

UNITED STATES SECURITIES AND EXCHANGE
COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2001

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*
(FORMERLY KNOWN AS AVALON CABLE, LLC)

CC V HOLDINGS FINANCE, INC.*
(FORMERLY KNOWN AS AVALON CABLE HOLDINGS FINANCE, INC.)

(Exact names of registrants as specified in their charters)

Delaware
Delaware

13-4029965
13-4029969

(State or other jurisdiction of
Incorporation or organization)

(I.R.S. Employer
Identification Numbers)

12405 Powerscourt Drive
St. Louis, Missouri

63131

(Address of principal executive offices)

(Zip code)

(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 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.

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 I(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.

2001 FORM 10-K ANNUAL REPORT

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This Annual Report on Form 10-K is for the year ended December 31, 2001. This Annual Report modifies and supersedes documents filed prior to this Annual Report. In addition, information that we file with the Securities and Exchange Commission in the future will automatically update and supersede information contained in this Annual Report. In this Annual Report, "we," "us," and "our" refers to CC V Holdings, LLC and its wholly owned subsidiaries.

PART I

ITEM 1. BUSINESS

Organization and Ownership Structure

On November 15, 1999, Charter Communications Holding Company, LLC (Charter Holdco), a direct subsidiary of Charter Communications, Inc. (Charter), acquired all of the equity interests of Avalon Cable, LLC (now known as CC V Holdings or the Company) and Avalon Cable Holdings Finance, Inc. Effective January 1, 2000, these acquired interests were transferred to Charter Communications Holdings, LLC (Charter Holdings), a wholly owned subsidiary of Charter Holdco.

Effective in December 2000, Charter Holdings contributed all of its equity interests in CC VIII, LLC (Bresnan) to CC V Holdings, resulting in CC V Holdings becoming the parent company of Bresnan. The Company accounted for the contribution of Bresnan as a reorganization of entities under common control in a manner similar to a pooling of interests. Accordingly, the accompanying consolidated financial statements include the accounts of CC V Holdings, its wholly owned subsidiaries, and the accounts of Bresnan since February 15, 2000 (the date Bresnan was acquired by Charter Holdco). CC V Holdings is a Delaware limited liability company. All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective on January 2, 2001, the Company entered into certain cable system swap transactions with other subsidiaries of Charter Holdings. Such cable systems swaps were effected in order to increase operational efficiency by swapping systems into the subsidiaries which are physically located closest to them. The Company accounted for the systems transferred into the Company from other Charter Holdings subsidiaries as a reorganization of entities under common control in a manner similar to a pooling of interests. Accordingly, beginning on November 15, 1999, the date the Company was acquired by Charter Holdco, the consolidated financial statements of CC V Holdings include the accounts of four systems that were transferred into the Company from other Charter Holdings subsidiaries. Also, on January 2, 2001, the Company transferred five of its systems to other Charter Holdings subsidiaries as part of the swap transactions. The disposition of such systems by the Company was recorded as a noncash transaction with related parties in the year ended December 31, 2001. In connection with these transactions, Charter Holdings forgave Bresnan's intercompany liabilities which were recorded by the Company as an equity contribution.

As of December 31, 2001, the Company owns and operates cable systems serving approximately 971,400 customers. The Company currently offers a full array of traditional analog cable services and advanced bandwidth services such as digital cable television, interactive video programming, Internet access through television-based service, dial-up telephone modems and high-speed cable modems, and video-on-demand. The Company operates primarily in the states of Michigan, Minnesota, Nebraska and Wisconsin and in the New England area.

In October 2001, Charter's President and Chief Executive Officer was appointed to the Company's Board of Members to replace the former President and Chief Executive Officer who left the Company in September 2001.

We are managed by Charter. We pay management fees to Charter, and to the extent Charter has secured certain management services from its affiliate, Charter Investment, Inc., the management fees we pay are paid directly to Charter Investment. See also Item 5. "Market for Registrants' Common Equity and Related Stockholder Matters." Our principal executive offices are

located at 12405 Powerscourt Drive, St. Louis, Missouri, 63131 and our main telephone number is (314) 965-0555.

General

We own and operate cable television systems. In certain systems, we currently offer a full array of traditional analog cable television services and advanced bandwidth services such as digital television, interactive video programming, Internet access through television-based service and high speed cable modems. Our customers are located in Michigan, Massachusetts, Minnesota, Nebraska, Connecticut, New York and Wisconsin. As of December 31, 2001, our systems passed approximately 1,465,500 homes and served approximately 971,400 customers.

Our ultimate objective is to increase operating cash flow by increasing the customer base and the amount of cash flow per customer. We intend to achieve this objective by offering an array of advanced products and services, focusing on the customer, employing innovative marketing techniques, and building and operating a technologically advanced broadband network.

At December 31, 2001, approximately 80% of our customers were served by systems with at least 550 megahertz bandwidth capacity. As a result of our rebuild efforts, by December 31, 2003, we expect that 90% of our customers will be served by systems with a minimum bandwidth of 750 megahertz. We expect to spend approximately \$280.8 million in 2002 in upgrade activities. A minimum bandwidth of 550 megahertz or greater allows us to:

- o offer advanced products and services (such as digital television, high-speed Internet access and other interactive services);
- o increase channel capacity up to 82 analog channels, and add even more channels and services when our bandwidth is used for digital signal transmission; and
- o permit two-way communication, so that Internet access does not require a separate telephone line and our systems can provide telephony services.

Cautionary Statement Regarding Forward-Looking Statements

This annual report includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding, among other things, our plans, strategies and prospects, both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Many of the forward-looking statements contained in this annual report may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated" and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this annual report are set forth in this annual report and in reports or documents that we file from time to time with the United States Securities and Exchange Commission or the SEC, and include, but are not limited to:

- o our plans to achieve growth by offering advanced products and services;
- o our anticipated capital expenditures for our upgrades and new equipment and facilities;
- o our ability to fund capital expenditures and any future acquisitions;
- o the effects of governmental regulation on our business;
- o our ability to compete effectively in a highly competitive and changing environment;
- o our ability to obtain programming as needed and at reasonable prices; and

- o general business and economic conditions, particularly in light of the uncertainty stemming from recent terrorist activities in the United States and the armed conflict abroad.

All forward-looking statements attributable to us or a person acting on our behalf are expressly qualified in their entirety by this cautionary statement.

ITEM 2. PROPERTIES

Our principal physical assets consist of a cable television distribution plant and equipment, including signal receiving, encoding and decoding devices, headend reception facilities, distribution systems and customer drop equipment for each of our cable television systems.

Our cable television plant and related equipment are generally attached to utility poles under pole rental agreements with local public utilities and telephone companies, and in certain locations, are buried in underground ducts or trenches.

We believe that our properties are in good operating condition and are suitable for our business operations.

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. 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 consolidated financial condition or results of operations of the Company.

We are involved from time to time in routine legal matters and other claims incidental to our business. We believe that the resolution of such matters, taking into account established reserves and insurance, will not have a material adverse impact on our consolidated financial position or results of operations.

PART II

ITEM 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established trading market for the equity interests in CC V Holdings or CC V Holdings Finance, Inc. Charter Holdings 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.

