2.00% per annum for Base Rate loans and 3.00% for Eurodollar loans. The applicable margin for the tranche A term loans and the revolving credit facility are subject to performance based grid pricing which is determined based on upon the consolidated leverage ratio of the Co-Borrowers. The interest rate for the tranche B term loans outstanding at December 31, 1998 was 9.19%. Interest is payable on a quarterly basis. Accrued interest on the borrowings under the credit facility was \$1,389 at December 31, 1998.

The Credit Facility contains restrictive covenants which among other things require the Co-Borrowers to maintain certain ratios including consolidated leverage ratios and the interest coverage ratio, fixed charge ratio and debt service coverage ratio.

The obligations of the Co-Borrowers under the Credit Facility are secured by substantially all of the assets of the Co-Borrowers. In addition, the obligations of the Co-Borrowers under the Credit Facility are guaranteed by the Company, Avalon Cable LLC, Avalon Cable Finance Holdings, Inc., Avalon Cable of New England Holdings, Inc. and Avalon Cable Holdings, LLC.

A Change of Control as defined under the Credit Facility agreement would constitute an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable.

Subordinated Debt

In December 1998, Avalon Michigan became a co-issuer of a \$150,000 principal balance, Senior Subordinated Notes ("Subordinated Notes") offering and Michigan Holdings became a co-issuer of a \$196,000, gross proceeds, Senior Discount Notes (defined below) offering. In conjunction with these

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financings, Avalon Michigan paid \$18,130 to Avalon Finance as a partial payment against Avalon Michigan's note payable-affiliate. Avalon Michigan paid \$76 in interest on this note payable-affiliate during the period from inception (June 2, 1998) through December 31, 1998.

The Subordinated Notes mature on December 1, 2008, and interest accrued at a rate of 9.375% per annum. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on June 1, 1999. Accrued interest on the Subordinated Notes was \$1,078 at December 31, 1998.

The Senior Subordinated Notes will not be redeemable at the Co-Borrowers' option prior to December 1, 2003. Thereafter, the Senior Subordinated Notes will be subject to redemption at any time at the option of the Co-Borrowers, in whole or in part at the redemption prices (expressed as percentages of principal amount) plus accrued and unpaid interest, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
- - - - -	- - - - -
2003.....	104.688%
2004.....	103.125%
2005.....	101.563%
2006 and thereafter.....	100.000%

The scheduled maturities of the long-term debt are \$2,000 in 2001, \$4,000 in 2002, \$72,479 in 2003, and the remainder thereafter.

At any time prior to December 1, 2001, the Co-Borrowers may on any one or more occasions redeem up to 35% of the aggregate principal amount of Senior Subordinate Notes originally issued under the Indenture at a redemption price equal to 109.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Subordinated Notes originally issued remain outstanding immediately after each such redemption.

As used in the preceding paragraph, "Equity Offering and Strategic Equity Investment" means any public or private sale of Capital Stock of any of the Co-Borrowers pursuant to which the Co-Borrowers together receive net proceeds of at least \$25 million, other than issuances of Capital Stock pursuant to employee benefit plans or as compensation to employees; provided that to the extent such Capital Stock is issued by the Co-Borrowers, the net cash proceeds thereof shall have been contributed to one or more of the Co-Borrowers in the form of an equity contribution.

The Indentures provide that upon the occurrence of a change of control (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash to 101% of the aggregate principal amount thereon plus accrued and unpaid interest and Liquidated Damages (as defined in the Indentures) thereof, if any, to the date of purchase.

The Senior Discount Notes

On December 3, 1998, the Company, Avalon Cable LLC and Avalon Cable Holdings Finance, Inc. ("Holdings Co-Borrowers") issued \$196.0 million aggregate principal amount at maturity of 11 7/8% Senior Discount Notes ("Senior Discount Notes") due 2008.

The Senior Discount Notes were issued at a substantial discount from their principal amount at maturity, to generate gross proceeds of approximately \$110.4 million. Interest on the Senior Discount Notes will accrue

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but not be payable before December 1, 2003. Thereafter, interest on the Senior Discount Notes will accrue on the principal amount at maturity at a rate of 11.875% per annum, and will be payable semi-annually in arrears on June 1 and December 1 of each year, commencing December 1, 2003. Prior to December 1, 2003, the accreted value of the Senior Discount Notes will increase, representing amortization of original issue discount, between the date of original issuance and December 1, 2003 on a semi-annual basis using a 360-day year comprised of twelve 30-day months, such that the accreted value shall be equal to the full principal amount at maturity of the Senior Discount Notes on December 1, 2003. Original issue discount accretion on the Senior Discount Notes was \$1,083 at December 31, 1998.

On December 1, 2003, the Holding Co-borrowers will be required to redeem an amount equal to \$369.79 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding on a pro rata basis at a redemption price of 100% of the principal amount at maturity of the Senior Discount Notes so redeemed.

On or after December 1, 2003, the Senior Discount Notes will be subject to redemption at any time at the option of the Holding Co-borrowers, in whole or in part, at the redemption prices, which are expressed as percentages of principal amount, shown below plus accrued and unpaid interest, if any, and liquidated damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

YEAR	PERCENTAGE
- - - - -	-----
2003.....	105.938%
2004.....	103.958%
2005.....	101.979%
2006 and thereafter.....	100.000%

Notwithstanding the foregoing, at any time before December 1, 2001, the holding companies may on any one or more occasions redeem up to 35% of the aggregate principal amount at maturity of senior discount notes originally issued under the Senior Discount Note indenture at a redemption price equal to 111.875% of the accreted value at the date of redemption, plus liquidated damages, if any, to the redemption date, with the net cash proceeds of any equity offering and/or the net cash proceeds of a strategic equity investment; provided that at least 65% of the aggregate principal amount at maturity of Senior Discount Notes originally issued remain outstanding immediately after each occurrence of such redemption.

Upon the occurrence of a Change of Control, each holder of Senior Discount Notes will have the right to require the Holding Co-borrowers to repurchase all or any part of such holder's Senior Discount Notes pursuant to a Change of Control offer at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and liquidated damages thereon, if any, to the date of purchase.

Note Payable

Avalon New England issued a note payable for \$500 which is due on May 29, 2003, and bears interest at a rate of 7% per annum (which approximates Avalon New England's incremental borrowing rate) payable annually. Additionally, Avalon New England has a \$100 non-compete agreement. The agreement calls for five annual payments of \$20, commencing on May 29, 1999.

Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

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On September 29, 1997, Avalon Michigan purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables at December 31, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

9. MINORITY INTEREST

The activity in minority interest for the year ended December 31, 1998 is as follows:

	MERCOM	AVALON CABLE LLC	TOTAL
	-----	-----	-----
Issuance of Class A units by Avalon Cable LLC.....	\$ --	\$45,000	\$45,000
Issuance of Class B-1 units by Avalon Cable LLC.....	--	4,345	4,345
Allocated to minority interest prior to restructuring.....	--	365	365
Purchase of Cable Michigan, Inc.....	13,457	--	13,457
Income (loss) allocated to minority interest.....	398	(1,729)	(1,331)
	-----	-----	-----
Balance at December 31, 1998.....	\$13,855	\$47,981	\$61,836
	=====	=====	=====

10. EMPLOYEE BENEFIT PLANS

Avalon Michigan has a qualified savings plan under Section 401(K) of the Internal Revenue Code. Contributions charged to expense for the period from November 5, 1998 to December 31, 1998 was \$30.

11. COMMITMENTS AND CONTINGENCIES

Leases

Avalon New England and Avalon Michigan rent poles from utility companies for use in their operations. While rental agreements are generally short-term, Avalon New England and Avalon Michigan anticipate such rentals will continue in the future. Avalon New England and Avalon Michigan also lease office facilities and various items of equipment under month-to-month operating leases. Rent expense was \$58 for the year ended December 31, 1998. Rental commitments are expected to continue at approximately \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

Legal Matters

The Company and its subsidiaries are subject to regulation by the Federal Communications Commission ("FCC") and other franchising authorities.

The Company and its subsidiaries are subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. The Company and its subsidiaries have either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that there will not be further additional challenges to its rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of the Company and its subsidiaries.

12. RELATED PARTY TRANSACTIONS AND BALANCES

During 1998, Avalon New England received \$3,341 from Avalon Holdings. In consideration for this amount, Avalon New England executed a note payable to Avalon Holdings. This note is recorded as note payable-affiliate on the balance sheet at December 31, 1998. Interest accrues at the rate of 5.57% per year and Avalon New England has recorded accrued interest on this note of \$100 at December 31, 1998.

13. SUBSEQUENT EVENT

In May 1999, the Company signed an agreement with Charter Communications, Inc. ("Charter Communications") under which Charter Communications agreed to purchase Avalon Cable LLC's cable television systems and assume some of their debt. The acquisition by Charter Communications is subject to regulatory approvals. The Company expects to consummate this transaction in the fourth quarter of 1999.

This agreement, if closed, would constitute a change in control under the Indenture pursuant to which the Senior Subordinated Notes and the Senior Discount Notes (collectively, the "Notes") were issued. The Indenture provides that upon the occurrence of a change of control of the Company (a "Change of Control") each holder of the Notes has the right to require the Company to purchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount thereon (or 101% of the accreted value for the Senior Discount Notes as of the date of purchase if prior to the full accretion date) plus accrued and unpaid interest and Liquidated Damages (as defined in the Indenture) thereof, if any, to the date of purchase.

