Eurodollar Rate) or the compliance by such Lender with any guideline, request or directive from any central bank or other Governmental Authority (whether or not having the force of law), shall have the effect of increasing the cost to such Lender of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(d) *Illegality*

Notwithstanding any other provision of this Agreement, if any Lender determines that the introduction of, or any change in or in the interpretation of, any law, treaty or governmental rule, regulation or order after the date of this Agreement shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender or its Eurodollar Lending Office to make Eurodollar Rate Loans or to continue to fund or maintain Eurodollar Rate Loans, then, on notice thereof and demand therefor by such Lender to the Borrower through the Administrative Agent, (i) the obligation of such Lender to make or to continue Eurodollar Rate Loans and to convert Base Rate Loans into Eurodollar Rate Loans shall be suspended, and each such Lender shall make a Base Rate Loan as part of any requested Borrowing of Eurodollar Rate Loans and (ii) if the affected Eurodollar Rate Loans are then outstanding, the Borrower shall immediately convert each such Term Loan into a Base Rate Loan. If, at any time after a Lender gives notice under this *clause (d)*, such Lender determines that it may lawfully make Eurodollar Rate Loans, such Lender shall promptly give notice of that determination to the Borrower and the Administrative Agent, and the Administrative Agent shall promptly transmit the notice to each other Lender The Borrower's right to request, and such Lender's obligation, if any, to make Eurodollar Rate Loans shall thereupon be restored.

(e) *Breakage Costs*

In addition to all amounts required to be paid by the Borrower pursuant to *Section 2 7 (Interest)*, the Borrower shall compensate each Lender, upon demand, for all actual losses, expenses and liabilities (including any actual loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Lender's Eurodollar Rate Loans to the Borrower but excluding any loss of the Applicable Margin on the relevant Term Loans) that such Lender may sustain (i) if for any reason (other than solely by reason of such Lender being a Non-Funding Lender) a proposed Borrowing, conversion into or continuation of Eurodollar Rate Loans does not occur on a date specified therefor in a Notice of Borrowing or a Notice of Conversion or Continuation given by the Borrower or in a telephonic request by it for borrowing or conversion or continuation or a successive Interest Period does not commence after notice therefor is given pursuant to *Section 2 8 (Conversion/Continuation Option)*, (ii) if for any reason any Eurodollar Rate Loan is prepaid (including mandatorily pursuant to *Section 2 6 (Mandatory Prepayments)*) on a date that is not the last day of the applicable Interest Period, (iii) as a consequence of a required conversion of a Eurodollar Rate Loan to a Base Rate Loan as a result of any of the events indicated in *clause (d)* above or (iv) as a consequence of any failure by the Borrower to repay Eurodollar Rate Loans when required by the terms hereof The Lender making demand for such compensation shall deliver to the Borrower concurrently with such demand a written statement as to such losses,

expenses and liabilities, and this statement shall be conclusive as to the amount of compensation due to such Lender, absent manifest error.

Section 2.12 · Capital Adequacy

If at any time any Lender determines that (a) the adoption of, or any change in or in the interpretation of, any law, treaty or governmental rule, regulation or order after the date of this Agreement regarding capital adequacy, (b) compliance with any such law, treaty, rule, regulation or order or (c) compliance with any guideline or request or directive from any central bank or other Governmental Authority (whether or not having the force of law) shall have the effect of reducing the rate of return on such Lender's (or any corporation controlling such Lender's) capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change, compliance or interpretation, then, upon demand from time to time by such Lender (with a copy of such demand to the Administrative Agent), the Borrower shall pay to the Administrative Agent for the account of such Lender, from time to time as specified by such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender shall be conclusive and binding for all purposes absent manifest error

Section 2.13 Taxes

(a) Except as otherwise provided in this *Section 2 13*, any and all payments by any Loan Party under each Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding (i) in the case of each Lender and the Administrative Agent (A) taxes measured by its net income, and franchise taxes imposed on it, and similar taxes imposed by the jurisdiction (or any political subdivision thereof) under the laws of which such Lender or the Administrative Agent (as the case may be) is organized and (B) any U S withholding taxes payable with respect to payments under the Loan Documents under laws (including any statute, treaty or regulation) in effect on the Closing Date (or, in the case of (x) an Eligible Assignee, the date of the Assignment and Acceptance and (y) a successor Administrative Agent, the date of the appointment of such Administrative Agent) applicable to such Lender or the Administrative Agent, as the case may be, but not excluding any U.S. withholding taxes payable as a result of any change in such laws occurring after the Closing Date (or the date of such Assignment and Acceptance or the date of such appointment of such Administrative Agent) and (ii) in the case of each Lender taxes measured by its net income, and franchise taxes imposed on it as a result of a present or former connection between such Lender and the jurisdiction of the Governmental Authority imposing such tax or any taxing authority thereof or therein (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If any Taxes shall be required by law to be deducted from or in respect of any sum payable under any Loan Document to any Lender or the Administrative Agent (w) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this *Section 2 13*, such Lender, such Issuer or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (x) the relevant Loan Party shall make such deductions, (y) the relevant Loan Party shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable law and (z) the relevant Loan Party shall deliver to the Administrative Agent evidence of such payment

(b) In addition, each Loan Party agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies of the United States or any political subdivision thereof or any applicable foreign jurisdiction, and all liabilities with respect thereto, in each case arising from any payment made under any Loan Document or from the execution, delivery or registration of, or otherwise with respect to, any Loan Document (collectively, "*Other Taxes*").

(c) Each Loan Party shall, jointly and severally, indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this *Section 2 13*) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including for penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted This indemnification shall be made within 30 days from the date such Lender, or the such Administrative Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes or Other Taxes by any Loan Party, the Borrower shall furnish to the Administrative Agent, at its address referred to in *Section 11 8 (Notices, Etc.)*, the original or a certified copy of a receipt evidencing payment thereof

(e) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under the Guaranty, the agreements and obligations of such Loan Party contained in this *Section 2 13* shall survive the payment in full of the Obligations.

(f) (i) Each Non-U.S Lender that is entitled to an exemption from U S withholding tax, or that is subject to such tax at a reduced rate under an applicable tax treaty, shall (v) on or prior to the Closing Date in the case of each Non-U.S. Lender that is a signatory hereto, (w) on or prior to the date of the Assignment and Acceptance pursuant to which such Non-U.S. Lender becomes a Lender or the date a successor Administrative Agent becomes the Administrative Agent hereunder, (x) on or prior to the date on which any such form or certification expires or becomes obsolete, (y) after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it to the Borrower and the Administrative Agent, and (z) from time to time if requested by the Borrower or the Administrative Agent, provide the Administrative Agent and the Borrower with two completed originals of each of the following, as applicable:

(A) Form W-8ECI (claiming exemption from U S withholding tax because the income is effectively connected with a U S trade or business) or any successor form,

(B) Form W-8BEN (claiming exemption from, or a reduction of, U.S. withholding tax under an income tax treaty) or any successor form,

(C) in the case of a Non-U S Lender claiming exemption under Sections 871(h) or 881(c) of the Code, a Form W-8BEN (claiming exemption from U S withholding tax under the portfolio interest exemption) or any successor form; or

(D) any other applicable form, certificate or document prescribed by the IRS certifying as to such Non-U.S. Lender's entitlement to such exemption from U.S withholding tax or reduced rate with respect to all payments to be made to such Non-U S. Lender under the Loan Documents

Unless the Borrower and the Administrative Agent have received forms or other documents satisfactory to them indicating that payments under any Loan Document to or for a Non-U.S. Lender are not subject to U.S. withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Loan Parties and the Administrative Agent shall withhold amounts required to be withheld by applicable Requirements of Law from such payments at the applicable statutory rate.