We record distributions when management fees charged to us exceed expenses incurred on our behalf. We made no distributions for the years ended December 31, 2001 and 2000. Our 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); for discussion of comparability of the years and periods presented, see "Comparison of Results":

	Successor				Predecessor			
	Year Ended December 31,		Period from		Period from		Period from	
	2001	2000	November 15, 1999 to	December 31, 1999	January 1, 1999 to	November 14, 1999	Amount	%
	Amount	%	Amount	%	Amount	%	Amount	%
Revenues:								
Analog video	\$ 383,461	73.3	\$ 393,105	78.7	\$ 12,424	89.2	\$ 83,809	88.8
Digital video	29,613	5.7	12,187	2.4	--	--	--	--
Cable modem	28,299	5.4	11,927	2.4	--	--	--	--
Advertising sales	38,623	7.4	35,220	7.1	345	2.5	--	--
Other	42,803	8.2	46,907	9.4	1,161	8.3	10,574	11.2
	522,799	100.0	499,346	100.0	13,930	100.0	94,383	100.0
Operating expenses:								
Operating, general and administrative	275,852	52.8	255,995	51.3	8,281	59.4	53,089	56.2
Depreciation and amortization	461,055	88.2	393,216	78.7	7,822	56.2	39,943	42.3
Corporate expense charges-related parties	7,640	1.5	8,071	1.6	501	3.6	--	--
Income (loss) from operations	(221,748)	(42.5)	(157,936)	(31.6)	(2,674)	(19.2)	1,351	1.5
Interest expense	(92,391)	(17.7)	(128,150)	(25.7)	(7,537)	(54.1)	(40,162)	(42.6)
Interest income	169	--	214	--	--	--	764	0.8
Other expense	(9,070)	(1.7)	(322)	--	--	--	--	--
Loss before benefit from income taxes	(323,040)	(61.9)	(286,194)	(57.3)	(10,211)	(73.3)	(38,047)	(40.3)
Benefit from income taxes	--	--	--	--	--	--	(13,936)	(14.8)
Loss before minority interest	(323,040)	(61.9)	(286,194)	(57.3)	(10,211)	(73.3)	(24,111)	(25.5)
Minority interest	(12,828)	(2.5)	(11,038)	(2.2)	--	--	4,499	4.8
Net loss	<u>\$(335,868)</u>	<u>(64.4)</u>	<u>\$(297,232)</u>	<u>(59.5)</u>	<u>\$(10,211)</u>	<u>(73.3)</u>	<u>\$(19,612)</u>	<u>(20.7)</u>

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

	As of and For the Year Ended December 31,		As of and
	2001	2000	For the Period from November 15, 1999 to December 31, 1999
EBITDA (a)	\$ 230,237	\$ 234,958	\$ 5,148
Adjusted EBITDA (b)	246,947	243,351	5,649
Homes Passed (at period end) (c)	1,465,500	1,499,400	401,200
Basic Customers (at period end) (d)	971,400	966,400	255,100
Basic Penetration (at period end) (e)	66.3%	64.5%	63.6%
Average Monthly Revenue per Basic Customer (f)	\$ 44.85	\$ 43.06	\$ 36.40

(a) EBITDA represents earnings (loss) before interest, depreciation and amortization, minority interest and income taxes. 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. In addition, because 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 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 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.

(c) Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable distribution network in a given cable system service area.

(d) Basic customers are customers who receive basic cable service.

(e) Basic penetration represents basic customers as a percentage of homes passed.

(f) Average monthly revenue per basic customer represents revenues divided by the number of months in the period divided by the number of basic customers at period end.

Comparison of Results

As a result of the Bresnan/Avalon combination, the Company's consolidated financial statements were restated beginning on February 15, 2000, the date of Charter Holdco's acquisition of Bresnan. In addition, on January 2, 2001, the Company transferred five of its cable systems to other Charter Holdings subsidiaries in the cable system swap transactions discussed in Item 1. "Business." Therefore, the financial results for the periods presented above are not comparable as the year ended December 31, 2000 only include Bresnan results for approximately ten and a half months, beginning February 15, 2000 and the year ended December 31, 2001 do not include the results of the five cable systems transferred to other Charter Holdings subsidiaries.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Revenues. Revenues increased \$23.5 million, or 4.7%, to \$522.8 million for the year ended December 31, 2001 from \$499.3 million for the year ended December 31, 2000. Approximately \$5.1 million of the increase was due to a full year of Bresnan revenues during the year ended December 31, 2001 as compared with ten and a half months of Bresnan revenues during the year ended December 31, 2000. In addition, increases in digital and cable modem revenues of \$33.8 million resulted from increased marketing efforts and strong demand for these services. Advertising revenues increased \$3.4 million primarily due to internal growth. As a result of our rebuild efforts, we experienced increased capacity due to expanded channel line-ups. In addition, the level of advertising purchased by programmers to promote their channels added as part of our expansion of channel line-ups, increased during 2001 compared to the corresponding period in 2000. Other revenues in the aggregate increased by \$45.5 million due to a general increase in other services. These increases were offset partially by a decrease of approximately \$64.3 million due to the transfer of five cable systems to other Charter Holdings subsidiaries on January 2, 2001.

Operating, General and Administrative Expenses. Operating, general and administrative expenses increased \$19.9 million, or 7.8%, to \$275.9 million for the year ended December 31, 2001 from \$256.0 million for the year ended December 31, 2000. An increase of \$9.6 million was primarily due to internal growth and increases in digital and cable modem customers, continued inflationary increases in license fees paid for programming, and an increased number of channels provided to customers. In addition, an increase of \$5.5 million was due to a full year of Bresnan operating, general and administrative expenses during the year ended December 31, 2001 as compared with ten and a half months of Bresnan operating, general and administrative expenses during the year ended December 31, 2000. Other expenses in the aggregate increased by \$40.1 million due to a general increase in other services. These increases were partially offset by a decrease of approximately \$35.3 million due to the transfer of five cable systems to other Charter Holdings subsidiaries on January 2, 2001.

Depreciation and Amortization Expense. Depreciation and amortization expense increased \$67.8 million, or 17.3%, to \$461.1 million for the year ended December 31, 2001 from \$393.2 million for the year ended December 31, 2000. An increase of approximately \$114.4 million was the result of capital expenditures for upgrade and rebuild activities during the latter part of 2000 and throughout 2001. In addition, an increase of \$6.0 million was due to a full year of Bresnan depreciation and amortization expense during the year ended December 31, 2001 as compared with ten and a half months of Bresnan depreciation and amortization expense during the year ended December 31, 2000. These increases were partially offset by a decrease of \$52.4 million due to the transfer of five cable systems to other Charter Holdings subsidiaries on January 2, 2001.

Corporate Expense Charges-- Related Parties. These charges for the years ended December 31, 2001 and 2000 represent costs incurred by Charter Investment, Inc. and Charter Communications, Inc. on our behalf.

Interest Expense. Interest expense decreased \$35.8 million, or 27.9%, million to \$92.4 million for the year ended December 31, 2001 from \$128.2 million for the year ended December 31, 2000. The decrease was primarily due to the elimination of interest-bearing intercompany payables as the result of the acquisition of Bresnan, partially offset by an increase in the weighted average debt outstanding of \$260.7 million, from \$899.0 million during the year ended December 31, 2000 to \$1.2 billion during the year ended December 31, 2001.

Other Expense. Other expense increased by \$8.7 million, from \$0.3 million for the year ended December 31, 2000 to \$9.1 million for the year ended December 31, 2001. This increase was primarily due to a loss of \$7.9 million on interest rate agreements as a result of the application of Statement of Financial Accounting Standards (SFAS) No. 133 in the year ended December 31, 2001.

Minority Interest. Minority interest represents the accretion of the preferred membership units in an indirect subsidiary of CC V Holdings issued to certain Bresnan sellers.

Net Loss. Net loss increased by \$38.6 million for the year ended December 31, 2001 compared to the year ended December 31, 2000, as a result of the combination of factors described above.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," No. 142, "Goodwill and Other Intangible Assets" and No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. SFAS No. 141 is required to be implemented for all acquisitions initiated after June 30, 2001 and all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001 or later. Adoption of SFAS No. 141 did not have a significant impact the consolidated financial statements of the Company.