This agreement, if closed, would represent a Change of Control which, on the closing date, constitutes an event of default under the Credit Facility giving the lender the right to terminate the credit commitment and declare all amounts outstanding immediately due and payable. Charter Communications has agreed to repay all amounts due under the Credit Facility or cause all events of default under the Credit Facility arising from the Change of Control to be waived.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
Avalon Cable of Michigan, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and changes in shareholders' deficit and of cash flows present fairly, in all material respects, the financial position of Cable Michigan, Inc. and subsidiaries (collectively, the "Company") at December 31, 1996 and 1997 and November 5, 1998, and the results of their operations and their cash flows for each of the two years ended December 31, 1996 and 1997 and the period from January 1, 1998 to November 5, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York
March 30, 1999

CABLE MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	NOVEMBER 5, 1998
	-----	-----
	(DOLLARS IN THOUSANDS)	
ASSETS		
Cash and temporary cash investments.....	\$ 17,219	\$ 6,093
Accounts receivable, net of reserve for doubtful accounts of \$541 at December 31, 1997 and \$873 at November 5, 1998....	3,644	4,232
Prepayments and other.....	663	821
Accounts receivable from related parties.....	166	396
Deferred income taxes.....	1,006	541
	-----	-----
Total current assets.....	22,698	12,083
Property, plant and equipment, net.....	73,836	77,565
Intangible assets, net.....	45,260	32,130
Deferred charges and other assets.....	803	9,442
	-----	-----
Total assets.....	\$142,597	\$131,220
	=====	=====
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current portion of long-term debt.....	\$ --	\$ 15,000
Accounts payable.....	5,564	8,370
Advance billings and customer deposits.....	2,242	1,486
Accrued taxes.....	167	1,035
Accrued cable programming expense.....	2,720	5,098
Accrued expenses.....	4,378	2,052
Accounts payable to related parties.....	1,560	343
	-----	-----
Total current liabilities.....	16,631	33,384
Long-term debt.....	143,000	120,000
Deferred income taxes.....	22,197	27,011
	-----	-----
Total liabilities.....	181,828	180,395
	-----	-----
Minority interest.....	14,643	14,690
	-----	-----
Commitments and contingencies (Note 11).....	--	--
Preferred Stock.....	--	--
Common stock.....	--	--
Common shareholders' deficit.....	(53,874)	(63,865)
	-----	-----
Total Liabilities and Shareholders' Deficit.....	\$142,597	\$131,220
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD FROM JANUARY 1, 1998 TO NOVEMBER 5, 1998
	----- 1996 -----	----- 1997 -----	
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AND SHARE AMOUNTS)			
Revenues.....	\$ 76,187	\$ 81,299	\$ 74,521
Costs and expenses, excluding management fees and depreciation and amortization.....	40,593	44,467	41,552
Management fees.....	3,498	3,715	3,156
Depreciation and amortization.....	31,427	32,082	28,098
Merger related expenses.....	--	--	5,764
	-----	-----	-----
Operating income.....	669	1,035	(4,049)
Interest income.....	127	358	652
Interest expense.....	(15,179)	(11,751)	(8,034)
Gain on sale of Florida cable system.....	--	2,571	--
Other (expense), net.....	(736)	(738)	(937)
	-----	-----	-----
(Loss) before income taxes.....	(15,119)	(8,525)	(12,368)
(Benefit) from income taxes.....	(5,712)	(4,114)	(1,909)
	-----	-----	-----
(Loss) before minority interest and equity in unconsolidated entities.....	(9,407)	(4,411)	(10,459)
Minority interest in loss (income) of consolidated entity.....	1,151	53	(75)
	-----	-----	-----
Net (Loss).....	\$ (8,256)	\$ (4,358)	\$ (10,534)
	=====	=====	=====
Basic and diluted earnings per average common share Net (loss) to shareholders.....	\$ (1.20)	\$ (.63)	\$ (1.53)
Average common shares and common stock equivalents outstanding.....	6,864,799	6,870,528	6,891,932

The accompanying notes are an integral part of these consolidated financial
statements.

CABLE MICHIGAN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1997 AND THE PERIOD FROM
JANUARY 1, 1998 TO NOVEMBER 5, 1998

	COMMON SHARES OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	DEFICIT	SHAREHOLDER'S NET INVESTMENT	TOTAL SHAREHOLDERS' DEFICIT
(DOLLARS IN THOUSANDS EXCEPT SHARE AMOUNTS)						
Balance, December 31, 1995.....	1,000	\$ 1	\$ --	\$ --	\$(73,758)	\$(73,757)
Net loss.....	--	--	--	--	(8,256)	(8,256)
Transfers from CTE.....	--	--	--	--	2,272	2,272
Balance, December 31, 1996.....	1,000	1	--	--	(79,742)	(79,741)
Net loss from 1/1/97 through 9/30/97.....	--	--	--	--	(3,251)	(3,251)
Net loss from 10/1/97 through 12/31/97.....	--	--	--	(1,107)	--	(1,107)
Transfers from RCN Corporation.....	--	--	--	--	30,225	30,225
Common stock issued in connection with the Distribution.....	6,870,165	6,870	--	(59,638)	52,768	--
Balance, December 31, 1997.....	6,871,165	6,871	--	(60,745)	--	(53,874)
Net loss from January 1, 1998 to November 5, 1998.....	--	--	--	(10,534)	--	(10,534)
Exercise of stock options.....	30,267	30	351	--	--	381
Tax benefits of stock option exercises.....	--	--	162	--	--	162
Balance, November 5, 1998.....	6,901,432	\$6,901	\$513	\$(71,279)	\$ --	\$(63,865)

The accompanying notes are an integral part of these consolidated financial statements.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD FROM JANUARY 1, 1998 TO NOVEMBER 5, 1998
	1996	1997	
	(DOLLARS IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss).....	\$ (8,256)	\$ (4,358)	\$(10,534)
Gain on pension curtailment/settlement.....	(855)	--	--
Depreciation and amortization.....	31,427	32,082	28,098
Deferred income taxes, net.....	988	(4,359)	(3,360)
Provision for losses on accounts receivable.....	843	826	710
Gain on sale of Florida cable systems.....	--	(2,571)	--
Increase (decrease) in minority interest.....	(1,151)	(53)	47
Other non-cash items.....	2,274	1,914	--
Net change in certain assets and liabilities, net of business acquisitions			
Accounts receivable and customer deposits.....	(1,226)	(617)	(2,054)
Accounts payable.....	1,365	2,234	2,806
Accrued expenses.....	125	580	52
Accrued taxes.....	(99)	61	868
Accounts receivable from related parties.....	567	1,549	(230)
Accounts payable to related parties.....	1,314	(8,300)	(1,217)
Other, net.....	501	(644)	(158)
	27,817	18,344	15,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment.....	(9,605)	(14,041)	(18,697)
Acquisitions, net of cash acquired.....	--	(24)	--
Proceeds from sale of Florida cable systems.....	--	3,496	--
Other.....	390	560	--
	(9,215)	(10,009)	(18,697)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt.....	--	128,000	--
Redemption of long-term debt.....	(1,500)	(17,430)	(8,000)
Proceeds from the issuance of common stock.....	--	--	543
Transfers from CTE.....	--	12,500	--
Change in affiliate notes, net.....	(16,834)	(116,836)	--
Payments made for debt financing costs.....	--	(647)	--
	(18,334)	5,587	(7,457)
Net increase/(decrease) in cash and temporary cash investments.....	268	13,922	(11,126)
Cash and temporary cash investments at beginning of year.....	3,029	3,297	17,219
	\$ 3,297	\$ 17,219	\$ 6,093
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for Interest.....	\$ 15,199	\$ 11,400	\$ 7,777
Income taxes.....	29	370	315

Supplemental Schedule of Non-cash Investing and Financing Activities:

In September 1997, in connection with the transfer of CTE's investment in Mercom to the Company, the Company assumed CTE's \$15,000 Term Credit Facility.

Certain intercompany accounts receivable and payable and intercompany note balances were transferred to shareholders' net investment in connection with the Distribution described in note 1.

The accompanying notes are an integral part of these consolidated financial statements.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

1. BACKGROUND AND BASIS OF PRESENTATION

Prior to September 30, 1997, Cable Michigan, Inc. and subsidiaries (the "Company") was operated as part of C-TEC Corporation ("C-TEC"). On September 30, 1997, C-TEC distributed 100 percent of the outstanding shares of common stock of its wholly owned subsidiaries, RCN Corporation ("RCN") and the Company to holders of record of C-TEC's Common Stock and C-TEC's Class B Common Stock as of the close of business on September 19, 1997 (the "Distribution") in accordance with the terms of the Distribution Agreement dated September 5, 1997 among C-TEC, RCN and the Company. The Company consists of C-TEC's Michigan cable operations, including its 62% ownership in Mercom, Inc. ("Mercom"). In connection with the Distribution, C-TEC changed its name to Commonwealth Telephone Enterprises, Inc. ("CTE"). RCN consists primarily of C-TEC's bundled residential voice, video and Internet access operations in the Boston to Washington, D.C. corridor, its existing New York, New Jersey and Pennsylvania cable television operations, a portion of its long distance operations and its international investment in Megacable, S.A. de C.V. C-TEC, RCN, and the Company continue as entities under common control until the Company completes the Merger (as described below).

On June 3, 1998, the Company entered into an Agreement and Plan of Merger (the "Agreement") among the Company, Avalon Cable of Michigan Holdings Inc. ("Avalon Holdings") and Avalon Cable of Michigan Inc. ("Avalon Sub"), pursuant to which Avalon Sub will merge into the Company and the Company will become a wholly owned subsidiary of Avalon Holdings (the "Merger").

In accordance with the terms of the Agreement, each share of common stock, par value \$1.00 per share ("common stock"), of the Company outstanding prior to the effective time of the Merger (other than treasury stock, shares owned by Avalon Holdings or its subsidiaries, or shares as to which dissenters' rights have been exercised) shall be converted into the right to receive \$40.50 in cash (the "Merger Consideration"), subject to certain possible closing adjustments.

On November 6, 1998, the Company completed its merger into and with Avalon Cable Michigan, Inc. The total consideration payable in conjunction with the merger, including fees and expenses is approximately 431,600. Subsequent to the merger, the arrangements with RCN and CTE (as described below) were terminated. The Merger agreement also permitted the Company to agree to acquire the remaining shares of Mercom that it did not own.

Cable Michigan provides cable services to various areas in the state of Michigan. Cable Michigan's cable television systems offer customer packages for basic cable programming services which are offered at a per channel charge or packaged together to form a tier of services offered at a discount from the combined channel rate. Cable Michigan's cable television systems also provide premium cable services to their customers for an extra monthly charge. Customers generally pay initial connection charges and fixed monthly fees for cable programming and premium cable services, which constitute the principle sources of revenue for the Company.

The consolidated financial statements have been prepared using the historical basis of assets and liabilities and historical results of operations of all wholly and majority owned subsidiaries. However, the historical financial information presented herein reflects periods during which the Company did not operate as an independent company and accordingly, certain assumptions were made in preparing such financial information. Such information, therefore, may not necessarily reflect the results of operations, financial condition or cash flows of the Company in the future or what they would have been had the Company been an independent, public company during the reporting periods. All material intercompany transactions and balances have been eliminated.

RCN's corporate services group has historically provided substantial support services such as finance, cash management, legal, human resources, insurance and risk management. Prior to the Distribution, the

CABLE MICHIGAN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
 DECEMBER 31, 1998

corporate office of C-TEC allocated the cost for these services pro rata among the business units supported primarily based on assets; contribution to consolidated earnings before interest, depreciation, amortization, and income taxes; and number of employees. In the opinion of management, the method of allocating these costs is reasonable; however, such costs are not necessarily indicative of the costs that would have been incurred by the Company on a stand-alone basis.