(ii) Each U.S. Lender shall (v) on or prior to the Closing Date in the case of each U S. Lender that is a signatory hereto, (w) on or prior to the date of the Assignment and Acceptance pursuant to which such U.S. Lender becomes a Lender or the date a successor Administrative Agent becomes the Administrative Agent hereunder, (x) on or prior to the date on which any such form or certification expires or becomes obsolete, (y) after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it to the Borrower and the Administrative Agent, and (z) from time to time if requested by the Borrower or the Administrative Agent, provide the Administrative Agent and the Borrower with two completed originals of Form W-9 (certifying that such U S. Lender is entitled to an exemption from U.S. backup withholding tax) or any successor form Solely for purposes of this *Section 2 13(f)*, a U S Lender shall not include a Lender or an Administrative Agent that may be treated as an exempt recipient based on the indicators described in Treasury Regulation section 1.6049-4(c)(1)(ii)

Any Lender claiming any additional amounts payable pursuant to this *Section 2.13* shall use its reasonable efforts (consistent with its internal policies and Requirements of Law) to change the jurisdiction of its Applicable Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that would be payable or may thereafter accrue and would not, in the sole determination of such Lender, be otherwise disadvantageous to such Lender.

Section 2.14 Substitution of Lenders

(a) In the event that (i)(A) any Lender makes a claim under *Section 2 11(c) (Increased Costs)* or *Section 2 12 (Capital Adequacy)*, (B) it becomes illegal for any Lender to continue to fund or make any Eurodollar Rate Loan and such Lender notifies the Borrower pursuant to *Section 2 11(d) (Illegality)*, (C) any Loan Party is required to make any payment pursuant to *Section 2.13 (Taxes)* that is attributable to a particular Lender or (D) any Lender becomes a Non-Funding Lender, (ii) in the case of clause (i)(A) above, as a consequence of increased costs in respect of which such claim is made, the effective rate of interest payable to such Lender under this Agreement with respect to its Term Loans materially exceeds the effective average annual rate of interest payable to the Requisite Lenders under this Agreement and (iii) in the case of clause (i)(A),(B) and (C) above, Lenders holding at least 75% of the Commitments are not subject to such increased costs or illegality, payment or proceedings (any such Lender, an "*Affected Lender*"), the Borrower may substitute any Lender and, if reasonably acceptable to the Administrative Agent, any other Eligible Assignee (a "*Substitute Institution*") for such Affected Lender hereunder, after delivery of a written notice (a "*Substitution Notice*") by the Borrower to

the Administrative Agent and the Affected Lender within a reasonable time (in any case not to exceed 90 days) following the occurrence of any of the events described in clause (i) above that the Borrower intends to make such substitution, provided, however, that, if more than one Lender claims increased costs, illegality or right to payment arising from the same act or condition and such claims are received by the Borrower within 30 days of each other, then the Borrower may substitute all, but not (except to the extent the Borrower has already substituted one of such Affected Lenders before the Borrower's receipt of the other Affected Lenders' claim) less than all, Lenders making such claims

(b) If the Substitution Notice was properly issued under this *Section 2.14*, the Affected Lender shall sell, and the Substitute Institution shall purchase, all rights and claims of such Affected Lender under the Loan Documents and the Substitute Institution shall assume, and the Affected Lender shall be relieved of, all other prior unperformed obligations of the Affected Lender under the Loan Documents (other than in respect of any damages (which pursuant to *Section 11 5 (Limitations of Liability)*, do not include exemplary or punitive damages, to the extent permitted by applicable law) in respect of any such unperformed obligations) Such purchase and sale (and the corresponding assignment of all rights and claims hereunder) shall be recorded in the Register maintained by the Administrative Agent and shall be effective on (and not earlier than) the later of (i) the receipt by the Affected Lender of its Ratable Portion of the Term Loans, together with any other Obligations owing to it, (ii) the receipt by the Administrative Agent of an agreement in form and substance satisfactory to it and the Borrower whereby the Substitute Institution shall agree to be bound by the terms hereof and (ii) the payment in full to the Affected Lender in cash of all fees, unreimbursed costs and expenses and indemnities accrued and unpaid through such effective date. Upon the effectiveness of such sale, purchase and assumption, the Substitute Institution shall become a "*Lender*" hereunder for all purposes of this Agreement having a Commitment in the amount of such Affected Lender's Commitment assumed by it and such Commitment of the Affected Lender shall be terminated, *provided*, *however*, that all indemnities under the Loan Documents shall continue in favor of such Affected Lender.

(c) Each Lender agrees that, if it becomes an Affected Lender and its rights and claims are assigned hereunder to a Substitute Institution pursuant to this *Section 2 14*, it shall execute and deliver to the Administrative Agent an Assignment and Acceptance to evidence such assignment, together with any Note (if such Term Loans are evidenced by a Note) evidencing the Term Loans subject to such Assignment and Acceptance, *provided*, *however*, that the failure of any Affected Lender to execute an Assignment and Acceptance shall not render such assignment invalid

ARTICLE III

CONDITIONS TO LOANS

Section 3.1 Conditions Precedent to Initial Loans

The obligation of each Lender to make the Term Loans requested to be made by it on the Closing Date is subject to the satisfaction or due waiver in accordance with *Section 11 1 (Amendments, Waivers, Etc)* of each of the following conditions precedent.

(a) *Certain Documents.* The Administrative Agent shall have received on or prior to the Closing Date (and, to the extent any Borrowing of any Eurodollar Rate Loans is

requested to be made on the Closing Date, in respect of the Notice of Borrowing for such Eurodollar Rate Loans, at least three Business Days prior to the Closing Date) each of the following, each dated the Closing Date unless otherwise indicated or agreed to by the Administrative Agent, in form and substance satisfactory to the Administrative Agent and in sufficient copies for each Lender

(i) this Agreement, duly executed and delivered by the Borrower and, for the account of each Lender requesting the same, a Note of the Borrower conforming to the requirements set forth herein,

(ii) the Guaranty, duly executed by each Guarantor,

(iii) the Pledge and Security Agreement, duly executed by the Borrower and each Guarantor, together with each of the following.