Under SFAS No. 142, goodwill and other indefinite lived intangible assets are no longer subject to amortization over their useful lives, rather, they are subject to at least annual assessments for impairment. Also, under SFAS Nos. 141 and 142, an intangible asset should be recognized if the benefit of the intangible asset is obtained through contractual or other legal rights or if the intangible asset can be sold, transferred, licensed, rented or exchanged. Such intangibles will be amortized over their useful lives. The Company believes that substantially all franchises will qualify for indefinite life treatment under the new standard. While the analysis, including the impairment testing of franchises required under the new standard, is not complete, we expect to stop amortizing franchise intangible assets that meet the indefinite life treatment beginning January 1, 2002. The Company will test these assets for impairment at least annually. Other than during any periods in which the Company may record a charge for impairment, the Company expects that the adoption of SFAS No. 142 will result in increased income as a result of reduced amortization expense. Based on the Company's preliminary evaluation, if the new standard had been in effect for 2001, amortization expense would have been reduced by approximately \$210.0 million to \$235.8 million.

Under SFAS No. 143, the fair value of a liability for an asset retirement obligation is required to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-

lived asset. SFAS No. 143 will be implemented by the Company on January 1, 2002. Adoption of SFAS No. 143 will not have a material impact on the consolidated financial statements of the Company.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of and supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and resolves implementation issues related to SFAS No. 121. SFAS No. 144 will be implemented by the Company on January 1, 2002. Adoption of SFAS No. 144 will not have a material impact on the consolidated financial statements of the Company.

Economic Slowdown; Terrorism; and Armed Conflict

Although we do not believe that the recent terrorist attacks and the subsequent armed conflict and related events have resulted in any material changes to the Company's business and operations for the period ended December 31, 2001, it is difficult to assess the impact that these events, combined with the general economic slowdown, will have on future operations. These events, combined with the general economic slowdown, could result in reduced spending by customers and advertisers, which could reduce our revenues and operating cash flow. Additionally, an economic slowdown could affect our ability to collect accounts receivable. If we experience reduced operating revenues, it could negatively affect our ability to make expected capital expenditures and could also result in our inability to meet our obligations under our financing agreements. These developments could also have a negative impact on our financing and variable interest rate agreements through disruptions in the market or negative market conditions. Terrorist attacks could interrupt or disrupt our ability to deliver our services (or the services provided to us by programmers) and could cause unforeseen damage to the Company's physical facilities. Terrorism and the related events may have other adverse effects on the Company, in ways that cannot be presently predicted.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We use interest rate risk management derivative instruments, such as interest rate swap agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of our subsidiaries. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Effective January 1, 2001, we adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." Our interest rate agreements are recorded in the consolidated balance sheet at December 31, 2001 as either an asset or liability measured at fair value. We recorded no expense in connection with the adoption of SFAS No. 133 for the year ended December 31, 2001.

We have certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments are those which effectively convert variable interest payments on debt instruments into fixed payments. For qualifying hedges, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. We have

formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations are reported in accumulated other comprehensive loss. At December 31, 2001, included in accumulated other comprehensive loss was a gain of \$3.7 million related to derivative instruments designated as cash flow hedges. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, we believe such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value with the impact recorded as other income or expense. For the year ended December 31, 2001, the Company recorded other expense of \$7.9 million for interest rate derivative instruments not designated as hedges.

The following summarizes the contract terms and fair values of financial instruments subject to interest rate risk on December 31, 2001 (dollars in thousands):

	Expected Maturity Date						Total	Fair Value
	2002	2003	2004	2005	2006	Thereafter		
Debt:								
Fixed Rate	\$ --	\$67,565	\$ 218	\$ --	\$ --	\$113,280	\$ 181,063	\$ 147,809
Avg. Interest Rate		11.8%	7.5%	--	--	11.9%	11.9%	
Variable Rate	--	\$80,000	\$ 80,000	\$105,001	\$129,998	\$687,001	\$1,082,000	\$1,082,000
Avg. Interest Rate	--	4.3%	5.3%	6.0%	6.4%	7.8%	6.8%	
Interest Rate Instruments:								
Variable to Fixed Swaps	\$ --	\$ --	\$200,000	\$300,000	\$200,000	\$ --	\$ 700,000	\$ 4,195
Avg. Pay Rate	--	--	6.7%	6.4%	6.3%	--	6.4%	
Avg. Receive Rate	--	--	5.7%	6.6%	7.1%	--	6.5%	

The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of our exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts. The estimated fair value approximates the costs (proceeds) to settle the outstanding contracts. Interest rates on variable debt are estimated using the average implied forward London Interbank Offering Rate (LIBOR) rates for the year of maturity based on the yield curve in effect at December 31, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements, predecessor financial statements, the related notes thereto, and the reports of independent public accountants 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 this entity had no operations and substantially no assets or equity. Accordingly, management has determined that such financial statements are not material.

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

None.

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. The index to the Exhibits is on page E-1.

(b) Reports on Form 8-K:

On October 4, 2001, the registrants filed a current report on Form 8-K announcing the resignation of Jerald L. Kent, Charter's former President and Chief Executive Officer and long-term employment agreements for Kent D. Kalkwarf, Executive Vice President and Chief Financial Officer and David G. Barford, Executive Vice President and Chief Operating Officer.

On October 12, 2001, the registrants filed a current report on Form 8-K announcing the selection of Carl E. Vogel as Charter's new President and Chief Executive Officer.

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 2001.

SIGNATURES

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

CC V HOLDINGS, LLC

Dated: March 29, 2002

By: CHARTER COMMUNICATIONS, INC.
their Manager

By: /s/ Carl E. Vogel

Carl E. Vogel
President and Chief Executive
Officer

CC V HOLDINGS FINANCE, INC.

Dated: March 29, 2002

By: /s/ Carl E. Vogel

Carl E. Vogel
President and 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 registrants and in the capacities and on the dates indicated.

Dated: March 29, 2002

By: /s/ Carl E. Vogel

Carl E. Vogel
President and Chief Executive
Officer of Charter
Communications, Inc. (Manager);
CC V Holdings, LLC; and
CC V Holdings Finance, Inc.

Dated: March 29, 2002

By: /s/ Kent D. Kalkwarf

Kent D. Kalkwarf
Executive 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.

CC V HOLDINGS, LLC AND SUBSIDIARIES

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO CC V HOLDINGS, LLC:

We have audited the accompanying consolidated balance sheets of CC V Holdings, LLC and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in member's equity and cash flows for the years ended December 31, 2001 and 2000, the period from November 15, 1999, through December 31, 1999, and for the period from January 1, 1999, through November 14, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001 and 2000, 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 statements of operations of CC V Holdings, LLC and subsidiaries for the Successor Periods (the years ended December 31, 2001 and 2000, and the period from November 15, 1999, through December 31, 1999), are presented on a different cost basis than the consolidated statement of operations presented for the Predecessor Period (the period from January 1, 1999, through November 14, 1999), and accordingly, are not directly comparable.