CTE, RCN and the Company have entered into certain agreements subsequent to the Distribution, and governing various ongoing relationships, including the provision of support services between the three companies, including a distribution agreement and a tax-sharing agreement.

The fee per year for support services from RCN will be 4.0% of the revenues of the Company plus a direct allocation of certain consolidated cable administration functions of RCN. The direct charge for customer service along with the billing service and the cable guide service will be a pro rata share (based on subscribers) of the expenses incurred by RCN to provide such customer service and to provide such billing and cable guide service for RCN and the Company.

CTE has agreed to provide or cause to be provided to RCN and the Company certain financial data processing services for a transitional period after the Distribution. The fees for such services will be an allocated portion (based on relative usage) of the cost incurred by CTE to provide such financial data processing services to all three groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and temporary cash investments

For purposes of reporting cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be temporary cash investments. Temporary cash investments are stated at cost, which approximates market.

Property, plant and equipment and depreciation

Property, plant and equipment reflects the original cost of acquisition or construction, including payroll and related costs such as taxes, pensions and other fringe benefits, and certain general administrative costs.

Depreciation is provided on the straight-line method based on the useful lives of the various classes of depreciable property. The average estimated lives of depreciable cable property, plant and equipment are:

Buildings.....	12-25 years
Cable television distribution equipment.....	8.5-12 years
Vehicles.....	5 years
Other equipment.....	12 years

CABLE MICHIGAN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

Maintenance and repair costs are charged to expense as incurred. Major replacements and betterments are capitalized. Gain or loss is recognized on retirements and dispositions.

Intangible assets

Intangible assets are amortized on a straight-line basis over the expected period of benefit ranging from 5 to 19.3 years. Intangible assets include cable franchises. The cable systems owned or managed by the Company are constructed and operated under fixed-term franchises or other types of operating authorities (referred to collectively herein as "franchises") that are generally nonexclusive and are granted by local governmental authorities. The provisions of these local franchises are subject to federal regulation. Costs incurred to obtain or renew franchises are capitalized and amortized over the term of the applicable franchise agreement.

Accounting for impairments

The Company follows the provisions of Statement of Financial Accounting Standards No. 121 -- "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121").

SFAS 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the net future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected net future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles expected to be held and used is based on the fair value of the asset.

No impairment losses have been recognized by the Company pursuant to SFAS 121.

Revenue recognition

Revenues from cable programming services are recorded in the month the service is provided. Installation fee revenue is recognized in the period in which the installation occurs.

Advertising expense

Advertising costs are expensed as incurred. Advertising expense charged to operations was \$514, \$560, and \$505 in 1996, 1997, and for the period from January 1, 1998 to November 5, 1998 respectively.

Stock-based compensation

The Company applies Accounting Principles Board Opinion No. 25 -- "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its stock plans. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 -- "Accounting for Stock-Based Compensation" ("SFAS 123").

Earnings (loss) per share

The Company has adopted statement of Financial Accounting Standards No. 128 -- "Earnings Per Share" ("SFAS 128"). Basic earnings (loss) per share is computed based on net income (loss) divided by the weighted average number of shares of common stock outstanding during the period.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
DECEMBER 31, 1998

Diluted earnings (loss) per share is computed based on net income (loss) divided by the weighted average number of shares of common stock outstanding during the period after giving effect to convertible securities considered to be dilutive common stock equivalents. The conversions of stock options during periods in which the Company incurs a loss from continuing operations is not assumed since the effect is anti-dilutive. The number of stock options which would have been converted in 1997 and in 1998 and had a dilutive effect if the Company had income from continuing operations are 55,602 and 45,531, respectively.

For periods prior to October 1, 1997, during which the Company was a wholly owned subsidiary of C-TEC, earnings (loss) per share was calculated by dividing net income (loss) by one-fourth the average common shares of C-TEC outstanding, based upon a distribution ratio of one share of Company common stock for each four shares of C-TEC common equity owned.

Income taxes

The Company and Mercom file separate consolidated federal income tax returns. Prior to the Distribution, income tax expense was allocated to C-TEC's subsidiaries on a separate return basis except that C-TEC's subsidiaries receive benefit for the utilization of net operating losses and investment tax credits included in the consolidated tax return even if such losses and credits could not have been used on a separate return basis. The Company accounts for income taxes using Statement of Financial Accounting Standards No. 109 -- "Accounting for Income Taxes". The statement requires the use of an asset and liability approach for financial reporting purposes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between financial reporting basis and tax basis of assets and liabilities. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

Reclassification

Certain amounts have been reclassified to conform with the current year's presentation.

3. BUSINESS COMBINATION AND DISPOSITIONS

The Agreement between Avalon Cable of Michigan Holdings, Inc. and the Company permitted the Company to agree to acquire the 1,822,810 shares (approximately 38% of the outstanding stock) of Mercom that it did not own (the "Mercom Acquisition"). On September 10, 1998 the Company and Mercom entered into a definitive agreement (the "Mercom Merger Agreement") providing for the acquisition by the Company of all of such shares at a price of \$12.00 per share. The Company completed this acquisition in March 1999. The total estimated consideration payable in conjunction with the Mercom Acquisition, excluding fees and expenses was \$21,900.

In March 1999, Avalon Michigan Inc. acquired the cable television systems of Nova Cablevision, Inc., Nova Cablevision VI, L.P. and Nova Cablevision VII, L.P. for approximately \$7,800, excluding transaction fees.

In July 1997, Mercom sold its cable system in Port St. Lucie, Florida for cash of approximately \$3,500. The Company realized a pretax gain of \$2,571 on the transaction.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
 DECEMBER 31, 1998

4. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31, 1997	NOVEMBER 5, 1998
	-----	-----
Cable plant.....	\$ 158,655	\$ 174,532
Buildings and land.....	2,837	2,917
Furniture, fixtures and vehicles.....	5,528	6,433
Construction in process.....	990	401
	-----	-----
Total property, plant and equipment.....	168,010	184,283
Less accumulated depreciation.....	(94,174)	(106,718)
	-----	-----
Property, plant and equipment, net.....	\$ 73,836	\$ 77,565
	=====	=====

Depreciation expense was \$15,728, \$16,431 and \$14,968 for the years ended December 31, 1996 and 1997, and the period from January 1, 1998 to November 5, 1998, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following at:

	DECEMBER 31, 1997	NOVEMBER 5, 1998
	-----	-----
Cable Franchises.....	\$ 134,889	\$ 134,889
Noncompete agreements.....	473	473
Goodwill.....	3,990	3,990
Other.....	1,729	1,729
	-----	-----
Total.....	141,081	141,081
Less accumulated amortization.....	(95,821)	(108,951)
	-----	-----
Intangible assets, net.....	\$ 45,260	\$ 32,130
	=====	=====

Amortization expense charged to operations for the years ended December 31, 1996 and 1997 was \$15,699 and \$15,651, respectively, and \$13,130 for the period from January 1, 1998 to November 5, 1998.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
 DECEMBER 31, 1998

6. INCOME TAXES

The income tax provision (benefit) in the accompanying consolidated financial statements of operations is comprised of the following:

	1996	1997	1998
	-----	-----	-----
Current			
Federal.....	\$(6,700)	\$ 245	\$ 320
State.....	--	--	28
	-----	-----	-----
Total Current.....	(6,700)	245	348
	-----	-----	-----
Deferred:			
Federal.....	988	(4,359)	(2,074)
State.....	--	--	(183)
	-----	-----	-----
Total Deferred.....	988	(4,359)	(2,257)
	-----	-----	-----
Total (benefit) for income taxes.....	\$(5,712)	\$(4,114)	\$(1,909)
	=====	=====	=====

The benefit for income taxes is different from the amounts computed by applying the U.S. statutory federal tax rate of 35% for 1996, 34% for 1997 and 35% for the period from January 1, 1998 to November 5, 1998. The differences are as follows:

	YEAR ENDED DECEMBER 31,		PERIOD FROM JANUARY 1, 1998 TO NOVEMBER 11, 1998
	-----	-----	-----
	1996	1997	1998
	-----	-----	-----
(Loss) before (benefit) for income taxes.....	\$(15,119)	\$ (8,525)	\$(12,368)
	=====	=====	=====
Federal tax (benefit) at statutory rates.....	\$ (5,307)	\$ (2,899)	\$ (4,329)
State income taxes.....	--	--	(101)
Goodwill.....	175	171	492
Increase (decrease) in valuation allowance.....	(518)	(1,190)	--
Nondeductible expenses.....	--	147	2,029
Benefit of rate differential applied to reversing timing differences.....	--	(424)	--
Other, net.....	(62)	81	--
	-----	-----	-----
(Benefit) for income taxes.....	\$ (5,712)	\$ (4,114)	\$ (1,909)
	=====	=====	=====

Mercom, which files a separate consolidated income tax return, has the following net operating losses available:

YEAR	TAX NET OPERATING LOSSES	EXPIRATION DATE
-----	-----	-----
1992.....	\$ 435	2007
1995.....	\$2,713	2010

In 1997, Mercom was liable for Federal Alternative Minimum Tax (AMT). At December 31, 1997 and at November 5, 1998, the cumulative minimum tax credits are \$141 and \$141, respectively. This amount can be carried forward indefinitely to reduce regular tax liabilities that exceed AMT in future years.

CABLE MICHIGAN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)
 DECEMBER 31, 1998

Temporary differences that give rise to a significant portion of deferred tax assets and liabilities are as follows:

	DECEMBER 31, 1997	NOVEMBER 5, 1998
	-----	-----
NOL carryforwards.....	\$ 1,588	\$ 1,132
Alternative minimum tax credits.....	141	141
Reserves.....	753	210
Other, net.....	230	309
	-----	-----
Total deferred assets.....	2,712	1,792
	-----	-----
Property, plant and equipment.....	(11,940)	(10,515)
Intangible assets.....	(11,963)	(10,042)
	-----	-----
Total deferred liabilities.....	(23,903)	(20,557)
	-----	-----
Subtotal.....	(21,191)	(18,765)
Valuation allowance.....	--	--
	-----	-----
Total deferred taxes.....	\$(21,191)	\$(18,765)
	=====	=====

In the opinion of management, based on the future reversal of taxable temporary differences, primarily depreciation and amortization, the Company will more likely than not be able to realize all of its deferred tax assets. As a result, the net change in the valuation allowance for deferred tax assets during 1997 was a decrease of \$1,262, which \$72 related to Mercom of Florida.

Due to the sale of Mercom of Florida, the Company's deferred tax liabilities decreased by \$132.