(A) evidence satisfactory to the Administrative Agent that, upon the filing and recording of instruments delivered at the Closing, the Collateral Agent (for the benefit of the Secured Parties) shall have a valid and perfected first priority security interest in the Collateral, including (x) such documents duly executed by each Loan Party as the Administrative Agent may request with respect to the perfection of its security interests in the Collateral (including financing statements under the UCC, patent, trademark and copyright security agreements suitable for filing with the Patent and Trademark Office or the Copyright Office, as the case may be, and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens created by the Pledge and Security Agreement) and (y) copies of UCC search reports as of a recent date listing all effective financing statements that name any Loan Party as debtor, together with copies of such financing statements, none of which shall cover the Collateral except for those that shall be terminated on the Closing Date or are otherwise permitted hereunder (including financing statements with respect to the First Lien Credit Agreement);

(B) all certificates, instruments and other documents representing all Pledged Stock being pledged pursuant to such Pledge and Security Agreement and stock powers for such certificates, instruments and other documents executed in blank (unless delivered to the First Lien Collateral Agent),

(C) all Deposit Account Control Agreements (other than any Deposit Account Control Agreements subject to *Section 7.17 (Post-Closing Obligations)*, duly executed by the corresponding Deposit Account Bank and Loan Party, that, in the reasonable judgment of the Administrative Agent, shall be required for the Loan Parties to comply with *Section 7.13 (Control Accounts, Approved Deposit Accounts)*; and

(D) Securities Account Control Agreements duly executed by the appropriate Loan Party and (1) all "securities intermediaries" (as defined in the UCC) with respect to all Securities Accounts and securities entitlements of the Borrower and each Guarantor and (2) all "commodities intermediaries" (as

defined in the UCC) with respect to all commodities contracts and commodities accounts held by the Borrower and each Guarantor,

(iv) the Intercreditor Agreement, duly executed by the Borrower, the Administrative Agent, the Collateral Agent, and the administrative agent and collateral agent under the First Lien Credit Agreement,

(v) Mortgages for all of the Real Properties of the Loan Parties identified on *Schedule 4.19 (Real Property)* together with all Mortgage Supporting Documents relating thereto (except as may be agreed to by the Administrative Agent);

(vi) a favorable opinion of (A) Alston & Bird, LLP, counsel to the Loan Parties, addressed to the Administrative Agent, the Collateral Agent and the Lenders and in form satisfactory to the Administrative Agent, (B) Kelley Drye & Warren LLP, special counsel to the Loan Parties as to FCC matters, addressed to the Administrative Agent, the Collateral Agent and the Lenders and in form satisfactory to the Administrative Agent, and (C) counsel to the Loan Parties in the States of Alabama, Florida, Georgia, South Carolina and Tennessee, in each case, addressed to the Administrative Agent, the Collateral Agent and the Lenders and addressing such other matters as any Lender through the Administrative Agent may reasonably request;

(vii) a copy of each First Lien Loan Document, the documents governing the New Preferred Stock and each redemption notice and each other document executed by the Borrower, or its Subsidiaries, in connection with the redemption or repayment of the Existing Indebtedness, in each case, certified as being complete and correct by a Responsible Officer of the Borrower;

(viii) a copy of the articles or certificate of incorporation (or equivalent Constituent Document) of each Loan Party, certified as of a recent date by the Secretary of State of the state of organization of such Loan Party, together with certificates of such official attesting to the good standing of each such Loan Party;

(ix) a certificate of the Secretary or an Assistant Secretary of each Loan Party certifying (A) the names and true signatures of each officer of such Loan Party that has been authorized to execute and deliver any Loan Document or other document required hereunder to be executed and delivered by or on behalf of such Loan Party, (B) the by-laws (or equivalent Constituent Document) of such Loan Party as in effect on the date of such certification, (C) the resolutions of such Loan Party's board of directors (or equivalent governing body) approving and authorizing the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party and (D) that there have been no changes in the certificate of incorporation (or equivalent Constituent Document) of such Loan Party from the certificate of incorporation (or equivalent Constituent Document) delivered pursuant to *clause (viii)* above;

(x) a certificate of the chief financial officer of the Borrower, stating that the Borrower is Solvent after giving effect to the incurrence of Indebtedness hereunder, the application of the proceeds thereof in accordance with the terms of this Agreement and the First Lien Credit Agreement and the payment of all estimated legal, accounting and other fees related thereto;

(xi) a certificate of a Responsible Officer to the effect that (A) the representations and warranties set forth in *Article IV* (*Representations and Warranties*) and in the other Loan Documents shall be true and correct on and as of the Closing Date, (B) no Default or Event of Default shall exist or be continuing on the Closing Date after giving effect to the borrowings hereunder and under the First Lien Credit Agreement, (C) the making of the Term Loans or the loans under the First Lien Facilities on such date does not violate any Requirement of Law on the date of or immediately following such date and is not enjoined, temporarily, preliminarily or permanently and (D) no litigation not listed on *Schedule 4 7* (*Litigation*) has been commenced against any Loan Party or any of its Subsidiaries that would have a Material Adverse Effect;

(xii) evidence satisfactory to the Administrative Agent that the insurance policies required by *Section 7 5 (Maintenance of Insurance)* and any Collateral Document are in full force and effect, together with, unless otherwise agreed by the Administrative Agent, endorsements naming the Collateral Agent, on behalf of the Secured Parties, as an additional insured or loss payee under all insurance policies to be maintained with respect to the properties of the Borrower and each other Loan Party;

(xiii) each of the representations and warranties set forth in *Article IV (Representations and Warranties)* and in the other Loan Documents shall be true and correct on and as of the Closing Date;

(xiv) Borrower shall have delivered to the Administrative Agent a Notice of Borrowing substantially in the form of *Exhibit C (Notice of Borrowing)*, and

(xv) such other certificates, documents, agreements and information respecting any Loan Party as any Lender through the Administrative Agent may reasonably request

(b) *Fees and Expenses Paid*. There shall have been paid to the Administrative Agent, for the account of the Administrative Agent and the Lenders, as applicable, all fees and expenses (including reasonable fees and expenses of counsel) due and payable on or before the Closing Date (including all such fees described in the Fee Letter).

(c) *Refinancing of Existing Indebtedness* Concurrently with the initial Borrowings hereunder, (i) the Existing Indebtedness under the Existing Wachovia Credit Agreement shall be paid-in-full and terminated on terms satisfactory to the Administrative Agent, (ii) the Existing CoBank Credit Agreement shall be purchased at par by, and assigned to, the Borrower and pledged to the Administrative Agent for the benefit of Lenders to secure the Obligations, in each case, on terms satisfactory to the Administrative Agent, (iii) the Administrative Agent shall have received a payoff letter duly executed and delivered by the Borrower and the applicable lenders or their agent under each Existing Credit Agreement and evidence of the release, or arrangements therefor, of all related Liens and guarantees, in each case, in form and substance satisfactory to the Administrative Agent and (iv) Borrower shall have deposited with CSFB an amount sufficient to redeem the Existing Notes in full and such deposit shall be subject to the terms of the Escrow Agreement.

(d) *Debt Rating Condition*. The Term Loan Facility shall have been rated by S&P and by Moody's

(e) *First Lien Loan Documents*. Concurrently with the initial Borrowings hereunder, the Borrower shall have satisfied each of the conditions under *Section 3 1 (Condition Precedent to Initial Loans)* of the First Lien Credit Agreement and shall have borrowed the term loan in the amount of $185,000,000 under the First Lien Term Facility.