/s/ ARTHUR ANDERSEN LLP

St. Louis, Missouri,
January 29, 2002

CC V HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2001 AND 2000
(Dollars in thousands)

	2001	2000
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ --	\$ 11,232
Accounts receivable, net	11,692	12,464
Receivable from related parties	13,259	--
Prepaid expenses and other	1,894	1,021
	-----	-----
Total current assets	26,845	24,717
	-----	-----
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net	792,157	712,186
Franchises, net	3,088,958	3,812,341
	-----	-----
Total investment in cable properties	3,881,115	4,524,527
	-----	-----
OTHER ASSETS	7,845	4,358
	-----	-----
Total assets	\$3,915,805	\$4,553,602
	=====	=====
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 157,067	\$ 221,469
Payables to related parties	--	526,593
	-----	-----
Total current liabilities	156,067	784,062
	-----	-----
LONG-TERM DEBT	1,229,605	1,058,224
LOANS PAYABLE -- RELATED PARTIES	27,000	369,684
OTHER LONG-TERM LIABILITIES	13,784	13,690
MINORITY INTEREST	653,354	640,526
MEMBER'S EQUITY	1,834,995	1,723,416
	-----	-----
Total liabilities and member's equity	\$3,915,805	\$4,553,602
	=====	=====

See accompanying notes to consolidated financial statements.

CC V HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

	Successor		Period from November 15, 1999, through December 31, 1999	Predecessor
	Year Ended December 31,			Period from January 1, 1999, through November 14, 1999
	2001	2000		
REVENUES	\$ 522,799	\$ 499,346	\$ 13,930	\$ 94,383
OPERATING EXPENSES:				
Operating, general and administrative	275,852	255,995	8,281	53,089
Depreciation and amortization	461,289	393,216	7,822	39,943
Corporate expense charges-related parties	7,640	8,071	501	--
	744,781	657,282	16,604	93,032
Income (loss) from operations	(221,982)	(157,936)	(2,674)	1,351
OTHER INCOME (EXPENSE):				
Interest expense	(92,391)	(128,150)	(7,537)	(40,162)
Interest income	169	214	--	764
Other expense	(9,070)	(322)	--	--
	(101,292)	(128,258)	(7,537)	(39,398)
Loss before benefit from income taxes	(323,274)	(286,194)	(10,211)	(38,047)
BENEFIT FROM INCOME TAXES	--	--	--	(13,936)
Loss before minority interest expense	(323,274)	(286,194)	(10,211)	(24,111)
MINORITY INTEREST EXPENSE	(12,828)	(11,038)	--	4,499
Net loss	\$(336,102)	\$(297,232)	\$(10,211)	\$(19,612)

See accompanying notes to consolidated financial statements.

CC V HOLDINGS, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
(Dollars in thousands)

BALANCE, November 15, 1999	\$ 415,942
Net loss	(10,211)
Distributions to Charter Communications, Inc. and Charter Investment, Inc.	(273)

BALANCE, December 31, 1999	405,458
Net loss	(297,232)
Contributions from manager	1,631,507
Distributions to manager	(16,317)

BALANCE, December 31, 2000	1,723,416
Net loss	(336,102)
Contributions from manager	511,619
Distributions to manager	(31,218)
Accumulated other comprehensive income	3,673
Transfer of cable systems to other Charter Holdings subsidiaries	(36,393)

BALANCE, December 31, 2001	\$ 1,834,995
	=====

See accompanying notes to consolidated financial statements.

CC V HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Successor		Predecessor	
	Year Ended December 31,		Period from	Period from
	2001	2000	November 15, 1999, through December 31, 1999	January 1, 1999, through November 14, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	\$ (336,102)	\$ (297,232)	\$ (10,211)	\$(19,612)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation and amortization	461,289	393,216	7,822	39,943
Deferred income taxes	--	--	--	(16,969)
Minority interest expense	12,828	11,038	--	4,499
Noncash interest expense	17,478	13,568	1,855	11,764
Net change in operating assets and liabilities, net of effects from acquisitions:				
Accounts receivable	(521)	(6,131)	782	(1,182)
Prepaid expenses and other current assets	(17,560)	(1,841)	76	(409)
Accounts payable and accrued expenses	(32,596)	112,792	(3,399)	15,285
Receivables from and payables to related parties, including deferred management fees	2,205	18,531	4,971	--
Other operating activities	(2,369)	--	(469)	(4,987)
Net cash from operating activities	104,652	243,941	1,427	28,332
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to property, plant and equipment	(368,642)	(329,212)	(2,042)	(13,683)
Payments for acquisitions, net of cash acquired	--	(13,196)	--	(47,237)
Other investing activities	(5,864)	(4,934)	--	(11,414)
Net cash from investing activities	(374,506)	(347,342)	(2,042)	(72,334)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt	1,208,000	329,000	5,000	39,428
Repayments of long-term debt	(1,051,000)	(203,900)	--	(20)
Borrowings from related party	27,000	369,684	--	--
Payment of deferred financing costs	(4,247)	--	(2,000)	--
Repayment of bonds	(237)	(370,640)	--	--
Distributions	(31,218)	(16,317)	(273)	--
Contribution from manager	110,324	--	--	--
Net cash from by financing activities	258,622	107,827	2,727	39,408
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,232)	4,426	2,112	(4,594)
CASH AND CASH EQUIVALENTS, beginning of period	11,232	6,806	4,694	9,288
CASH AND CASH EQUIVALENTS, end of period	\$ --	\$ 11,232	\$ 6,806	\$ 4,694
CASH PAID FOR INTEREST	\$ 69,988	\$ 65,391	\$ 2,551	\$ 30,429
CASH PAID FOR INCOME TAXES	\$ --	\$ --	\$ --	\$ 283
NONCASH TRANSACTIONS:				
Forgiveness of intercompany liabilities by parent company recorded as equity contribution	\$ 394,801	\$ --	\$ --	\$ --
Contribution from parent for acquisition	\$ 6,494	\$ 1,455,518	\$ --	\$ --
Transfer of cable systems to other Charter Holdings subsidiaries	\$ 36,393	\$ --	\$ --	\$ --
Issuance of preferred equity in a subsidiary as payment for acquisition	\$ --	\$ 629,488	\$ --	\$ --
Contribution from parent for bond redemption	\$ --	\$ 161,772	\$ --	\$ --
Increase in member's equity resulting from the application of purchase accounting	\$ --	\$ --	\$ 383,308	\$ --

See accompanying notes to consolidated financial 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

On November 15, 1999, Charter Communications Holding Company, LLC (Charter Holdco), a direct subsidiary of Charter Communications, Inc. (Charter), acquired all of the equity interests of Avalon Cable, LLC (now known as CC V Holdings or the Company) and Avalon Cable Holdings Finance, Inc. (the Charter Acquisition). Effective January 1, 2000, these acquired interests were transferred to Charter Communications Holdings, LLC (Charter Holdings), a wholly owned subsidiary of Charter Holdco.

As a result of the Charter Acquisition, the Company applied purchase accounting in the preparation of the accompanying consolidated financial statements. Accordingly, CC V Holdings increased its member's equity to \$383.3 million 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 \$727.7 million.

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, 2001 and 2000, and for the years ended December 31, 2001 and 2000, and 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.

Effective in December 2000, Charter Holdings contributed all of its equity interests in CC VIII, LLC (Bresnan) to CC V Holdings, resulting in CC V Holdings becoming the parent company of Bresnan. The Company accounted for the contribution of Bresnan as a reorganization of entities under common control in a manner similar to a pooling of interests. Accordingly, the accompanying consolidated financial statements include the accounts of CC V Holdings, its wholly owned subsidiaries, and the accounts of Bresnan since February 15, 2000 (the date Bresnan was acquired by Charter Holdco). All significant intercompany accounts and transactions have been eliminated in consolidation.