7. DEBT

Long-term debt outstanding at November 5, 1998 is as follows:

	DECEMBER 31, 1997	NOVEMBER 5, 1998
	-----	-----
Term Credit Facility.....	\$100,000	\$100,000
Revolving Credit Facility.....	28,000	20,000
Term Loan.....	15,000	15,000
	-----	-----
Total.....	143,000	135,000
Current portion of long-term debt.....	--	15,000
	-----	-----
Total Long-Term Debt.....	\$143,000	\$120,000
	=====	=====

Credit Facility

The Company had an outstanding line of credit with a banking institution for \$3 million. No amounts were outstanding under this facility.

The Company has in place two secured credit facilities (the "Credit Facilities") pursuant to a single credit agreement with a group of lenders for which First Union National Bank acts as agent (the "Credit Agreement"), which was effective as of July 1, 1997. The first is a five-year revolving credit facility in the amount of \$65,000 (the "Revolving Credit Facility"). The second is an eight-year term credit facility in the amount of \$100,000 (the "Term Credit Facility").

CABLE MICHIGAN, INC. AND SUBSIDIARIES
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The interest rate on the Credit Facilities will be, at the election of the Company, based on either a LIBOR or a Base Rate option (6.25% at November 5, 1998) (each as defined in the Credit Agreement).

The entire amount of the Term Credit Facility has been drawn and as of November 5, 1998, \$100,000 of the principal was outstanding thereunder. The entire amount of the Revolving Credit Facility is available to the Company until June 30, 2002. As of November 5, 1998, \$20,000 of principal was outstanding thereunder. Revolving loans may be repaid and reborrowed from time to time.

The Term Credit Facility is payable over six years in quarterly installments, from September 30, 1999 through June 30, 2005. Interest only is due through June 1999. The Credit Agreement is currently unsecured.

The Credit Agreement contains restrictive covenants which, among other things, require the Company to maintain certain debt to cash flow, interest coverage and fixed charge coverage ratios and place certain limitations on additional debt and investments. The Company does not believe that these covenants will materially restrict its activities.

Term Loan

On September 30, 1997, the Company assumed all obligations of CTE under a \$15 million credit facility extended by a separate group of lenders for which First Union National Bank also acts as agent (the "\$15 Million Facility"). The \$15 Million Facility matures in a single installment on June 30, 1999 and is collateralized by a first priority pledge of all shares of Mercom owned by the Company. The \$15 Million Facility has interest rate provisions (6.25% at November 5, 1998), covenants and events of default substantially the same as the Credit Facilities.

On November 6, 1998, the long-term debt of the Company was paid off in conjunction with the closing of the merger.

Mercom debt

In August 1997, the Mercom revolving credit agreement for \$2,000 expired. Mercom had no borrowings under the revolving credit agreement in 1996 or 1997.

On September 29, 1997, the Company purchased and assumed all of the bank's interest in the term credit agreement and the note issued thereunder. Immediately after the purchase, the term credit agreement was amended in order to, among other things, provide for less restrictive financial covenants, eliminate mandatory amortization of principal and provide for a bullet maturity of principal on December 31, 2002, and remove the change of control event of default. Mercom's borrowings under the term credit agreement contain pricing and security provisions substantially the same as those in place prior to the purchase of the loan. The borrowings are secured by a pledge of the stock of Mercom's subsidiaries and a first lien on certain of the assets of Mercom and its subsidiaries, including inventory, equipment and receivables. At November 5, 1998, \$14,151 of principal was outstanding. The borrowings under the term credit agreement are eliminated in the Company's consolidated balance sheet.

8. COMMON STOCK AND STOCK PLANS

The Company has authorized 25,000,000 shares of \$1 par value common stock, and 50,000,000 shares of \$1 par value Class B common stock. The Company also has authorized 10,000,000 shares of \$1 par value preferred stock. At November 5, 1998, 6,901,432 common shares are issued and outstanding.

In connection with the Distribution, the Company Board of Directors (the "Board") adopted the Cable Michigan, Inc. 1997 Equity Incentive Plan (the "1997 Plan"), designed to provide equity-based compensation

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opportunities to key employees when shareholders of the Company have received a corresponding benefit through appreciation in the value of Cable Michigan Common Stock.

The 1997 Plan contemplates the issuance of incentive stock options, as well as stock options that are not designated as incentive stock options, performance-based stock options, stock appreciation rights, performance share units, restricted stock, phantom stock units and other stock-based awards (collectively, "Awards"). Up to 300,000 shares of Common Stock, plus shares of Common Stock issuable in connection with the Distribution related option adjustments, may be issued pursuant to Awards granted under the 1997 Plan.

All employees and outside consultants to the Company and any of its subsidiaries and all Directors of the Company who are not also employees of the Company are eligible to receive discretionary Awards under the 1997 Plan.

Unless earlier terminated by the Board, the 1997 Plan will expire on the 10th anniversary of the Distribution. The Board or the Compensation Committee may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the 1997 Plan in whole or in part.

Prior to the Distribution, certain employees of the Company were granted stock option awards under C-TEC's stock option plans. In connection with the Distribution, 380,013 options covering Common Stock were issued. Each C-Tec option was adjusted so that each holder would hold options to purchase shares of Commonwealth Telephone Enterprise Common Stock, RCN Common Stock and Cable Michigan Common Stock. The number of shares subject to, and the exercise price of, such options were adjusted to take into account the Distribution and to ensure that the aggregate intrinsic value of the resulting RCN, the Company and Commonwealth Telephone Enterprises options immediately after the Distribution was equal to the aggregate intrinsic value of the C-TEC options immediately prior to the Distribution.

Information relating to the Company stock options is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding December 31, 1995.....	301,000	
Granted.....	33,750	\$ 8.82
Exercised.....	(7,250)	--
Canceled.....	(35,500)	10.01
	-----	-----
Outstanding December 31, 1996.....	292,000	8.46
Granted.....	88,013	8.82
Exercised.....	--	--
Canceled.....	(375)	10.01
	-----	-----
Outstanding December 31, 1997.....	379,638	8.82
Granted.....	47,500	31.25
Exercised.....	(26,075)	26.21
Canceled.....	(10,250)	--
	-----	-----
Outstanding November 5, 1998.....	390,813	\$11.52
	=====	=====
Shares exercisable November 5, 1998.....	155,125	\$ 8.45

The range of exercise prices for options outstanding at November 5, 1998 was \$8.46 to \$31.25.

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No compensation expense related to stock option grants was recorded in 1997. For the period ended November 5, 1998 compensation expense in the amount of \$161 was recorded relating to services rendered by the Board.

Under the term of the Merger Agreement the options under the 1997 Plan vest upon the closing of the merger and each option holder will receive \$40.50 per option.

Pro forma information regarding net income and earnings per share is required by SFAS 123, and has been determined as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value of these options was estimated at the date of grant using a Black Scholes option pricing model with the following weighted average assumptions for the period ended November 5, 1998. The fair value of these options was estimated at the date of grant using a Black Scholes option pricing model with weighted average assumptions for dividend yield of 0% for 1996, 1997 and 1998; expected volatility of 39.5% for 1996, 38.6% prior to the Distribution and 49.8% subsequent to the Distribution for 1997 and 40% for 1998; risk-free interest rate of 5.95%, 6.52% and 5.68% for 1996, 1997 and 1998 respectively, and expected lives of 5 years for 1996 and 1997 and 6 years for 1998.

The weighted-average fair value of options granted during 1997 and 1998 was \$4.19 and \$14.97, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma net earnings and earnings per share were as follows:

	FOR THE YEARS ENDED DECEMBER 31,		FOR THE PERIOD FROM JANUARY 1, TO NOVEMBER 5, 1998
	1996	1997	
Net (Loss) as reported.....	\$(8,256)	\$(4,358)	\$(10,534)
Net (Loss) pro forma.....	(8,256)	(4,373)	(10,174)
Basic (Loss) per share -- as reported.....	(1.20)	(0.63)	(1.45)
Basic (Loss) per share -- pro forma.....	(1.20)	(0.64)	(1.48)
Diluted (Loss) per share -- as reported.....	(1.20)	(0.63)	(1.45)
Diluted (Loss) per share -- pro forma.....	(1.20)	(0.64)	(1.48)

In November 1996, the C-TEC shareholders approved a stock purchase plan for certain key executives (the "Executive Stock Purchase Plan" or "C-TEC ESPP"). Under the C-TEC ESPP, participants may purchase shares of C-TEC Common Stock in an amount of between 1% and 20% of their annual base compensation and between 1% and 100% of their annual bonus compensation and provided, however, that in no event shall the participant's total contribution exceed 20% of the sum of their annual compensation, as defined by the C-TEC ESPP. Participant's accounts are credited with the number of share units derived by dividing the amount of the participant's contribution by the average price of a share of C-TEC Common Stock at approximately the time such contribution is made. The share units credited to participant's account do not give such participant any rights as a shareholder with respect to, or any rights as a holder or record owner of, any shares of C-TEC Common Stock. Amounts representing share units that have been credited to a participant's account will be distributed, either in a lump sum or in installments, as elected by the participant, following the earlier of the participant's termination of employment with the Company or three calendar years following the date on which the share units were initially credited to the participant's account. It is anticipated that, at the time of distribution, a participant will receive one share of C-TEC Common Stock for each share unit being distributed.

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Following the crediting of each share unit to a participant's account, a matching share of Common Stock is issued in the participant's name. Each matching share is subject to forfeiture as provided in the C-TEC ESPP. The issuance of matching shares will be subject to the participant's execution of an escrow agreement. A participant will be deemed to be the holder of, and may exercise all the rights of a record owner of, the matching shares issued to such participant while such matching shares are held in escrow. Shares of restricted C-TEC Common Stock awarded under the C-TEC ESPP and share units awarded under the C-TEC ESPP that relate to C-TEC Common Stock were adjusted so that following the Distribution, each such participant was credited with an aggregate equivalent value of restricted shares of common stock of CTE, the Company and RCN. In September 1997, the Board approved the Cable Michigan, Inc. Executive Stock Purchase Plan, ("the "Cable Michigan ESPP"), with terms substantially the same as the C-TEC ESPP. The number of shares which may be distributed under the Cable Michigan ESPP as matching shares or in payment of share units is 30,000.

9. PENSIONS AND EMPLOYEE BENEFITS

Prior to the Distribution, the Company's financial statements reflect the costs experienced for its employees and retirees while included in the C-TEC plans.

Through December 31, 1996, substantially all employees of the Company were included in a trustee noncontributory defined benefit pension plan, maintained by C-TEC. Upon retirement, employees are provided a monthly pension based on length of service and compensation. C-TEC funds pension costs to the extent necessary to meet the minimum funding requirements of ERISA. Substantially, all employees of C-TEC's Pennsylvania cable television operations (formerly Twin Country Trans Video, Inc.) were covered by an underfunded plan which was merged into C-TEC's overfunded plan on February 28, 1996.