(f) *Consents, Etc* The Administrative Agent shall have received copies of all CATV Franchises (and resolutions relating thereto), Pole Agreements, Communications Licenses, Programming Agreements, Network Agreements in existence as of the date hereof. each of the Borrower and its Subsidiaries shall have received all consents and authorizations required pursuant to any material Contractual Obligation with any other Person and shall have obtained all consents and Permits of, and effected all notices to and filings with, any Governmental Authority, including, in each case, in connection with all Communications Licenses, CATV Franchises and PUC Authorizations, in each case, as may be necessary to allow each of the Borrower and its Subsidiaries lawfully (i) to execute, deliver and perform, in all material respects, their respective obligations hereunder and under the Loan Documents to which each of them, respectively, is, or shall be, a party and each other agreement or instrument to be executed and delivered by each of them, respectively, pursuant thereto or in connection therewith and (ii) other than those required consents identified in *Schedule 7 12* hereof, to create and perfect the Liens on the Collateral to be owned by each of them in the manner and for the purpose contemplated by the Loan Documents.

(g) *New Preferred Stock Issuance* The Borrower shall have completed its issuance of the New Preferred Stock prior to the Closing Date on terms and conditions acceptable to the Administrative Agent and shall have received gross cash proceeds of not less than $9,200,000 from such issuance.

(h) *Capitalization*. The Administrative Agent shall be reasonably satisfied with any changes to the capitalization, structure or equity ownership of the Borrower and its Subsidiaries from, in each case, that described in the Borrower's annual report filed on Form 10-K with the Securities and Exchange Commission for the year ended December 31, 2004; and, after giving effect to the transactions contemplated to occur on the Closing Date by this Agreement and the First Lien Credit Agreement, the Borrower and its Subsidiaries shall have no outstanding Indebtedness or preferred stock other than (i) Indebtedness under this Agreement and the First Lien Credit Agreement, (ii) the New Preferred Stock and (iii) other Indebtedness existing on the Closing Date (after giving effect to the transactions contemplated by this Agreement) as set forth on *Schedule 8 1 (Existing Indebtedness)*.

(i) *Financial Statements* The Administrative Agent shall have received (i) GAAP audited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for the 2002, 2003 and 2004 Fiscal Years, (ii) GAAP unaudited consolidated balance sheets and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries for (x) the Fiscal Quarter ended March 31, 2005 and each subsequent Fiscal Quarter ended 30 days before the Closing Date and (y) each fiscal month after the most recent Fiscal Quarter for which financial statements were received by the Administrative Agent and ended 30 days before the Closing Date, which financial statements, in each case, shall not be materially inconsistent with the financial statements or forecasts previously provided to the Administrative Agent and (iii) a certificate of the chief financial officer of the Borrower stating that the financial statements delivered pursuant to this *clause (i)* are accurate and complete in all respects

(j) *EBITDA Certification* The Administrative Agent shall have received (i) a certificate of the chief financial officer of the Borrower, satisfactory to the Administrative Agent, certifying that (x) the Borrower and its Subsidiaries, on a Consolidated basis, have achieved EBITDA equal to at least $9,815,643 for the Fiscal Quarter ending March 31, 2005 and that EBITDA for the four Fiscal Quarters ending March 31, 2005 equals at least $33,829,892, and (y) the ratio of (1) First Lien Covenant Debt outstanding on the Closing Date, after giving effect to the making of the Term Loans and the application of the proceeds thereof, to (2) an amount equal to (A) four *multiplied* by (B) the EBITDA of the Borrower and its Subsidiaries for the three-month period ending May 31, 2005 does not exceed 4.5 to 1.0 and (ii) the Projections, showing EBITDA equal to at least $45,000,000 for the Fiscal Year of 2005.

(k) *Regulatory Compliance.* The Administrative Agent shall have received, at least five Business Days prior to the Closing Date, all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act.

Section 3.2 Determinations of Initial Borrowing Conditions

For purposes of determining compliance with the conditions specified in *Section 3.1 (Conditions Precedent to Initial Loans)*, each Lender shall be deemed to have consented to, approved, accepted or be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lenders unless an officer of the Administrative Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from such Lender prior to the initial Borrowing specifying its objection thereto and such Lender shall not have made available to the Administrative Agent such Lender's Ratable Portion of such Borrowing

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

To induce the Lenders and the Administrative Agent to enter into this Agreement, the Borrower represents and warrants each of the following to the Lenders and the Administrative Agent, on and as of the Closing Date and after giving effect to the making of the Term Loans and the other financial accommodations on the Closing Date:

Section 4.1 Corporate Existence; Compliance with Law

The Borrower and each of the Borrower's Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) is duly qualified to do business as a foreign entity and in good standing under the laws of each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing would not, in the aggregate, have a Material Adverse Effect, (c) has all requisite power and authority and the legal right to own, pledge, mortgage and operate its properties, to lease the property it operates under lease and to conduct its business as now or currently proposed to be conducted, (d) is in compliance with its Constituent Documents, (e) is in compliance with all applicable Requirements of Law except where the failure to be in compliance would not, in the aggregate, have a Material Adverse Effect and (f) has all necessary Permits from or by, has made all necessary filings with, and has given all necessary notices to, each Governmental Authority having jurisdiction, to the extent required for such ownership, operation and conduct,

except for Permits or filings that can be obtained or made by the taking of ministerial action to secure the grant or transfer thereof or the failure to obtain or make would not, in the aggregate, have a Material Adverse Effect

Section 4.2 Corporate Power; Authorization; Enforceable Obligations

The execution, delivery and performance by each Loan Party of the Loan Documents to which it is a party and the consummation of the transactions contemplated thereby

(i) are within such Loan Party's corporate, limited liability company, partnership or other powers,

(ii) have been or, at the time of delivery thereof pursuant to *Article III* (*Conditions To Loans*) will have been duly authorized by all necessary action, including the consent of shareholders, partners and members where required;

(iii) do not and will not (A) contravene or violate such Loan Party's or any of its Subsidiaries' respective Constituent Documents, (B) violate any other Requirement of Law applicable to such Loan Party (including Regulations T, U and X of the Federal Reserve Board), or any order or decree of any Governmental Authority or arbitrator applicable to such Loan Party, (C) conflict with or result in the breach of, or constitute a default under, or result in or permit the termination or acceleration of, any material Contractual Obligation of such Loan Party or any of its Subsidiaries or (D) result in the creation or imposition of any Lien upon any property of such Loan Party or any of its Subsidiaries, other than those in favor of the Secured Parties pursuant to the Collateral Documents, and

(iv) do not require the consent of, authorization by, approval of, notice to, or filing or registration with, any Governmental Authority or any other Person, other than those listed on *Schedule 4 2 (Consents)* and that have been or will be, prior to the Closing Date, obtained or made, copies of which have been or will be delivered to the Administrative Agent pursuant to *Section 3 1 (Conditions Precedent to Initial Loans)*, and each of which on the Closing Date will be in full force and effect and, with respect to the Collateral, filings required to perfect the Liens created by the Collateral Documents.