Effective on January 2, 2001, the Company entered into certain cable system swap transactions with other subsidiaries of Charter Holdings. Such cable systems swaps were effected in order to increase operational efficiency by swapping systems into the subsidiaries which are physically located closest to them. The Company accounted for the systems transferred into the Company from other Charter Holdings subsidiaries as a reorganization of entities under common control in a manner similar to a pooling of interests. Accordingly, beginning on November 15, 1999, the date the Company was acquired by Charter Holdco, the consolidated financial statements of CC V Holdings include the accounts of four systems that were transferred into the Company from other Charter Holdings subsidiaries. Also, on January 2, 2001, the Company transferred five of its systems to other Charter Holdings subsidiaries as part of the swap transactions. The disposition of such systems by the Company was recorded as a noncash transaction with related parties for the year ended December 31, 2001. In connection with these transactions, Charter Holdings forgave Bresnan's intercompany liabilities totaling approximately \$0.4 million that were recorded by the Company as an equity contribution in 2001.

As of December 31, 2001, the Company owns and operates cable systems serving approximately 971,400 (unaudited) customers. The Company currently offers a full array of traditional analog cable services and advanced bandwidth services such as digital cable television, interactive video programming, Internet access through television-based service, dial-up telephone modems and high-speed cable modems, and video-on-demand. The Company operates primarily in the states of Michigan, Minnesota and Wisconsin and in the New England area.

Cash and 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, which 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 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 improvements	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 using the straight-line method over a period of 15 years. Franchise rights acquired through the purchase of cable systems represent management's estimate of fair value and are generally amortized using the straight-line method over a period of 15 years. The period of 15 years was management's best estimate of the useful lives of the franchises and assumed that substantially all of those franchises that expired during the period would be renewed but not indefinitely. Because substantially all of the Company's franchise rights have been acquired in the past several years (see Note 3), the Company did not have sufficient experience with the local franchise authorities to conclude that renewals of franchises could be accomplished indefinitely. In addition, because the technological state of the Company's cable systems, with many systems with less than 550 megahertz bandwidths, could have resulted in demands from local franchise authorities to upgrade those systems sooner than previously planned, there was a risk that the franchises would not be renewed.

The Company believes that facts and circumstances have changed to enable it to conclude that substantially all of its franchises will be renewed indefinitely, with some portion of the franchises continuing to be amortized. The Company has sufficiently upgraded the technological state of its cable systems and now has sufficient experience with the local franchise authorities where it acquired franchises to conclude substantially all franchises will be renewed indefinitely. Any revisions to the estimated useful lives of franchises will be reflected in the 2002 financial statements (see Note 22 regarding the adoption of SFAS 142).

Accumulated amortization related to franchises was \$421.4 million and \$245.4 million, as of December 31, 2001 and 2000, respectively. Amortization expense related to franchises for the years ended December 31, 2001 and 2000, for the period from November 15, 1999 through December 31, 1999 and for the period from January 1, 1999, through November 14, 1999 was \$235.8 million, \$244.0 million, \$6.0 million and \$29.9 million, respectively.

Other Assets

Costs related to borrowings are deferred and amortized to interest expense using the effective interest method over the terms of the related borrowings. As of December 31, 2001 and 2000, other assets include \$5.6 million and \$4.0 million, respectively, of deferred financing costs, net of accumulated amortization of \$3.4 million and \$0.6 million, respectively.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value.

Revenue Recognition

Revenues from analog, digital and cable modem services are recognized when the related services are provided. Advertising sales are recognized in the period that the advertisements are broadcast.

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 franchise authorities. Franchise fees collected and paid are reported as revenues and expenses.

Other Long-term Liabilities

The Company receives upfront payments from certain programmers to promote new cable channels. Revenue is recognized to the extent of the fair value of the advertising services provided to promote the new channel. Such revenue is classified as advertising revenue and totaled \$16.4 million for the year ended December 31, 2001 and was insignificant during 2000 and 1999. The remaining portion is deferred and amortized as an offset to programming expense over the respective terms of the program agreements, which range from one to 20 years. The unamortized portion of the deferred payments received is included in other long-term liabilities.

Interest Rate Risk

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate cap agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of our subsidiaries. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate cap agreements are used to lock in a maximum interest rate should variable rates rise, but enable us to otherwise pay lower market rates.

Effective January 1, 2001, the Company adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." The Company's interest rate agreements are recorded in the consolidated balance sheet at December 31, 2001 as either an asset or liability measured at fair value. The Company recorded no expense in connection with the adoption of SFAS No. 133 for the year ended December 31, 2001.

The Company has certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments are those which effectively convert variable interest payments on debt instruments into fixed payments. For qualifying hedges, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. The Company has formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations are reported in accumulated other comprehensive loss. At December 31, 2001, included in accumulated other comprehensive loss was a loss of \$3.7 million related to derivative instruments designated as cash flow hedges. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, the Company believes such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value with the impact recorded as other income or expense. For the year ended December 31, 2001, the Company recorded other expense of \$7.9 million for interest rate derivative instruments not designated as hedges.

Income Taxes

Prior to the Charter Acquisition, the Company filed a consolidated income tax return. The tax benefit of \$13.9 million 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 its subsidiaries, with the exception of CC V Holdings Finance, Inc., 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

In accordance with SFAS No. 131, Disclosure about Segments of an Enterprise and Related Information, segments have been identified based upon management responsibility. The individual segments have been aggregated into one reportable segment, broadband services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

(2) ACQUISITIONS

In February 2000, Charter Holdings acquired certain cable systems for \$13.0 million and contributed those assets to the Company, increasing equity by \$13.0 million. The systems acquired serve approximately 6,000 customers located in Minnesota. In September 2000, Bresnan acquired cable systems for a purchase price of \$13.2 million. These systems acquired serve approximately 7,100 customers located in Minnesota. These acquisitions 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 the assets acquired based on their fair values, including amounts assigned to property, plant and equipment totaling \$4.5 million and franchises totaling \$21.5 million. No liabilities were assumed in these acquisitions.

In February 2000, Charter Holdco acquired the cable systems of Bresnan and immediately transferred its equity in these cable systems to Charter Holdings (the "Bresnan Acquisition"). In December 2000, Charter Holdings contributed all of its equity interests in Bresnan to CC V Holdings (the "Bresnan/Avalon Combination"), increasing equity by \$1.4 billion (See Note 1). Charter Holdco acquired these cable systems for a purchase price of approximately \$1.1 billion, net of cash acquired, excluding debt assumed of \$963.0 million and equity issued by Charter Holdco and preferred equity issued by a subsidiary of Charter Holdings of \$384.6 million and \$629.5 million, respectively. Charter Holdco allocated the purchase price to assets acquired and liabilities assumed based on their relative fair values, including amounts assigned to property, plant and equipment of \$345.9 million, other assets of \$2.2 million, franchises of \$2.8 billion, and liabilities assumed of \$1.7 billion. In connection with the Bresnan/Avalon Combination, the Company that issued the preferred equity became a subsidiary of the Company.

Unaudited pro forma operating results as though the 2000 acquisitions discussed above and the dispositions of five cable systems to other Charter Holdings subsidiaries as discussed in Note 1, with adjustments to give effect to amortization of franchises, interest expense and certain other adjustments, are as follows:

	Year Ended December 31, 2000 -----
Revenues	\$ 458,806
Loss from operations	(142,353)
Net loss	(285,602)

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.

(3) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Activity in the allowance for doubtful accounts is summarized as follows:

	December 31, -----	
	2001	2000
	-----	-----
Balance, beginning of year	\$ 1,948	\$ 1,143
Acquisition of cable systems	--	619
Disposition of cable systems	(278)	--
Charged to expense	7,615	5,540
Uncollected balances written off, net of recoveries	(6,765)	(5,354)
	-----	-----
Balance, end of year	\$ 2,520	\$ 1,948
	=====	=====

(4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following as of the dates presented:

	December 31, -----	
	2001	2000
	-----	-----
Cable distribution systems	\$ 869,497	\$ 752,936
Buildings and leasehold improvements	64,518	48,106
Vehicles and equipment	69,249	51,378
	-----	-----
	1,003,264	852,420
Less: accumulated depreciation	(211,107)	(140,234)
	-----	-----
	\$ 792,157	\$ 712,186
	=====	=====

Depreciation expense for assets owned by the Company for the years ended December 31, 2001 and 2000, for the period from November 15, 1999, through December 31, 1999, and for the period from January 1, 1999, through November 14, 1999, was \$225.3 million, \$149.2 million, \$1.8 million, and \$10.3 million, respectively.