The information that follows relates to the entire C-TEC noncontributory defined benefit plan. The components of C-TEC's pension cost are as follows for 1996:

Benefits earned during the year (service costs).....	\$2,365
Interest cost on projected benefit obligation.....	3,412
Actual return on plan assets.....	(3,880)
Other components -- net.....	(1,456)

Net periodic pension cost.....	\$ 441
	=====

The following assumptions were used in the determination of the consolidated projected benefit obligation and net periodic pension cost (credit) for December 31, 1996:

Discount Rate.....	7.5%
Expected long-term rate of return on plan assets.....	8.0%
Weighted average long-term rate of compensation increases...	6.0%

The Company's allocable share of the consolidated net periodic pension costs (credit), based on the Company's proportionate share of consolidated annualized salaries as of the valuation date, was approximately \$10 for 1996. These amounts are reflected in operating expenses. As discussed below, no pension cost (credit) was recognized in 1997.

In connection with the restructuring, C-TEC completed a comprehensive study of its employee benefit plans in 1996. As a result of this study, effective December 31, 1996, in general, employees of the Company no longer accrue benefits under the defined benefit pension plans and became fully vested in their benefit accrued

CABLE MICHIGAN, INC. AND SUBSIDIARIES
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through that date. C-TEC notified affected participants in December 1996. In December 1996, C-TEC allocated pension plan assets of \$6,984 and the related liabilities to a separate plan for employees who no longer accrue benefits after sum distributions. The allocation of assets and liabilities resulted in a curtailment/settlement gain of \$4,292. The Company's allocable share of this gain was \$855. This gain results primarily from the reduction of the related projected benefit obligation. The curtailed plan has assets in excess of the projected benefit obligation.

C-TEC sponsors a 401(k) savings plan covering substantially all employees of the Company who are not covered by collective bargaining agreements. Contributions made by the Company to the 401(k) plan are based on a specific percentage of employee contributions. Contributions charged to expense were \$128 in 1996. Contributions charged to expense in 1997 prior to the Distribution were \$107.

In connection with the Distribution, the Company established a qualified saving plan under Section 401(k) of the Code. Contributions charged to expense in 1997 were \$53. Contributions charged to expense for the period from January 1, 1998 to November 5, 1998 were \$164.

10. COMMITMENTS AND CONTINGENCIES

Total rental expense, primarily for office space and pole rental, was \$984, \$908 and \$1,077 for the year ended December 31, 1996, 1997 and for the period from January 1, 1998 to November 5, 1998, respectively. Rental commitments are expected to continue to approximate \$1 million a year for the foreseeable future, including pole rental commitments which are cancelable.

The Company is subject to the provisions of the Cable Television Consumer Protection and Competition Act of 1992, as amended, and the Telecommunications Act of 1996. The Company has either settled challenges or accrued for anticipated exposures related to rate regulation; however, there is no assurance that there will not be further additional challenges to its rates. The 1996 statements of operations include charges aggregating approximately \$833 relating to cable rate regulation liabilities. No additional charges were incurred in the year ended December 31, 1997 and for the period from January 1, 1998 to November 5, 1998.

In the normal course of business, there are various legal proceedings outstanding. In the opinion of management, these proceedings will not have a material adverse effect on the financial condition or results of operations of the Company.

The Company has agreed to indemnify RCN and C-TEC and their respective subsidiaries against any and all liabilities which arise primarily from or relate primarily to the management or conduct of the business of the Company prior to the effective time of the Distribution. The Company has also agreed to indemnify RCN and C-TEC and their respective subsidiaries against 20% of any liability which arises from or relates to the management or conduct prior to the effective time of the Distribution of the businesses of C-TEC and its subsidiaries and which is not a true C-TEC liability, a true RCN liability or a true Company liability.

The Tax Sharing Agreement, by and among the Company, RCN and C-TEC (the "Tax Sharing Agreement"), governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns filed with respect to tax periods, in the case of the Company, ending or deemed to end on or before the Distribution date. Under the Tax Sharing Agreement, adjustments to taxes that are clearly attributable to the Company group, the RCN group, or the C-TEC group will be borne solely by such group. Adjustments to all other tax liabilities will be borne 50% by C-TEC, 20% by the Company and 30% by RCN.

Notwithstanding the above, if as a result of the acquisition of all or a portion of the capital stock or assets of the Company, the Distribution fails to qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, then the Company will be liable for any and all increases in tax attributable thereto.

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11. AFFILIATE AND RELATED PARTY TRANSACTIONS

The Company has the following transactions with affiliates:

	FOR THE YEAR ENDED		FOR THE PERIOD ENDED NOVEMBER 5, 1998
	1996	1997	
Corporate office costs allocated to the Company.....	\$ 3,498	\$ 3,715	\$1,866
Cable staff and customer service costs allocated from RCN			
Cable.....	3,577	3,489	3,640
Interest expense on affiliate notes.....	13,952	8,447	795
Royalty fees charged by CTE.....	585	465	--
Charges for engineering services.....	296	--	--
Other affiliate expenses.....	189	171	157

In addition, RCN has agreed to obtain programming from third party suppliers for Cable Michigan, the costs of which will be reimbursed to RCN by Cable Michigan. In those circumstances where RCN purchases third party programming on behalf of both RCN and the Company, such costs will be shared by each company, on a pro rata basis, based on each company's number of subscribers.

At December 31, 1997 and November 5, 1998, the Company has accounts receivable from related parties of \$166 and \$396 respectively, for these transactions. At December 31, 1997 and November 5, 1998, the Company has accounts payable to related parties of \$1,560 and \$343 respectively, for these transactions.

The Company had a note payable to RCN Corporation of \$147,567 at December 31, 1996 primarily related to the acquisition of the Michigan cable operations and its subsequent operations. The Company repaid approximately \$110,000 of this note payable in 1997. The remaining balance was transferred to shareholder's net investment in connection with the Distribution.

12. OFF BALANCE SHEET RISK AND CONCENTRATION OF CREDIT RISK

The Company places its cash and temporary investments with high credit quality financial institutions. The Company also periodically evaluates the creditworthiness of the institutions with which it invests. The Company does, however, maintain unsecured cash and temporary cash investment balances in excess of federally insured limits.

The Company's trade receivables reflect a customer base centered in the state of Michigan. The Company routinely assesses the financial strength of its customers; as a result, concentrations of credit risk are limited.

13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

a. The fair value of the revolving credit agreement is considered to be equal to carrying value since the debt re-prices at least every six months and the Company believes that its credit risk has not changed from the time the floating rate debt was borrowed and therefore, would obtain similar rates in the current market.

b. The fair value of the cash and temporary cash investments approximates fair value because of the short maturity of these instruments.

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14. QUARTERLY INFORMATION (UNAUDITED)

The Company estimated the following quarterly data based on assumptions which it believes are reasonable. The quarterly data may differ from quarterly data subsequently presented in interim financial statements.

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER -----	FOURTH QUARTER -----
1998				
Revenue.....	\$20,734	\$22,311	\$22,735	\$ 8,741
Operating income before depreciation, amortization, and management fees.....	9,043	10,047	10,185	12,277
Operating income (loss).....	7,000	(3,324)	(674)	(7,051)
Net (loss).....	(1,401)	(5,143)	(2,375)	(1,615)
Net (loss) per average Common Share.....	(0.20)	(0.75)	(0.34)	(0.23)
1997				
Revenue.....	\$19,557	\$20,673	\$20,682	\$20,387
Operating income before depreciation, amortization, and management fees.....	8,940	9,592	9,287	9,013
Operating income (loss).....	275	809	(118)	69
Net (loss).....	N/A	N/A	N/A	(1,107)
Net (loss) per average Common Share.....	N/A	N/A	N/A	(0.16)

The fourth quarter information for the quarter ended December 31, 1998 includes the results of operations of the Company for the period from October 1, 1998 through November 5, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunder duly authorized.

Dated March 28, 2000

CC V HOLDINGS, LLC

By: CHARTER COMMUNICATIONS, INC.

its Manager

By: /s/ JERALD L. KENT

Name: Jerald L. Kent
Title: President, Chief Executive Officer

Dated March 28, 2000

CC V HOLDINGS FINANCE, INC.

By: /s/ JERALD L. KENT

Name: Jerald L. Kent
Title: President, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ JERALD L. KENT March 28, 2000

Name: Jerald L. Kent
Title: President and Chief Executive Officer of Charter Communications, Inc. (Manager); CC V Holdings, LLC; and CC V Holdings Finance, Inc.

By: /s/ KENT D. KALKWARF March 28, 2000

Name: Kent D. Kalkwarf
Title: Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) of Charter Communications, Inc. (Manager); CC V Holdings, LLC; and CC V Holdings Finance, Inc.

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION	PAGE
2.1	Taconic Technology Corp. acquisition agreement.(1)	
2.2	Securities Purchase Agreement, dated as of May 13, 1999, by and between Avalon Cable Holdings, LLC, Avalon Investors, L.L.C., Avalon Cable of Michigan Holdings, Inc., CC V Holdings, LLC (formerly known as Avalon Cable LLC), Charter Communications Holdings LLC and Charter Communications, Inc.(1)	
3.1	Certificate of Formation of CC V Holdings, LLC (formerly known as Avalon Cable LLC).(2)	
3.1(a)	Amendment to Certificate of Formation of CC V Holdings, LLC (formerly known as Avalon Cable LLC).	E-3
3.2	Certificate of Incorporation of CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.).(2)	
3.5	Amended and Restated Limited Liability Company Agreement of CC V Holdings, LLC (formerly known as Avalon Cable LLC).(2)	
3.6	Amended and Restated By-Laws of CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.).	E-4
4.1	Indenture, dated as of December 10, 1998, by and among CC V Holdings, LLC (formerly known as Avalon Cable LLC), Avalon Cable of Michigan Holdings, Inc. and CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), as Issuers and The Bank of New York, as Trustee for the Notes.(2)	
4.2	Supplemental Indenture, dated as of March 26, 1999, by and among CC V Holdings, LLC (formerly known as Avalon Cable LLC), Avalon Cable of Michigan Holdings, Inc. and CC V Holdings Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), as Issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as Trustee for the Notes.(2)	
10.10	Credit Agreement, dated as of November 15, 1999, among CC V Holdings, LLC (formerly known as Avalon Cable LLC), CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC), and CC New England, LLC (formerly known as Avalon Cable of New England LLC), several banks and other financial institutions or entities named therein, First Union National Bank and PNC Bank, National Association, as syndication agents, Bank of Montreal, Chicago Branch and Mercantile Bank National Association, as co-documentation agents, and Bank of Montreal, as administrative agent.(3)	
10.10(a)	First Amendment to Credit Agreement, dated December 21, 1999, by and among CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC) and CC New England, LLC (formerly known as Avalon Cable of New England LLC) as borrowers, CC V Holdings, LLC (formerly known as Avalon Cable LLC) as guarantor and several banks and other financial institutions named therein.(4)	
27.1	Financial Data Schedule.	E-23

(1) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-75453) filed by CC Michigan, LLC (formerly known as Avalon Cable of Michigan LLC), CC New England, LLC (formerly known as Avalon Cable of New England LLC), Avalon Cable Finance, Inc. and Avalon Cable of Michigan, Inc. on May 28, 1999.