(b) This Agreement has been, and each of the other Loan Documents will have been upon delivery thereof pursuant to the terms of this Agreement, duly executed and delivered by each Loan Party party thereto This Agreement is, and the other Loan Documents will be, when delivered hereunder, the legal, valid and binding obligation of each Loan Party party thereto, enforceable against such Loan Party in accordance with its terms.

Section 4.3 Ownership of Borrower; Subsidiaries

(a) As of the Closing Date, the authorized capital stock of the Borrower consists of 200,000,000 shares of common stock, $0.01 par value per share, of which 23,697,787 shares are issued and outstanding All of the outstanding capital stock of the Borrower has been validly issued, is fully paid and non-assessable As of the Closing Date, no Stock of the Borrower is subject to any option, warrant, right of conversion or purchase or any similar right except as disclosed in the Disclosure Documents As of the Closing Date, there are no agreements or understandings to which the Borrower is a party with respect to the voting, sale or transfer of any

shares of Stock of the Borrower or any agreement restricting the transfer or hypothecation of any such shares.

(b) Set forth on Schedule 4 3 (Ownership of Subsidiaries) is a complete and accurate list showing, as of the Closing Date, all Subsidiaries of the Borrower and, as to each such Subsidiary, the jurisdiction of its organization, the number of shares of each class of Stock authorized (if applicable), the number outstanding on the Closing Date and the number and percentage of the outstanding shares of each such class owned (directly or indirectly) by the Borrower. No Stock or any Subsidiary of the Borrower is subject to any outstanding option, warrant, right of conversion or purchase of any similar right All of the outstanding Stock of each Subsidiary of the Borrower owned (directly or indirectly) by the Borrower has been validly issued, is fully paid and non-assessable (to the extent applicable) and is owned by the Borrower or a Subsidiary of the Borrower, free and clear of all Liens (other than the Lien in favor of the Secured Parties created pursuant to the Pledge and Security Agreement), options, warrants, rights of conversion or purchase or any similar rights. Neither the Borrower nor any such Subsidiary is a party to, or has knowledge of, any agreement restricting the transfer or hypothecation of any Stock of any such Subsidiary, other than the Loan Documents. Borrower does not own or hold, directly or indirectly, any Stock of any Person other than such Subsidiaries and Investments permitted by Section 8.3 (Investments).

Section 4.4 Financial Statements

(a) The audited Consolidated balance sheets of the Borrower and its Subsidiaries and related audited Consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries delivered to the Administrative Agent pursuant to *Section 3 1(k) (Conditions Precedent to Initial Loans)* fairly present the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of the operations of the Borrower and its Subsidiaries for the period ended on such dates, as applicable, all in conformity with GAAP.

(b) Neither the Borrower nor any of the Borrower's Subsidiaries has any material obligation, contingent liability or liability for taxes, long-term leases or unusual forward or long-term commitment that is not reflected in the Financial Statements referred to in *clause (a)* above or in the notes thereto and not otherwise permitted by this Agreement.

(c) The Projections have been prepared by the Borrower in light of the past operations of its business and are based upon estimates and assumptions stated therein, all of which the Borrower believes to be reasonable and fair in light of current conditions and current facts known to the Borrower and, as of the Closing Date, reflect the Borrower's good faith and reasonable estimates of the future financial performance of the Borrower and its Subsidiaries and of the other information projected therein for the periods set forth therein

(d) The unaudited Consolidated balance sheets of the Borrower and its Subsidiaries and related statements of income, stockholders' equity and cash flows of the Borrower and its Subsidiaries delivered to the Administrative Agent pursuant to *Section 3 1(k) (Conditions Precedent to Initial Loans)* have been prepared and reflect, as of the respective dates indicated, the Consolidated financial condition of the Borrower and its Subsidiaries.

Section 4.5 Material Adverse Change

Since December 31, 2004, there has been no Material Adverse Change and there have been no events or developments that, in the aggregate, have had a Material Adverse Effect

Section 4.6 Solvency

Both before and after giving effect to (a) the extensions of credit under this Agreement and the First Lien Credit Agreement, in each case, to be made on the Closing Date or such other date as requested hereunder, (b) the disbursement by the Borrower of the proceeds thereof as contemplated by this Agreement and the First Lien Credit Agreement and (c) the payment and accrual of all transaction costs in connection with the foregoing, each Loan Party is Solvent.

Section 4.7 Litigation

Except as set forth on *Schedule 4 7 (Litigation)*, there are no pending or, to the knowledge of the Borrower, threatened actions, investigations or proceedings affecting the Borrower or any of its Subsidiaries before any court, Governmental Authority or arbitrator other than those that, in the aggregate, would not have a Material Adverse Effect The performance of any action by any Loan Party required or contemplated by any Loan Document or First Lien Loan Document is not restrained or enjoined (either temporarily, preliminarily or permanently).

Section 4.8 Taxes

(a) All federal, state, local and foreign income and franchise and other material tax returns, reports and statements (collectively, the "*Tax Returns*") required to be filed by the Borrower or any of its Tax Affiliates have been filed with the appropriate Governmental Authorities in all jurisdictions in which such Tax Returns are required to be filed, all such Tax Returns are true and correct in all material respects, and all taxes, charges and other impositions reflected therein or otherwise due and payable have been paid prior to the date on which any fine, penalty, interest, late charge or loss may be added thereto for non-payment thereof except where contested in good faith and by appropriate proceedings if adequate reserves therefor have been established on the books of the Borrower or such Tax Affiliate in conformity with GAAP. No Tax Return is under audit or examination by any Governmental Authority and no notice of such an audit or examination or any assertion of any claim for Taxes has been given or made by any Governmental Authority Proper and accurate amounts have been withheld by the Borrower and each of its Tax Affiliates from their respective employees for all periods in full and complete compliance with the tax, social security and unemployment withholding provisions of applicable Requirements of Law and such withholdings have been timely paid to the respective Governmental Authorities.

(b) None of the Borrower or any of its Tax Affiliates has (i) executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for the filing of any Tax Return or the assessment or collection of any charges, (ii) incurred any obligation under any tax sharing agreement or arrangement other than those of which the Administrative Agent has received a copy prior to the date hereof or (iii) been a member of an affiliated, combined or unitary group other than the group of which the Borrower (or its Tax Affiliate) is the common parent

Section 4.9 Full Disclosure

(a) All information prepared or furnished by or on behalf of the Borrower in connection with this Agreement or the First Lien Loan Documents or the consummation of the transactions contemplated hereunder and thereunder taken as a whole, including the information contained in the Confidential Information Memorandum and in the Disclosure Documents, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading All facts known to the Borrower and material to an understanding of the financial condition, business, properties or prospects of the Borrower and its Subsidiaries taken as one enterprise have been disclosed to the Lenders

(b) The Borrower has delivered to each Lender a true, complete and correct copy of each Disclosure Document. The Disclosure Documents comply as to form in all material respects with all applicable requirements of all applicable state and Federal securities laws.