During the years ended December 31, 2001 and 2000, the Company reduced the estimated useful lives of certain depreciable assets expected to be abandoned as a result of its rebuild and upgrade of cable distribution systems. As a result, an additional \$96.2 million and \$37.4 million of

depreciation expense was recorded during the years ended December 31, 2001 and 2000, respectively. The Company periodically evaluates the estimated useful lives used to depreciate its assets and the estimated amount of assets that will be abandoned or have minimal use in the future. While the Company believes its estimates of useful lives are reasonable, significant differences in actual experience or significant changes in assumptions may affect future depreciation expense.

(5) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following as of the dates presented:

	December 31,	
	2001	2000
Accounts payable	\$ 21,837	\$ 52,261
Capital expenditures	24,212	35,690
Accrued interest	16,640	36,832
Accrued programming	18,924	16,956
Franchises fees	6,713	7,603
Other	68,741	72,127
	-----	-----
	\$157,067	\$221,469
	=====	=====

(6) LONG-TERM DEBT

The Company has outstanding the following borrowings on long-term debt arrangements as of the dates presented:

	December 31,	
	2001	2000
Avalon credit facilities	\$ --	\$ 213,000
CC VIII credit facilities (Bresnan)	1,082,000	712,000
Avalon 11.875% Notes	179,750	179,750
Other	1,313	1,551
	-----	-----
	1,263,063	1,106,301
Less: unamortized net discount	(33,458)	(48,077)
	-----	-----
	\$ 1,229,605	\$ 1,058,224
	=====	=====

Avalon Credit Facilities

In connection with the Bresnan/Avalon combination in January 2001, all amounts due under the Avalon credit facilities were repaid using borrowings from the Bresnan credit facilities and the Avalon credit facilities were terminated. In addition, the CC VIII credit facilities were amended and restated to, among other things, increase borrowing availability by \$550.0 million.

CC VIII Credit Facilities

Upon the completion of the Bresnan/Avalon combination in January 2001, the CC VIII credit facilities were amended and restated to, among other things, increase borrowing availability by \$555.0 million. The credit facilities were further amended and restated on January 3, 2002 and provide for borrowings of up to \$1.55 billion. The CC VIII credit facilities provide for three term facilities, two Term A facilities with an aggregate principal amount of \$500.0 million that mature in June 2007, and a Term B

facility with a principal amount of \$500.0 million that matures in February 2008. The CC VIII credit facilities also provide for two reducing revolving credit facilities, in the aggregate amount of \$550.0 million, which will reduce quarterly beginning in March 2002 and September 2005, respectively, with maturity dates in June 2007. At the option of the lenders, supplemental facilities in the amount of \$300.0 million may be available. Amounts under the CC VIII credit facilities bear interest at the base rate or the Eurodollar rate, as defined, plus a margin of up to 2.75% for Eurodollar loans (6.09% to 7.84% as of December 31, 2001) and up to 1.75% for base rate loans. A quarterly commitment fee of between 0.250% and 0.375% is payable on the unborrowed balance of the revolving credit facilities.

As of December 31, 2001, outstanding borrowings were \$1.1 billion, and unused availability was \$368.0 million. After giving effect to the amendment to the CC VIII credit facilities on January 3, 2002, unused availability would have been \$468.0 million as of December 31, 2001. The Company repaid \$107.0 million under the CC VIII revolving credit facilities with proceeds from the issuance by Charter Holdings of its January 2002 senior and senior discount notes.

Avalon Senior Notes

Prior to the Charter Acquisition, the predecessor company issued 11.875% senior discount notes due 2008 (the "Avalon 11.875% Notes") and 9.375% senior subordinated notes due 2008 (the "Avalon 9.375% Notes"). This debt was assumed by the Company in the Charter Acquisition. After December 1, 2003, cash interest on the Avalon 11.875% Notes will be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2004.

In January 2000, the Company, through change of control offers and purchases in the open market, completed the repurchase of the Avalon 9.375% Notes with a total outstanding principal amount of \$150.0 million for a total of \$153.7 million. Also in January 2000, Charter Holdings repurchased a portion of the Avalon 11.875% Notes with a total outstanding principal amount of \$16.3 million for a total of \$10.5 million. The repurchase of the Avalon 9.375% Notes and the Avalon 11.875% Notes was funded by a portion of the cash proceeds from the issuance of notes with a principal amount of \$1.5 billion by Charter Holdings in January 2000 (the January 2000 Charter Holdings notes). The repayment of the debt was contributed to the Company and recorded as a capital contribution of \$161.8 million. The unamortized discount related to the Avalon 11.875% Notes was \$33.5 million as of December 31, 2001 and \$48.1 million as of December 31, 2000.

The indentures governing the debt and credit agreements require the issuers of the debt and/or its subsidiaries to comply with various financial and other covenants, including the maintenance of certain operating and financial ratios. These debt and credit instruments also contain substantial limitations on, or prohibitions of distributions, additional indebtedness, liens, asset sales and certain other items. As a result of limitations and prohibitions of, distributions, substantially all of the net assets of the consolidated subsidiaries are restricted for distribution to Charter Holdings, Charter Holdco and Charter.

Bresnan Notes

In connection with Charter Holdco's acquisition of Bresnan in February 2000, Charter Holdco assumed Bresnan's outstanding \$170.0 million in principal amount of 8.000% senior notes due 2009 and \$275.0 million in principal amount at maturity of 9.250% senior discount notes due 2009 with an accreted value of \$192.2 million. In March 2000, Charter Holdings, through change of control offers and purchases in the open market, completed the repurchase of all of the outstanding Bresnan notes at purchase prices of 101% of the outstanding principal amounts plus accrued and unpaid interest or accreted value, as applicable, for a total of \$369.7 million, using a portion of the proceeds from the sale of the January 2000 Charter Holdings Notes. The funds were loaned from Charter Holdings to Bresnan and

recorded as payables to related parties on the accompanying consolidated balance sheets. In 2001, Charter Holdings released the Company from its obligation to repay these funds and the Company recorded \$394.8 million, representing original borrowings plus interest, as an equity contribution.

Based upon outstanding indebtedness as of December 31, 2001, giving effect to the refinancing of certain of the Company's credit facilities on January 3, 2002, the amortization of term loans, scheduled reductions in available borrowings of the revolving credit facilities, and the maturity dates for all senior and subordinated notes and debentures, aggregate future principal payments on the total borrowings under all debt agreements as of December 31, 2001, are as follows:

Year -----	Amount -----
2002	\$ --
2003	147,565
2004	80,218
2005	105,001
2006	129,998
Thereafter	800,281

	\$1,263,063
	=====

(7) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2001, we adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." Our interest rate agreements are recorded in the consolidated balance sheet at December 31, 2001 as either an asset or liability measured at fair value. We recorded no expense in connection with the adoption of SFAS No. 133 for the year ended December 31, 2001.

We have certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments are those which effectively convert variable interest payments on debt instruments into fixed payments. For qualifying hedges, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. We have formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations are reported in accumulated other comprehensive loss. At December 31, 2001, included in accumulated other comprehensive loss was a gain of \$3.7 million related to derivative instruments designated as cash flow hedges. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they do not meet the effectiveness criteria specified by SFAS No. 133. However, we believe such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value with the impact recorded as other income or expense. For the year ended December 31, 2001, the Company recorded other expense of \$7.9 million for interest rate derivative instruments not designated as hedges.