(2) Incorporated by reference to Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-75415) filed by CC V Holdings, LLC (formerly known as Avalon Cable LLC), CC V Holdings

Finance, Inc. (formerly known as Avalon Cable Holdings Finance, Inc.), Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. on May 28, 1999.

- (3) Incorporated by reference to the report on Form 8-K of Charter Communications, Inc. (File No. 333-83887) filed on November 29, 1999.
- (4) Incorporated by reference to the Annual Report on Form 10-K of Charter Communications, Inc. (File No. 000-27927) filed on March 28, 2000.

CERTIFICATE OF AMENDMENT

OF

AVALON CABLE LLC

AVALON CABLE LLC, a limited liability company organized and existing under and by virtue of the Limited Liability Company Act of the State of Delaware, DOES HEREBY CERTIFY:

1. Article 1. of the Certificate of Formation of the Limited Liability Company is hereby amended to read as follows:

1. Name. The name of the Limited Liability Company is CC V HOLDINGS, LLC

2. That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 18-202 of Title 6 of the Delaware Code.

IN WITNESS WHEREOF, said company has caused this Certificate to be signed by an authorized person this 14th day of December, 1999.

/s/ LINDA C. REISNER

Name: Linda C. Reisner, Vice President
Authorized Person

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 12/14/1999
991538103 -- 2958104

AMENDED AND RESTATED BYLAWS
OF
AVALON CABLE HOLDINGS FINANCE, INC.
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AMENDED AND RESTATED BYLAWS

OF

AVALON CABLE HOLDINGS FINANCE, INC.
A DELAWARE CORPORATION
(THE "CORPORATION")

ARTICLE I -- OFFICES

1.01 REGISTERED OFFICE.

The registered office shall be maintained at 30 Old Rudnick Lane, Kent County, Dover, Delaware 19901 and CorpAmerica, Inc. is the registered agent.

1.02 OTHER OFFICES.

The Corporation may also have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors (the "Board") may from time to time appoint or the business of the Corporation may require.

ARTICLE II -- MEETINGS OF STOCKHOLDERS

2.01 ANNUAL MEETING.

The date of the annual meeting of the stockholders for the election of directors and for the transaction of such other business as properly may come before such meeting shall be determined by resolution of the Board to be a specific day in each year, if not a legal holiday, and, if a legal holiday, on the next succeeding business day, at the time and place and within or without the State of Delaware as may be designed by the Board and set forth in the notice of the meeting or a duly executed waiver of notice thereof, provided, however, that in any year, in advance of the date specified for the annual meeting, the Board may act to change the meeting date for that year.

2.02 SPECIAL MEETINGS.

Special meetings of the stockholders for any proper purpose or purposes may be called at any time by the Board or an Executive Officer, to be held on the date, at the time and place within or without the State of Delaware as the Board or an Executive Officer, whichever has called the meeting, shall direct. A special meeting of the stockholders also shall be called whenever stockholders owning a majority of the shares of the Corporation then issued and outstanding and entitled to vote on all of the matters to be submitted to stockholders of the Corporation at such special meeting shall make written application to an Executive Officer. Any such written request shall state a proper purpose or purposes of the meeting and shall be delivered to an Executive Officer.

2.03 NOTICE OF MEETING.

Notice, signed by the Secretary of the Corporation or an Executive Officer, of every annual or special meeting of stockholders shall be prepared in writing and personally delivered; mailed, postage prepaid; or sent by facsimile transmission to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the meeting, except as otherwise provided by statute. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, shall also state the purpose or purposes for which the meeting is called. If mailed, such notice shall be directed to a stockholder at his address as it shall appear on the stock record book of the Corporation, unless the stockholder shall have filed with the Secretary a written request that notice intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request. Notice shall be deemed given when personally delivered or deposited in the United States mail, as the case may be;

provided, however, that such notice may also be given by telegram, facsimile or other means of electronically transmitted written copy and in such case shall be deemed given when ordered or, if a delayed delivery is ordered, as of such delayed delivery time.

2.04 LIST OF STOCKHOLDERS.

A complete list of the stockholders entitled to vote at each meeting of stockholders, arranged in alphabetical order and showing the address of each such stockholder and the number of shares registered in the name of each such stockholder, shall be open to the examination of any stockholder, for any purpose germane to such meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of such meeting, or, if not specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting and during the whole time thereof, and may be inspected by any stockholder who is present.

2.05 QUORUM.

The presence at any meeting, in person or by proxy, of the holders of record of a majority of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business, except where otherwise provided by statute.

2.06 ADJOURNMENTS.

In the absence of a quorum, stockholders representing a majority of the shares then issued and outstanding and entitled to vote, present in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any officer entitled to preside at or act as secretary of such meeting, may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.07 VOTING.

(a) At each meeting of the stockholders, each stockholder shall be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation which has voting rights on the matter in question and which shall have been held by him or her and registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to Section 10.02 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (x) at the close of business on the day next preceding the day on which notice of the meeting shall be given or (y) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors in such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes. Persons holding stock of the Corporation in a fiduciary capacity shall be entitled to vote such stock. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he or she shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his or her proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of Delaware.

(c) At any meeting of the stockholders all matters except as otherwise provided in the Certificate of Incorporation, in these Bylaws, or by law, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the chairman of the meeting. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy if there be such proxy, and it shall state the number of shares voted.

2.08 PROXIES.

Any stockholder is entitled to vote by proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing (which shall include telegram, facsimile or other means of electronically transmitted written copy) by the stockholder himself or herself or by his or her duly authorized attorney-in-fact and delivered to the secretary of the meeting. No proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the secretary of the meeting prior to the voting of the proxy.

2.09 JUDGES OF ELECTION.

The Board may appoint judges of election to serve at any election of directors and at balloting on any other matter that may properly come before a meeting of stockholders. If no such appointment shall be made, or if any of the judges so appointed shall fail to attend, or refuse or be unable to serve, then such appointment may be made by the presiding officer of the meeting at the meeting.

2.10 WRITTEN CONSENT.

Any action which may be taken at any annual or special meeting of stockholders may be taken without a meeting and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Whenever any such action is taken without a meeting by less than unanimous consent, all stockholders who have not consented in writing must be promptly informed in writing of such action.

ARTICLE III -- BOARD

3.01 NUMBER.

The number of directors which shall constitute the whole Board shall be fixed at one (1) person, until changed from time to time by resolution of the Board or stockholders at the annual meeting or any special meeting called for that purpose.

3.02 ELECTION AND TERM OF OFFICE.

Directors shall be elected at the annual meeting of the stockholders except as provided in Section 3.03 of this Article III. Each director (whether elected at an annual meeting or to fill a vacancy or otherwise) shall continue in office until a successor shall have been elected and qualified or until his or her death, resignation or removal in the manner hereinafter provided, whichever shall first occur.

3.03 VACANCIES AND ADDITIONAL DIRECTORSHIPS.

If any vacancy shall occur among the directors by reason of death, resignation, or removal, or as the result of an increase in the number of directorships, the directors then in office shall continue to act and may fill any such vacancy by a vote of the majority of directors then in office, though less than a quorum, and each director

so chosen shall hold office until the next annual election of directors and until his or her successor shall be duly elected and shall qualify, or until his or her earlier death, resignation or removal.

3.04 POWERS.

The business of the Corporation shall be managed by its Board, which may exercise all powers of the Corporation and do all lawful acts and things as are not by law or by the Certificate of Incorporation or these Bylaws reserved to the stockholders.

3.05 RESIGNATION OF DIRECTORS.

Any director may resign at any time by giving written notice of such resignation to the Board or an Executive Officer. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board or an Executive Officer; and unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

3.06 REMOVAL OF DIRECTORS.

At the annual meeting or any special meeting of the stockholders, duly called as provided in these Bylaws, any director or directors may, by the affirmative vote of the holders of a majority of the shares of stock issued and outstanding and entitled to vote for the election of directors, be removed from office, either with or without cause. At such meeting a successor or successors may be elected by a majority of the votes cast, or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 3.03 of this Article III.

3.07 COMPENSATION OF DIRECTORS.

Directors may receive such reasonable compensation for their services, whether in the form of salary or a fixed fee for attendance at Board or Board committee meetings, with expenses, if any, as the Board may from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

3.08 RELIANCE ON ACCOUNTS AND REPORTS, ETC.

A director, or a member of any committee designed by the Board shall, in the performance of his duties, be fully protected in relying in good faith upon the records of the Corporation and upon information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees designated by the Board, or by any other person as to the matters the director or member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

ARTICLE IV -- MEETINGS OF THE BOARD

4.01 PLACE.

The Board of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

4.02 REGULAR MEETINGS.

The Board by resolution may provide for the holding of regular meetings and may fix the times and places at which such meetings shall be held. Notice of regular meetings shall not be required to be given if the time and place has been fixed by Board resolution, provided that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken. If the time and place for regular meetings has not been fixed by the Board, then at least 10 days written notice addressed to him or her at his or her residence or usual place of business, unless he or she shall have filed with the Secretary a written request that notices

intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request, or shall be sent to him or her at such place by telegram, facsimile or other means of electronically transmitted written copy.

4.03 SPECIAL MEETINGS.

Special meetings of the Board may be called by any Executive Officer and shall be called by any Executive Officer at the written request of any director. Except as otherwise required by statute, notice of each special meeting shall be given to each director, if by mail, when addressed to him or her at his or her residence or usual place of business, unless he or she shall have filed with the Secretary a request that notices intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request, at least 72 hours before, or shall be sent to him or her at such place by telegram, facsimile, telephone or other means of electronically transmitted written copy, or delivered to him or her personally, at least 48 hours before the date on which the meeting is to be held. Such notice shall state the time and place of such meeting, but need not state the purposes thereof, unless otherwise required by statute, the Certificate of Incorporation of the Corporation or these Bylaws.