Section 4.10 Margin Regulations

The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Federal Reserve Board), and no proceeds of any Term Loan will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying any such margin stock in contravention of Regulation T, U or X of the Federal Reserve Board.

Section 4.11 No Burdensome Restrictions; No Defaults

(a) Neither the Borrower nor any Subsidiary of the Borrower (i) is a party to any Contractual Obligation the compliance with one or more of which would have, in the aggregate, a Material Adverse Effect or the performance of which by any thereof, either unconditionally or upon the happening of an event, would result in the creation of a Lien (other than a Lien permitted under *Section 8 2 (Liens, Etc)*) on the assets of any thereof or (ii) is subject to one or more charter or corporate restrictions that would, in the aggregate, have a Material Adverse Effect.

(b) Neither the Borrower nor any Subsidiary of the Borrower is in default under or with respect to any Contractual Obligation owed by it and, to the knowledge of the Borrower, no other party is in default under or with respect to any Contractual Obligation owed to any Loan Party or to any Subsidiary of any Loan Party, other than, in either case, those defaults that, in the aggregate, would not have a Material Adverse Effect.

(c) No Default or Event of Default has occurred and is continuing.

(d) To the best knowledge of the Borrower, there are no Requirements of Law applicable to any Loan Party or any Subsidiary of any Loan Party the compliance with which by such Loan Party or such Subsidiary, as the case may be, would, in the aggregate, have a Material Adverse Effect

(e) Except as set forth on *Schedule 4 11 (Build-Out Obligations)*, neither the Borrower nor any Subsidiary of the Borrower has any outstanding Contractual Obligation to make capital expenditures (as defined in accordance with GAAP) in excess of $2,000,000 in aggregate at any time

Section 4.12 Investment Company Act; Public Utility Holding Company Act

None of the Borrower or any Subsidiary of the Borrower is (a) an "*investment company*" or an "*affiliated person*" of, or "*promoter*" or "*principal underwriter*" for, an "*investment company,*" as such terms are defined in the Investment Company Act of 1940, as amended or (b) a "*holding company*" or an "*affiliate*" of a "*holding company*" or a "*subsidiary company*" of a "*holding company,*" as each such term is defined and used in the Public Utility Holding Company Act of 1935, as amended.

Section 4.13 Use of Proceeds

The proceeds of the Term Loan are being used by the Borrower (and, to the extent distributed to them by the Borrower, each other Loan Party) solely (a) together with the proceeds of the First Lien Term Facility and the New Preferred Stock, to refinance all Existing Indebtedness and related transaction costs, fees and expenses and for the payment of transaction costs, fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby and (b) to provide for working capital and for general corporate purposes.

Section 4.14 Insurance

All policies of insurance of any kind or nature of the Borrower or any of its Subsidiaries, including policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation and employee health and welfare insurance, are in full force and effect and are of a nature and provide such coverage as is sufficient and as is customarily carried by businesses of the size and character of such Person. None of the Borrower or any of its Subsidiaries has been refused insurance for any material coverage for which it had applied or had any policy of insurance terminated (other than at its request).

Section 4.15 Labor Matters

(a) There are no strikes, work stoppages, slowdowns or lockouts pending or threatened against or involving the Borrower or any of its Subsidiaries, other than those that, in the aggregate, would not have a Material Adverse Effect.

(b) There are no unfair labor practices, grievances, complaints or arbitrations pending, or, to the Borrower's knowledge, threatened, against or involving the Borrower or any of its Subsidiaries, nor are there any arbitrations or grievances threatened involving the Borrower or any of its Subsidiaries, other than those that, in the aggregate, would not have a Material Adverse Effect

(c) Except as set forth on *Schedule 4.15* (*Labor Matters*), as of the Closing Date, there is no collective bargaining agreement covering any employee of the Borrower or its Subsidiaries.

(d) *Schedule 4.15* (*Labor Matters*) sets forth, as of the date hereof, all material consulting agreements, executive employment agreements, executive compensation plans, deferred compensation agreements, employee stock purchase and stock option plans and severance plans of the Borrower and any of its Subsidiaries

Section 4.16 ERISA

(a) *Schedule 4 16 (List of Plans)* separately identifies as of the date hereof all Title IV Plans, all Multiemployer Plans and all of the employee benefit plans within the meaning of Section 3(3) of ERISA to which the Borrower or any of its Subsidiaries has any obligation or liability, contingent or otherwise.

(b) Each employee benefit plan of the Borrower or any of the Borrower's Subsidiaries intended to qualify under Section 401 of the Code does so qualify, and any trust created thereunder is exempt from tax under the provisions of Section 501 of the Code, except where such failures, in the aggregate, would not have a Material Adverse Effect.

(c) Each Title IV Plan is in compliance in all material respects with applicable provisions of ERISA, the Code and other Requirements of Law except for non-compliances that, in the aggregate, would not have a Material Adverse Effect.

(d) There has been no, nor is there reasonably expected to occur, any ERISA Event other than those that, in the aggregate, would not have a Material Adverse Effect.

(e) Except to the extent set forth on *Schedule 4.16 (List of Plans)*, none of the Borrower nor any of the Borrower's Subsidiaries or any ERISA Affiliate would have any Withdrawal Liability as a result of a complete withdrawal as of the date hereof from any Multiemployer Plan

Section 4.17 Environmental Matters

(a) The operations of the Borrower and each of its Subsidiaries have been and are in compliance with all Environmental Laws, including obtaining and complying with all required environmental, health and safety Permits, other than non-compliances that, in the aggregate, would not have a reasonable likelihood of the Borrower and its Subsidiaries incurring Environmental Liabilities and Costs after the date hereof which would exceed $1,000,000.

(b) None of the Borrower or any of its Subsidiaries or any Real Property currently or, to the knowledge of the Borrower, previously owned, operated or leased by or for the Borrower or any of its Subsidiaries is subject to any pending or, to the knowledge of the Borrower, threatened, claim, order, agreement, notice of violation, notice of potential liability or is the subject of any pending or threatened proceeding or governmental investigation under or pursuant to Environmental Laws other than those that, in the aggregate, are not reasonably likely to result in the Borrower and its Subsidiaries incurring Environmental Liabilities and Costs which would exceed $1,000,000.

(c) Except as disclosed on *Schedule 4 17 (Environmental Matters)*, none of the Borrower or any of its Subsidiaries is a treatment, storage or disposal facility requiring a Permit under the Resource Conservation and Recovery Act, 42 U S.C. § 6901 et seq., the regulations thereunder or any state analog

(d) There are no facts, circumstances or conditions arising out of or relating to the operations or ownership of the Borrower or of Real Property owned, operated or leased by the Borrower or any of its Subsidiaries that are not specifically included in the financial information furnished to the Lenders other than those that, in the aggregate, would not have a

reasonable likelihood of the Borrower and its Subsidiaries incurring Environmental Liabilities and Costs in excess of $1,000,000

(e) As of the date hereof, no Environmental Lien has attached to any property of the Borrower or any of its Subsidiaries and, to the knowledge of the Borrower, no facts, circumstances or conditions exist that could reasonably be expected to result in any such Lien attaching to any such property

(f) The Borrower and each of its Subsidiaries has provided the Lenders with copies of all environmental, health or safety audits, studies, assessments, inspections, investigations or other environmental health and safety reports relating to the operations of the Borrower or any of its Subsidiaries or any Real Property of any of them that are in the possession, custody or control of the Borrower or any of its Subsidiaries.