(8) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying and fair values of the Company's significant financial instruments as of the dates presented are as follows:

	As of December 31,			
	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt:				
Avalon credit facilities	\$ --	\$ --	\$ 213,000	\$ 213,000
CC VIII credit facilities (Bresnan)	1,082,000	1,082,000	712,000	712,000
Avalon 11.875% Notes	146,292	146,496	131,673	119,534
Loans payable-related parties	27,000	27,000	369,684	369,684
Other	1,313	1,313	1,551	1,551
Total	\$1,256,605	\$1,256,809	\$1,427,908	\$1,415,769

	As of December 31,					
	2001			2000		
	Carrying Value	Notional Amount	Fair Value	Carrying Value	Notional Amount	Fair Value
Interest Rate						
Cap Agreement	\$ --	\$ --	\$ --	\$ --	\$ 15,000	\$ --
Interest Rate						
Swap Agreement	\$ 4,195	\$700,000	\$ 4,195	\$ --	\$ --	\$ --

The carrying values of the credit facilities approximate fair value as the outstanding borrowings bear interest at market rates. The fair value of the Avalon 11.875% Notes are based on quoted market prices. The interest pay rate for the interest rate cap agreement was 9.0% at December 31, 2000.

The Company has estimated the fair value of its financial instruments as of December 31, 2001 and 2000 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments. The Company is exposed to market price risk volatility with respect to investments in publicly traded and privately held entities.

The fair value of interest rate agreements represents the estimated amount the Company would receive or pay upon termination of the agreements. Management believes that the sellers of the interest rate agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate agreements are with certain of the participating banks under the Company's credit facilities, thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of 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.

The Company's credit facilities bear interest at current market rates and, thus, their carrying value approximates fair value at December 31, 2001 and 2000. The Company is exposed to interest rate volatility with respect to these variable-rate instruments.

The estimated fair value of the Company's notes and interest rate agreements at December 31, 2001 and 2000 are based on quoted market prices or a discounted cash flow analysis using the Company's incremental borrowing rate for similar types of borrowing arrangements and dealer quotations.

(9) MINORITY INTEREST

Minority interest represents preferred membership units issued by a subsidiary in connection with the acquisition of Bresnan by Charter Holdco. The preferred membership units are exchangeable on a one-for-one basis for shares of Class A common stock of Charter and accrete at a rate of 2% per year. The accretion on the preferred membership units is recorded as minority interest expense in the accompanying consolidated statements of operations.

(10) SHAREHOLDERS' EQUITY

Shareholders' equity for the predecessor period is as follows:

	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
	=====	=====	=====	=====

(11) REVENUES

Revenues consist of the following for the periods presented:

	Successor		Predecessor	
	Year Ended December 31,		Period From November 15, 1999, Through December 31, 1999	Period from January 1, 1999, through November 14, 1999
	2001	2000		
	-----	-----	-----	-----
Analog video	\$383,461	\$393,105	\$ 12,424	\$ 83,809
Digital video	29,613	12,187	--	--
Cable modem	28,299	11,927	--	--
Advertising sales	38,623	35,220	345	--
Other	42,803	46,907	1,161	10,574
	-----	-----	-----	-----
	\$522,799	\$499,346	\$ 13,930	\$ 94,383
	=====	=====	=====	=====

(12) OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating, general and administrative expenses consist of the following for the periods presented:

	Successor		Predecessor	
	Year Ended December 31,		Period From	Period from
	2001	2000	November 15,	January 1,
			1999,	1999,
			Through	through
			December 31,	November 14,
			1999	1999
General, administrative and service	\$109,947	\$108,073	\$ 4,369	\$ 27,279
Analog video programming	125,931	117,062	3,597	24,927
Digital video	11,419	5,614	--	--
Cable modem	8,761	4,945	--	--
Advertising sales	9,474	8,985	17	--
Marketing	10,320	11,316	298	883
	\$275,852	\$255,995	\$ 8,281	\$ 53,089

(13) RELATED-PARTY TRANSACTIONS

Charter Investment, Inc. (Charter Investment) and Charter, an entity controlled by Paul G. Allen, provide management services to the Company including centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Certain costs for these services are billed and charged directly to the Company and are included in operating costs. These costs are allocated based on the number of basic customers. Such costs totaled \$13.7 million and \$7.1 million for the years ended December 31, 2001 and 2000. All other costs incurred by Charter Investment and Charter on behalf of the Company are recorded as expenses in the accompanying consolidated financial statements and are included in corporate expense charges-related parties. Management fees are stipulated in the management agreements between Charter Investment, Charter and the Company. To the extent management fees charged to the Company are greater (less) than the corporate expenses incurred by Charter Investment and Charter, the Company records distributions to (capital contributions from) Charter Investment and Charter. For the years ended December 31, 2001 and 2000, the management fee charged to the Company approximated the corporate expenses incurred by Charter Investment and Charter on behalf of the Company. The Company's credit facilities prohibit payments of management fees in excess of 3.5% of revenues until repayment of the outstanding indebtedness. Any amount in excess of 3.5% of revenue owed to Charter Investment or Charter based on the management agreement would be recorded as deferred management fees-related parties. Management believes that costs incurred by Charter Investment and Charter on the Company's behalf and included in the accompanying consolidated financial statements are not materially different than costs the Company would have incurred as a stand-alone entity.

The Company pays costs on behalf of Charter Investment and Charter. These costs are reimbursed by Charter Investment and Charter and are recorded as receivables from related parties in the accompanying consolidated financial statements.

Charter, Mr. Allen and certain affiliates of Mr. Allen own equity interests or warrants to purchase equity interest in various entities that provide services or programming to the Company,

including High Speed Access Corp. (HSA), WorldGate Communications, Inc. (WorldGate), Wink Communications, Inc. (Wink), TechTV, Inc. (TechTV), USA Networks, Inc. (USA) and Oxygen Media Corporation (Oxygen Media), digeo, inc., Microsoft Corporation. In addition, certain officers or directors of Charter also serve as directors of USA and numerous privately held companies.

Certain of the Company's cable customers receive cable modem-based Internet access through HSA and TV-based Internet access through WorldGate. For the years ended December 31, 2001, 2000 and 1999, revenues attributable to these services were less than 1% of total revenues.

The Company receives or will receive programming and certain interactive features embedded into the programming for broadcast via its cable systems from Wink, TechTV, USA, and Oxygen. The Company pays a fee for the programming service generally based on the number of customers receiving the service. Such fees for the years ended December 31, 2001, 2000 and 1999, were less than 1% of total operating expenses. In addition, the Company receives commissions from USA for home shopping sales generated by its customers. Such revenues for the years ended December 31, 2001, 2000 and 1999, were less than 1% of total revenues.

During the years ended December 31, 2001 and 2000, the Company distributed \$31.2 million and \$16.3 million, respectively, to Charter Holdings that was used by Charter Holdings to meet the interest obligations on its high-yield notes.

(14) COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain facilities and equipment under noncancellable operating leases. Leases and rental costs charged to expense for the years ended December 31, 2001 and 2000, for the period from November 15, 1999, through December 31, 1999, and for the period from January 1, 1999, through November 14, 1999, were \$1.7 million, \$2.1 million, \$0.2 million and \$1.5 million respectively. As of December 31, 2001, future minimum lease payments are as follows:

Year -----	Amount -----
2002	\$1,233
2003	860
2004	581
2005	436
2006	293
Thereafter	951

The Company also rents utility poles in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the years ended December 31, 2001 and 2000, was \$2.9 million and \$3.4 million, respectively.