4.04 QUORUM.

At any meeting of the Board two-thirds (2/3) of the whole Board shall constitute a quorum for the transaction of business, and the act of the majority of those present at any meeting at which a quorum is present shall be sufficient for the act of the Board, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation of the Corporation.

4.05 ADJOURNED MEETINGS.

If a quorum shall not be present at a meeting of the Board, the directors present thereat may adjourn the meeting from time to time, until a quorum shall be present. Seventy-two (72) hours' notice of any such adjournment shall be given personally to each director who was not present at the meeting at which such adjournment was taken, and unless announced at the meeting, to the other directors; provided, that then ten (10) days' notice shall be given if notice is given by mail.

4.06 WRITTEN CONSENT.

Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting if all the members of the Board consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board.

4.07 COMMUNICATIONS EQUIPMENT.

Any one or more members of the Board may participate in any meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall be deemed to constitute presence in person at such meeting.

4.08 WAIVER OF NOTICE.

Notice of any meeting need not be given to any directors who shall attend such meeting in person or shall waive notice thereof, before or after such meeting, in writing or by telegram, facsimile or other means of electronically transmitted written copy.

4.09 OFFICERS OF THE BOARD.

The Board shall have a Chairman of the Board and may, at the discretion of the Board, have one or more Vice Chairmen. The Chairman of the Board and the Vice Chairmen shall be appointed from time to time by the Board and shall have such powers and duties as shall be designated by the Board.

ARTICLE V -- COMMITTEES OF THE BOARD

5.01 DESIGNATION, POWER AND ALTERNATE MEMBERS AND TERM OF OFFICE.

The Board may, by resolution passed by a majority of the whole Board, designate one (1) or more committees. Each such committee shall consist of one (1) or more of the directors of the Corporation. Any such committee, to the extent provided in such resolution, shall have and may exercise the power of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Board may designate one (1) or more directors as alternate members of any committee who, in the order specified by the Board, may replace any absent or disqualified member at any meeting of the committee. If at a meeting of any committee one (1) or more of the members thereof should be absent or disqualified, and if either the Board has not so designated any alternate member or members, or the number of absent or disqualified members exceeds the number of alternate members who are present at such meeting, then the member or members of such committee (including alternates) present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another director to act at the meetings in the place of any such absent or disqualified member. The term of office of the members of each committee shall be as fixed from time to time by the Board, subject to the term of office of the directors and these Bylaws; provided, however, that any committee member who ceases to be a member of the Board shall ipso facto cease to be a committee member. Each committee shall appoint a secretary, who may be the Secretary or an Assistant Secretary of the Corporation.

5.02 MEETINGS, NOTICES AND RECORDS.

Each committee may provide for the holding of regular meetings, with or without notice, and a majority of the members of any such committee may fix the time, place and procedure for any such meeting. Special meetings of each committee shall be held upon call by or at the direction of its chairman or, if there be no chairman, by or at the direction of any two (2) of its members, at the time and place specified in the respective notices or waivers of notice thereof. Notice of each special meeting of a committee shall be mailed to each member of such committee, addressed to him or her at his or her residence or usual place of business, unless he or she shall have filed with the Secretary a written request that notices intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request, at least 72 hours before the day on which the meeting is to be held, or shall be sent by telegram, facsimile or other means of electronically transmitted written copy, addressed to him at such place, or telephoned or delivered to him or her personally, at least 48 hours before the day on which the meeting is to be held. Notice of any meeting of a committee need not be given to any member thereof who shall attend the meeting in person or who shall waive notice thereof by telegram, facsimile or other means of electronically transmitted written copy. Notice of any adjourned meeting need not be given. Each committee shall keep a record of its proceedings.

Each committee may meet and transact any and all business delegated to that committee by the Board by means of a conference telephone or similar communications equipment provided that all persons participating in the meeting are able to hear and communicate with each other. Participation in a meeting by means of conference telephone or similar communication shall constitute presence in person at such meeting.

5.03 QUORUM AND MANNER OF ACTING.

At each meeting of any committee the presence of a majority of its members then in office shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of such committee; in the absence of a quorum, a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present. Subject to the foregoing and other provisions of these Bylaws and except as otherwise determined by the Board, each committee may make rules for the conduct of its business. Any determination made in writing and signed by all the members of such committee shall be as effective as if made by such committee at a meeting.

5.04 RESIGNATIONS.

Any member of a committee may resign at any time by giving written notice of such resignation to the Corporation, the Board, or an Executive Officer of the Corporation. Unless otherwise specified in such notice, such resignation shall take effect upon receipt thereof by the Board or any Executive Officer of the Corporation.

5.05 REMOVAL.

Any member of any committee may be removed at any time by the affirmative vote of a majority of the whole Board with or without cause.

5.06 VACANCIES.

If any vacancy shall occur in any committee by reason of death, resignation, disqualification, removal or otherwise, the remaining members of such committee, though less than a quorum, shall continue to act until such vacancy is filled by the Board.

ARTICLE VI -- OFFICERS

6.01 OFFICERS AND MANAGEMENT COMMITTEE.

The Board shall determine the titles and duties of the officers of the Corporation who shall be responsible for the overall supervision, direction and control of the business and affairs of the Corporation (hereinafter referred to as the "Executive Officers"), and shall elect persons to hold such positions. The Corporation also shall have one or more Executive Vice Presidents and Senior Vice Presidents, as well as a Treasurer and a Secretary. The Board also may, but shall not be required to, appoint a Management Committee which shall be comprised of the Executive Officers plus such other officers as may be selected by the Board or in the absence of Board action by the Chairman of the Management Committee. Any Executive Officer or Executive Vice President may, if so designated by the Board, function in the capacity of Chief Executive Officer, Chief Financial Officer, or Chief Operating Officer. In the absence or disability of an elected Executive Officer, another Executive Officer shall perform such other officer's duties. One of the Executive Officers shall preside at meetings of stockholders.

The officers of the Corporation may also include one or more Regional or other Vice Presidents and one or more Assistant Secretaries or Assistant Treasurers, each of whom shall be elected by the Board or appointed by the Executive Officers. Any number of offices may be held by the same person subject to any limits imposed by the General Corporation Law of the State of Delaware; provided that different officers shall have such titles and duties as may be necessary to enable the Corporation to sign instruments and stock certificates which comply with the General Corporation Law of the State of Delaware.

Each officer of the corporation elected by the Board or appointed by the Executive Officers shall hold office until his or her successor is duly elected or appointed and qualified or until his or her earlier resignation or removal.

6.02 DUTIES.

All officers, as between themselves and the Corporation, shall have such authority and perform such duties in the management of the Corporation as may be provided in these Bylaws, or, to the extent not so provided, as may be provided by resolution of the Board or the supervising Executive Officers.

6.03 RESIGNATIONS.

Any officer may resign at any time by giving written notice of such resignation to the Board or any Executive Officer. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board or any such Executive Officer.

6.04 REMOVAL.

All officers serve at the sole pleasure and in the sole discretion of the Board. Any Executive Officer or other officer elected by the Board may be removed at any time, either with or without cause, by the vote of a majority of all of the directors then in office. Any officers appointed by an Executive Officer may be removed at any time by an Executive Officer with or without cause. Such power of removal from office shall not be abridged by any employment contract or other agreement.

6.05 VACANCIES.

A vacancy in any office by reason of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed by these Bylaws for regular election or appointment to such office.

6.06 SECRETARY.

The Secretary shall: (a) record all the proceedings of the meetings of the stockholders, the Board, and all committees of the Board in a book or books to be kept for that purpose; (b) cause all notices to be duly given in accordance with the provisions of these Bylaws as required by statute; (c) whenever any committee shall be appointed in pursuance of a resolution of the Board, furnish the chairman of such committee with a copy of such resolution; (d) be custodian of the records and of the seal of the Corporation, and cause such seal to be affixed to all certificates representing capital stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized; (e) see that the lists, books, reports, statements, certificates and other documents and records required by statute are properly kept and filed; (f) have charge of the stock record and stock transfer books of the Corporation, and exhibit such stock books at all reasonable times to such persons who are entitled by statute to have access thereto; and (g) in general, perform all duties incident to the office of Secretary and such other duties as are given to him or her by these Bylaws or as from time to time may be assigned to him or her by the Board or the Executive Officers.

6.07 ASSISTANT SECRETARIES.

At the request of the Secretary or in his or her absence or disability, the Assistant Secretary designated by him or her (or in the absence of such designation, the Assistant Secretary designated by the Board or any Executive Officer) shall perform all the duties of the Secretary, and, when so acting, shall have all the powers of and be subject to all restrictions upon the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them by the Board or the Executive Officers.

6.08 TREASURER.

The Treasurer shall: (a) have charge of and supervision over and be responsible for the funds, securities, receipts and disbursements of the Corporation; (b) cause the monies and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in banks or trust companies or with bankers or other depositories or to be otherwise dealt with in such manner as the Board may direct; (c) select authorized depositories of the Corporation and cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositories of the Corporation, and cause to be taken and preserved proper vouchers for all monies disbursed; (d) render to the Board and the Executive Officers, whenever requested, a statement of the financial condition of the Corporation and of all his or her transactions as Treasurer; (e) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he or she shall determine and upon application cause such books or duplicates thereof to be exhibited to any Director; (f) be empowered, from time to time, to require from the officers or agents of the Corporation reports or statements giving such information concerning transactions of the Corporation; and (g) in general, perform all duties incident to the office of Treasurer and such other duties as are given to him or her by these Bylaws or as from time to time may be assigned to him by the Board or the Executive Officers.

6.09 ASSISTANT TREASURERS.

At the request of the Treasurer or any of the Executive Officers, the Assistant Treasurer shall perform all the duties of the Treasurer and, when so acting, shall have all the powers of the Treasurer subject to all restrictions upon the Treasurer. The Assistant Treasurer shall perform such other duties as from time to time may be assigned by the Board, the Executive Officers of the Treasurer.

ARTICLE VII -- INDEMNIFICATION

7.01 ACTIONS OTHER THAN BY OR IN THE RIGHT OF THE CORPORATION.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful.

7.02 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION.

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was or has agreed to become a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or as a member of any committee or similar body, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.03 DETERMINATION OF RIGHT OF INDEMNIFICATION.

Any indemnification under Section 7.01 or 7.02 of these Bylaws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 7.01 and 7.02 of these Bylaws. Such determination shall be made (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders.