Section 4.18 Intellectual Property

The Borrower and its Subsidiaries own or license or otherwise have the right to use all licenses, permits, patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, copyright applications, Internet domain names, franchises, authorizations and other intellectual property rights (including all Intellectual Property as defined in the Pledge and Security Agreement) that are necessary for the operations of their respective businesses, without infringement upon or conflict with the rights of any other Person with respect thereto, including all trade names associated with any private label brands of the Borrower or any of its Subsidiaries, except those that would not have a Material Adverse Effect. To the Borrower's knowledge, no license, permit, patent, patent application, trademark, trademark application, service mark, trade name, copyright, copyright application, Internet domain name, franchise, authorization, other intellectual property right (including all "*Intellectual Property*" as defined in the Pledge and Security Agreement), slogan or other advertising device, product, process, method, substance, part or component, or other material now employed, or now contemplated to be employed, by the Borrower or any of its Subsidiaries infringes upon or conflicts with any rights owned by any other Person, and no claim or litigation regarding any of the foregoing is pending or threatened

Section 4.19 Title; Real Property

(a) Each of the Borrower and its Subsidiaries has good and marketable title to, or valid leasehold interests in, all Real Property and good title to all personal property, in each case that is purported to be owned or leased by it, including those reflected on the most recent Financial Statements delivered by the Borrower, and none of such properties and assets is subject to any Lien, except Liens permitted under *Section 8 2 (Liens, Etc)* The Borrower and its Subsidiaries have received all deeds, assignments, waivers, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents in respect of, and have duly effected all recordings, filings and other actions necessary to establish, protect and perfect, the Borrower's and its Subsidiaries' right, title and interest in and to all such property

(b) Set forth on *Schedule 4 19 (Real Property)* is a complete and accurate list of all Real Property of each Loan Party and showing, as of the Closing Date, the current street address (including, where applicable, county, state and other relevant jurisdictions), record owner and, where applicable, lessee thereof

(c) As of the Closing Date, no Loan Party nor any of its Subsidiaries owns or holds, or is obligated under or a party to, any lease, option, right of first refusal or other contractual right to purchase, acquire, sell, assign, dispose of or lease any Real Property of such Loan Party or any of its Subsidiaries

(d) As of the Closing Date, no portion of any Real Property of any Loan Party or any of its Subsidiaries has suffered any material damage by fire or other casualty loss that has not heretofore been completely repaired and restored to its original condition. Except as disclosed to the Administrative Agent, no portion of any Real Property of any Loan Party or any of its Subsidiaries is located in a special flood hazard area as designated by any federal Governmental Authority.

(e) All Permits required to have been issued or appropriate to enable all Real Property of the Borrower or any of its Subsidiaries to be lawfully occupied and used for all of the purposes for which they are currently occupied and used have been lawfully issued and are in full force and effect, other than those that, in the aggregate, would not have a Material Adverse Effect

(f) None of the Borrower or any of its Subsidiaries has received any notice, or has any knowledge, of any pending, threatened or contemplated condemnation proceeding affecting any Real Property of the Borrower or any of its Subsidiaries or any part thereof, except those that, in the aggregate, would not have a Material Adverse Effect

Section 4.20 Interactive Broadband Networks and Communications Law Matters.

(a) *Interactive Broadband Networks. Schedule 4 20(a)* hereto sets forth, as of the Closing Date, a true and complete list of each Interactive Broadband Network owned or operated by any Loan Party identified by the jurisdiction served by such Interactive Broadband Network.

(b) *CATV Franchises Schedule 4 20(b)* hereto sets forth, as of the Closing Date, a true and complete list of the CATV Franchises (and expiration dates thereof) of each Loan Party and the jurisdiction served thereby.

(c) *Local Authorizations. Schedule 4 20(c)* hereto sets forth, as of the Closing Date, a true and complete list of all Communications Licenses and other PUC Authorizations (and the expiration dates thereof) of each Loan Party pertaining to the provision of local telecommunications services and high-speed internet access and, if applicable, the jurisdiction served thereby

(d) *Long Distance Authorizations. Schedule 4 20(d)* hereto sets forth, as of the Closing Date, a true and complete list of all Communications Licenses and other PUC Authorizations (and the expiration dates thereof) of each Loan Party pertaining to the provision of long distance telecommunications services and high-speed internet access and, if applicable, the jurisdiction served thereby.

(e) *Other Authorizations Schedule 4 20(e)* hereto sets forth, as of the Closing Date, a true and complete list of all Communications Licenses and other PUC

Authorizations (and the expiration dates thereof) not listed on any other Schedule hereto of any Loan Party, and, if applicable, the jurisdiction served thereby.

(f) *Network Agreements Schedule 4 20(f)* hereto sets forth, as of the Closing Date, a true and complete list of the Network Agreements of each Loan Party which constitute material Contractual Obligations, each of which is in full force and effect and neither any Loan Party nor, to the best knowledge of any Loan Party, any of the other parties thereto, is in default of any of the provisions thereof in any material respect

(g) *Communications Law* No Loan Party is in violation of any duty or obligation required by any Communications Law, the Cable Act or any other Requirement of Law pertaining to or regulating the operation of any Interactive Broadband Network or the provision of Broadband Services, except where such violation could not reasonably be expected to result in a Material Adverse Effect

(h) *Broadband Approvals.* Except as set forth on *Schedule 7 12*, each Loan Party possess approvals from each Governmental Authority necessary (i) to enter into and perform the respective obligations of each Loan Party under each Loan Document to which it is a party (including the granting of guarantees and security interests thereunder) and (ii) to own and operate any Interactive Broadband Network or any other long distance telecommunications systems presently operated by such Loan Party or otherwise for the operations of their businesses and are not in violation thereof, except (in the case of *clause (ii)* only) where the failure to so possess could not reasonably be expected to have a Material Adverse Effect. All material approvals from each Governmental Authority are in full force and effect and no event has occurred that permits, or after notice or lapse of time could permit, the revocation, termination or material and adverse modification of any such approval

(i) *Communications Licenses* There is not pending or, to the best knowledge of any Loan Party, threatened, any action by the FCC or any other Governmental Authority to revoke, cancel, suspend or refuse to renew any Communications License, CATV Franchise or PUC Authorization held by any Loan Party or any of its Subsidiaries There is not pending or, to the best knowledge of any Loan Party, threatened, any action by the FCC or any other Governmental Authority to modify adversely, revoke, cancel, suspend or refuse to renew any other approvals from any Governmental Authority To the knowledge of the Loan Parties, no event has occurred and is continuing which could reasonably be expected to (i) result in the imposition of a material forfeiture or the revocation, termination or adverse modification of any such Communications License or PUC Authorization or (ii) materially and adversely affect any rights of any Loan Party thereunder. Each Loan Party has no reason to believe and has no knowledge that any of its Communications Licenses or PUC Authorizations will fail to be renewed in the ordinary course.