Regulation In The Cable Industry

The operation of a cable system is extensively regulated by the Federal Communications Commission (FCC), some state governments and most local governments. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act

altered the regulatory structure governing the nation's communications providers. It removed barriers to competition in both the cable television market and the local telephone market. Among other things, it reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the FCC to undertake a host of implementing rulemakings. Moreover, Congress and the FCC have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect the Company's operations.

Litigation

In connection with the Company's acquisition of Mercom, former Mercom shareholders holding 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. 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 consolidated financial condition or results of operations of the Company.

The Company is party to lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after consulting with legal counsel, the outcome of these lawsuits and claims will not have a material adverse effect on the Company's consolidated financial position or results of operations.

(15) EMPLOYEE BENEFIT PLAN

Avalon Michigan and Bresnan had qualified savings plans under Section 401(k) of the Internal Revenue Code (the "Plan"). In connection with the Charter Acquisition and the Bresnan Acquisition, the Plans' assets were frozen as of the dates of acquisitions, and employees became fully vested. 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. The Company matches 50% of the first 5% of participant contributions. The Company made contributions to the 401(k) Plan totaling \$1.0 million and \$0.8 million for the years ended December 31, 2001 and 2000, respectively.

(16) OPTION PLANS

Eligible employees of the Company participate in the 1999 Option Plan of Charter Communications Holding Company (the "1999 Plan") and the 2001 Stock Incentive Plan of Charter Communications, Inc. (the "2001 Plan"). The 1999 Plan provides for the grant of options to purchase membership units in Charter Communications Holding Company to current and prospective employees and consultants of the Company. Membership units received upon exercise of any options are immediately exchanged for shares of Charter Communications, Inc. Class A common stock on a one-for-one basis. Options granted generally vest over five years from the grant date, commencing 15 months after the date of grant. Options not exercised accumulate and are exercisable, in whole or in part, in any subsequent period, but not later than ten years from the date of grant. Membership units received upon exercise of the options are automatically exchanged into Class A common stock of Charter on a one-for-one basis.

The 2001 Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and/or shares of restricted stock (not to exceed 3,000,000) as each term is defined in the 2001 Plan. Employees, officers, consultants and directors of the Company are eligible to receive grants under the 2001 Plan. Options granted generally vest over four years from the grant date, with 25% vesting on each anniversary date following the grant date until options are fully vested. Generally, options expire 10 years from the grant date.

The Company uses the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," to account for the option plans. Accordingly, no compensation expense was recorded for the years ended December 31, 2001 and 2000, for the period from November 15, 1999, through December 31, 1999 and for the period from January 1, 1999 through November 14, 1999.

(17) NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", No. 142, "Goodwill and Other Intangible Assets" and No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting and was adopted by the company on July 1, 2001. Adoption of SFAS No. 141 did not have a significant impact on the consolidated financial statements of the Company.

Under SFAS No. 142, goodwill and other indefinite lived intangible assets are no longer subject to amortization over their useful lives, rather, they are subject to at least annual assessments for impairment. Also, under SFAS Nos. 141 and 142, an intangible asset should be recognized if the benefit of the intangible asset is obtained through contractual or other legal rights or if the intangible asset can be sold, transferred, licensed, rented or exchanged. Such intangibles will be amortized over their useful lives. The Company believes that substantially all franchises will qualify for indefinite life treatment under the new standard. While their analysis, including the impairment testing of franchises required under the new standard, is not complete, they expect to stop amortizing franchise intangible assets that meet the indefinite life treatment beginning January 1, 2002. The Company will test these assets for impairment at least annually. Other than during any periods in which the Company may record a charge for impairment, the Company expects that the adoption of SFAS No. 142 will result in a reduced loss as a result of reduced amortization expense. Based on the Company's preliminary evaluation, if the new standard had been in effect for 2001, amortization expense would have been reduced by approximately \$210.0 million to \$235.8 million.

Under SFAS No. 143, the fair value of a liability for an asset retirement obligation is required to be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. SFAS No. 143 will be implemented by the Company on January 1, 2002. Adoption of SFAS No. 143 will not have a material impact on the consolidated financial statements of the Company.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of and supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and resolves implementation issues related to SFAS No. 121. SFAS No. 144 will be implemented by the Company on January 1, 2002. Adoption of SFAS No. 144 will not have a material impact on the consolidated financial statements of the Company.

EXHIBIT INDEX

Exhibit Number	Description
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)
2.13	Purchase and Contribution Agreement entered into as June 1999, by and among BCI (USA), LLC, William Bresnan, Blackstone BC Capital Partners LP, Blackstone BC Offshore Capital Partners L.P., Blackstone Family Investment Partnership III LP, TCID of Michigan, Inc. and TCI Bresnan LLC and Charter Communications Holding Company, LLC (now called Charter Investment, Inc.) (Incorporated by reference to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc filed on September 28, 1999 (File No. 333-83887)).
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). (5)
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.). (5)
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)
10.2(f)	Management Agreement dated as of February 14, 2000, by and between CC VIII Operating, LLC, certain subsidiaries of CC VIII Operating, LLC and Charter Communications, Inc. (4)
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)
10.17	Second Amendment and Restated Credit Agreement dated as of February 2, 1999, as Amended and Restated as of January 2, 2001 by and among CC VIII Operating LLC, as borrower, CC VIII Holdings, LLC, as guarantor, and several financial institutions or entities named therein. (6)
10.18	Third Amended and Restated Credit Agreement, among CC VIII Operating, LLC, as borrower, CC VIII Holdings, LLC, as guarantor, and certain lenders and agents named therein, dated as of February 2, 1999, as amended and restated as of January 3, 2002 (Incorporated by reference to Exhibit 99.2 to the current report on Form 8-K filed by Charter Communications, Inc. on January 24, 2002 (File No. 000-27927)).
10.22	Exchange Agreement, dated as of February 14, 2000, by and among Charter Communications, Inc., BCI (USA), LLC, William J. Bresnan, Blackstone BC Capital Partners LP, Blackstone BC Offshore Capital Partners LP, Blackstone Family Media III LP (as assignee of Blackstone Family Investment III LP.), TCID of Michigan, Inc., and TCI Bresnan LLC (Incorporated by reference to the current report on Form 8-K of Charter Communications, Inc. filed on February 29, 2000 (File No. 000-27927)).
99.1	Letter responsive to Temporary Note 3T to Article 3 of Regulation S-X.

-
- (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 30, 2000.
 - (5) Incorporated by reference to the Annual Report on Form 10-K of CC V Holdings, LLC and CC V Holdings Finance, Inc. (File Nos. 333-75415 and 333-75415-03, respectively) filed on March 30, 2000.
 - (6) Incorporated by reference to the Annual Report on Form 10-K of CC V Holdings, LLC and CC V Holdings Finance, Inc. (File Nos. 333-75415 and 333-75415-03, respectively) filed on March 30, 2001.

LETTER TO THE COMMISSION PURSUANT TO TEMPORARY NOTE 3T

CC V HOLDINGS, LLC
CC V HOLDINGS FINANCE, INC.
12405 Powerscourt Drive, Suite 100
St. Louis, Missouri 63131

March 29, 2002

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

Pursuant to temporary note 3T, CC V Holdings, LLC and CC V Holdings Finance, Inc. have obtained a letter of representation from Arthur Andersen stating that the December 31, 2001 audit was subject to their quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards, that there was appropriate continuity of Arthur Andersen personnel working on the audit and availability of national office consultation. Availability of personnel at foreign affiliates of Arthur Andersen was not relevant to the audit.

Very truly yours,

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

By: /s/ Kent D. Kalkwarf

Executive Vice President, Chief Financial
Officer