7.04 INDEMNIFICATION AGAINST EXPENSES OF SUCCESSFUL PARTY.

Notwithstanding the other provisions of this Article VII, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 7.01 or 7.02 of these Bylaws, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

7.05 ADVANCE OF EXPENSES.

Expenses (including attorneys' fees) incurred by an officer or director in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VII. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board deems appropriate. The Board may authorize the Corporation's counsel to represent such director, officer, employee or agent in any action, suit or proceeding, whether or not the Corporation is a party to such action, suit or proceeding.

7.06 OTHER RIGHTS AND REMEDIES.

The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article VII shall not be deemed exclusive and are declared expressly to be nonexclusive of any other rights to which those seeking indemnification or advancements of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

7.07 INSURANCE.

Upon resolution passed by the Board, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

7.08 CONSTITUENT CORPORATIONS.

For the purposes of this Article VII, references to "the Corporation" include in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or as a member of any committee or similar body, shall stand in the same position under the provisions of this Article VII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

7.09 EMPLOYEE BENEFIT PLANS.

For the purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries;

and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the "Corporation" as referred to in this Article VII.

7.10 BROADEST LAWFUL INDEMNIFICATION.

In addition to the foregoing, the Corporation shall, to the broadest and maximum extent permitted by Delaware law, as the same exists from time to time (but, in case of any amendment to or change in Delaware law, only to the extent that such amendment or change permits the Corporation to provide broader rights of indemnification than is permitted to the Corporation prior to such amendment or change), indemnify each person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding. In addition, the Corporation shall, to the broadest and maximum extent permitted by Delaware law, as the same may exist from time to time (but, in case of any amendment to or change in Delaware law, only to the extent that such amendment or change permits the Corporation to provide broader rights of payment of expenses incurred in advance of the final disposition of an action, suit or proceeding than is permitted to the Corporation prior to such amendment or change), pay to such person any and all expenses (including attorneys' fees) incurred in defending or settling any such action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer, to repay such amount if it shall ultimately be determined by a final judgment or other final adjudication that he is not entitled to be indemnified by the Corporation as authorized in this Section 7.10. The first sentence of this Section 7.10 to the contrary notwithstanding, the Corporation shall not indemnify any such person with respect to any of the following matters: (a) remuneration paid to such person if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law; or (b) any accounting of profits made from the purchase or sale by such person of the Corporation's securities within the meaning of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law; or (c) actions brought about or contributed to by the dishonesty of such person, if a final judgment or other final adjudication adverse to such person establishes that acts of active and deliberate dishonesty were committed or attempted by such person with actual dishonest purpose and intent and were material to the adjudication; or (d) actions based on or attributable to such person having gained any personal profit or advantage to which he was not entitled, in the event that a final judgment or other final adjudication adverse to such person establishes that such person in fact gained such personal profit or other advantage to which he was not entitled; or (e) any matter in respect of which a final decision by a court with competent jurisdiction shall determine that indemnification is unlawful; provided, however, that the Corporation shall perform its obligations under the second sentence of this Section 7.10 on behalf of such person until such time as it shall be ultimately determined by a final judgment or other final adjudication that he is not entitled to be indemnified by the Corporation as authorized by the first sentence of this Section 7.10 by virtue of any of the preceding clauses (a) (b) (c) (d) or (e).

7.11 TERM.

The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.12 SEVERABILITY.

If any part of this Article VII shall be found, in any action, suit or proceeding or appeal therefrom or in any other circumstances or as to any particular officer, director, employee or agent to be unenforceable,

ineffective or invalid for any reason, the enforceability, effect and validity of the remaining parts or of such parts in other circumstances shall not be affected, except as otherwise required by applicable law.

7.13 AMENDMENTS.

The foregoing provisions of this Article VII shall be deemed to constitute an agreement between the Corporation and each of the persons entitled to indemnification hereunder, for as long as such provisions remain in effect. Any amendment to the foregoing provisions of this Article VII which limits or otherwise adversely affects the scope of indemnification or rights of any such persons hereunder shall, as to such persons, apply only to claims arising, or causes of action based on actions or events occurring, after such amendment and delivery of notice of such amendment is given to the person or persons so affected. Until notice of such amendment is given to the person or persons whose rights hereunder are adversely affected, such amendment shall have no effect on such rights of such persons hereunder. Any person entitled to indemnification under the foregoing provisions of this Article VII shall, as to any act or omission occurring prior to the date of receipt of such notice, be entitled to indemnification to the same extent as had such provisions continued as Bylaws of the Corporation without such amendment.

ARTICLE VIII -- DEPOSIT OF CORPORATE FUNDS

8.01 BORROWING.

No loans or advances shall be obtained or contracted for, by or on behalf of the Corporation and no negotiable paper shall be issued in its name, unless and except as authorized by the Board. Such authorization may be general or confined to specific instances.

8.02 DEPOSITS.

All funds of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositories as the Board may select, or as may be selected by any officer or officers or agent or agents authorized to do so by the Board.

8.03 CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for the payment of money, and all negotiable and non-negotiable notes or other negotiable or non-negotiable evidences of indebtedness issued in the name of the Corporation, shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board or the Executive Officers. The Corporation shall obtain a fidelity bond for such persons with such signing authority as the Board or the Executive Officers may require.

ARTICLE IX -- CERTIFICATES OF STOCK

9.01 STOCK CERTIFICATES.

Every holder of capital stock of the Corporation shall be entitled to have a certificate or certificates in such form as shall be approved by the Board, certifying the number of shares of capital stock of the Corporation owned by him or her. The certificates representing shares of capital stock shall be signed in the name of the Corporation by an Executive Officer and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer (which signatures may be facsimiles) and sealed with the seal of the Corporation (which seal may be a facsimile). If any officer, transfer agent or registrar who shall have signed or whose facsimile signatures has been placed upon such certificate shall have ceased to be such officer, transfer agent or registrar before such certificates are issued, they may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent, or registrar were still such at the date of their issue.

9.02 BOOKS OF ACCOUNT AND RECORD OF STOCKHOLDERS.

The books and records of the Corporation may be kept at such places, within or without the State of Delaware, as the Board may from time to time determine. The stock record books and the blank stock certificate books shall be kept by the Secretary or by any other officer or by the transfer agent or registrar, if any, designated by the Board. There shall be entered on the stock books of the Corporation the number of each certificate issued, the number of shares represented thereby, the name of the person to whom such certificate was issued and the date of issuance thereof.

9.03 TRANSFER OF SHARES.

Transfers of shares of capital stock of the Corporation shall be made on the stock records of the Corporation only upon authorization by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with the transfer agent, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon, if any. Except as otherwise provided by law, the Corporation shall be entitled to recognize the exclusive right of a person in whose name any share or shares stand on the record of stockholders as the owner of such share or shares for all purposes, including, without limitation, the rights to receive dividends or other distributions, and to vote as such owner, and the Corporation shall not be bound to recognize any equitable or legal claim to or interest in any such share or shares on the part of any other person whether or not the Corporation shall have express or other notice thereof.

9.04 REGULATIONS.

The Board may make such additional rules and regulations, not inconsistent with these Bylaws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of the capital stock of the Corporation. It may appoint, or authorize any officer or officers to appoint, one or more transfer agents or one or more registrars and may further provide that no stock certificate shall be valid until countersigned by one of such transfer agents and registered by one of such registrars. Nothing herein shall be construed to prohibit the Corporation from acting as its own transfer agent or registrar.

9.05 LOST, STOLEN OR DESTROYED CERTIFICATES.

The holder of any certificate representing any share or shares of the capital stock of the Corporation shall immediately notify the Corporation of any loss, theft, or destruction of such certificate. The Board may direct that a new certificate or certificates be issued in the place of any certificate or certificates theretofore issued by it which the owner thereof shall allege to have been lost, stolen or destroyed upon the furnishing to the Corporation of an affidavit to that effect by the person claiming that the certificate has been lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board may, in its discretion, require such owner or his or her legal representatives to give to the Corporation and its transfer agent(s) and registrar(s) a bond in such sum, limited or unlimited, and in such form and with such surety or sureties as the Board in its absolute discretion shall determine, sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate, or the issuance of a new certificate.

9.06 STOCKHOLDER'S RIGHT OF INSPECTION.

Any stockholder of record of the Corporation, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorized the attorney or other agent to so act on behalf of the stockholder. The

demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

9.07 REPRESENTATION OF SHARES OF OTHER CORPORATIONS.

Any Executive Officer, Executive Vice President or the Secretary of this Corporation is authorized to vote, represent and exercise on behalf of this Corporation all rights incident to all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said officers.

ARTICLE X -- MISCELLANEOUS

10.01 BUDGETS.

The Board shall approve all annual and other significant operating budgets of the Corporation.

10.02 RECORD DATES.

In order that the Corporation may determine the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock or in respect of any other lawful action, the Board may fix, in advance, a record date, which shall be not more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board.

10.03 DIVIDENDS.

Subject to any agreement to which the Corporation is a party or by which it is bound, the Board may declare to be payable, in cash, in other property or in stock of the Corporation of any class or series, such dividends in respect of outstanding stock of the Corporation of any class or series as the Board may at any time deem to be advisable. Before declaring any such dividend, the Board may cause to be set aside any funds or other property or assets of the Corporation legally available for the payment of dividends.

10.04 FISCAL YEAR.

The fiscal year of the Corporation shall be determined by resolution of the Board.

10.05 CORPORATE SEAL.

The Corporate Seal shall be circular in form and shall bear the name of the Corporation and the words and figures denoting its organization under the laws of the State of Delaware and the year thereof and otherwise shall be in such form as shall be approved from time to time by the Board.

10.06 AMENDMENTS.

All Bylaws of the Corporation may be amended, altered or repealed, and new Bylaws may be enacted, by the affirmative vote of the holders of record of a majority of the issued and outstanding stock of the Corporation entitled to vote at any annual or special meeting, or by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board.

CERTIFICATE OF SECRETARY

The undersigned certifies:

(1) That the undersigned is duly elected and acting Secretary of Avalon Cable Holdings Finance, Inc., a Delaware corporation; and

(2) That the foregoing Bylaws constitute the Amended and Restated Bylaws of the Corporation adopted by the Board on the 15th day of November, 1999.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Corporation this 15th day of November, 1999.

/s/ CURTIS S. SHAW

Curtis S. Shaw, Secretary

[SEAL]

YEAR			
	DEC-31-1999		
	JAN-01-1999		
	DEC-31-1999		6,806
		0	
		3,063	
		1,143	
		0	
		9,389	
			123,087
		1,802	
		854,401	
	30,103		
		451,212	
	0		
		0	
		0	
		372,824	
854,401			
			0
	108,313		
			0
		0	
	109,636		
		0	
	47,699		
	(48,258)		
	(13,936)		
	(29,823)		
		0	
		0	
			0
		(29,823)	
		0	
		0	