(j) *Rate Regulation* Except as set forth on *Schedule 4 20(j)*, as of the Closing Date, no franchising authority has notified any Loan Party of its application to be certified to regulate rates as provided in Section 76 910 of the FCC rules implementing the rate regulation provisions of the Cable Act and no Governmental Authority that has issued a CATV Franchise to any Loan Party has notified any Loan Party that it has been certified and has adopted regulations required to commence regulation as provided in Section 76 910(c)(2) of such rate regulation rules

(k) *Proceedings* There is not issued or outstanding or, to the best knowledge of any Loan Party, threatened, any notice of any hearing, violation or complaint against any Loan Party with respect to the provision of Broadband Services by any Loan Party or with respect to the operation of any portion of any Interactive Broadband Network, except for any such hearing, violation or complaint which could not reasonably be expected to have a Material Adverse Effect and, as of the Closing Date, no Loan Party has any knowledge that any Person intends to contest renewal of any Communication License, PUC Authorization, CATV Franchise or other approval from any Governmental Authority or Pole Agreement.

(l) *Copyrights.* All notices, statements of account, supplements and other documents required under Section 111 of the Copyright Act of 1976 and under the rules of the Copyright Office with respect to the carriage of off-air signals by the Interactive Broadband Networks have been duly filed, and the proper amount of copyright fees have been paid on a timely basis, and each such Interactive Broadband Network qualifies for the compulsory license under Section 111 of the Copyright Act of 1976, except where failure to so file, pay or qualify could not reasonably be expected to result in a Material Adverse Effect.

(m) *Off-air Signals* The carriage of all off-air signals by the Interactive Broadband Networks is permitted by valid retransmission consent agreements or by must-carry elections by broadcasters, or is otherwise permitted under Requirement of Law.

(n) *Condition of Systems* All of the material properties, equipment and systems of each Loan Party, including the Interactive Broadband Networks, are, and all those to be added in connection with any contemplated system expansion or construction will be, in good repair and condition, ordinary wear and tear excepted, and in working order and condition which is in accordance with applicable industry standards, and are and will be in compliance with all standards or rules imposed by any Governmental Authority, except where failure to be in such condition or to so comply could not reasonably be expected to result in a Material Adverse Effect

(o) *Fees* Each Loan Party has paid all franchise, license or other fees and charges material to the CATV Franchises, Communications Licenses, PUC Authorizations, any Interactive Broadband Network and other matters respecting the operation of its business which have become due pursuant to any approval from any Governmental Authority or other permit in respect of its business, except where the failure to so pay could not reasonably be expected to result in a Material Adverse Effect.

Section 4.21 Prohibited Persons; Trade Restrictions

No Loan Party nor any of their respective Affiliates is a Prohibited Person None of the funds or other assets of any Loan Party constitute property of, or are beneficially owned, directly or indirectly, by any person, entity or government subject to trade restrictions under U.S. law, including the International Emergency Economic Powers Act, The Trading with the Enemy Act, and any Executive Orders or regulations promulgated thereunder with the result that any transaction contemplated by this Agreement (whether directly or indirectly), is prohibited by law or the Term Loans or any extensions of credit hereunder are in violation of law None of the funds of any Loan Party have been derived from any unlawful activity with the result that any transaction contemplated by this Agreement (whether directly or indirectly), is prohibited by law or the Term Loans or any extensions of credit hereunder are in violation of law

ARTICLE V

FINANCIAL COVENANTS

The Borrower agrees with the Lenders and the Administrative Agent to each of the following as long as any Obligation remains outstanding and, in each case, unless the Requisite Lenders otherwise consent in writing:

Section 5.1 Maximum Leverage Ratio

The Borrower shall maintain, on each day of each Fiscal Quarter set forth below, a Leverage Ratio of not more than the maximum ratio set forth below opposite such Fiscal Quarter

FISCAL QUARTER ENDING	MAXIMUM LEVERAGE RATIO
June 30, 2005	7 25 to 1
September 30, 2005	7 25 to 1
December 31, 2005	7 25 to 1
March 31, 2006	7 25 to 1
June 30, 2006	7 25 to 1
September 30, 2006	7 25 to 1
December 31, 2006	7 25 to 1
March 31, 2007	7 25 to 1
June 30, 2007	7 10 to 1
September 30, 2007	7 00 to 1
December 31, 2007	6 85 to 1
March 31, 2008	6 70 to 1
June 30, 2008	6 35 to 1
September 30, 2008	6 25 to 1
December 31, 2008	6 20 to 1
March 31, 2009	6 15 to 1
June 30, 2009	6 15 to 1
September 30, 2009	6 15 to 1
December 31, 2009	6 10 to 1
March 31, 2010	6 10 to 1
June 30, 2010	6 10 to 1
September 30, 2010	6 10 to 1
December 31, 2010	6 10 to 1
March 31, 2011	6 10 to 1

Section 5.2 Minimum Interest Coverage Ratio

The Borrower shall maintain an Interest Coverage Ratio, as determined as of the last day of each Fiscal Quarter set forth below, for the four Fiscal Quarters ending on such day, of at least the minimum ratio set forth below opposite such Fiscal Quarter

FISCAL QUARTER ENDING	MINIMUM INTEREST COVERAGE RATIO
June 30, 2005	1 10 to 1
September 30, 2005	1 10 to 1
December 31, 2005	1 10 to 1
March 31, 2006	1 10 to 1
June 30, 2006	1 10 to 1
September 30, 2006	1 10 to 1
December 31, 2006	1 10 to 1
March 31, 2007	1 10 to 1
June 30, 2007	1 10 to 1
September 30, 2007	1 10 to 1
December 31, 2007	1 15 to 1
March 31, 2008	1 15 to 1
June 30, 2008	1 20 to 1
September 30, 2008	1 20 to 1
December 31, 2008	1 25 to 1
March 31, 2009	1 25 to 1
June 30, 2009	1 35 to 1
September 30, 2009	1 35 to 1
December 31, 2009	1 45 to 1
March 31, 2010	1 45 to 1
June 30, 2010	1 45 to 1
September 30, 2010	1 45 to 1
December 31, 2010	1 45 to 1
March 31, 2011	1 45 to 1

Section 5.3 Capital Expenditures

The Borrower, together with its Subsidiaries, shall not make or incur, or permit to be made or incurred, Capital Expenditures during each of the Fiscal Years set forth below to be, in the aggregate, in excess of the maximum amount set forth below for such Fiscal Year:

FISCAL YEAR ENDING	MAXIMUM CAPITAL EXPENDITURES (IN MILLIONS)
December 31, 2005	$36 0
December 31, 2006	$25 0
December 31, 2007	$25 0
December 31, 2008	$25 0
December 31, 2009	$25 0
December 31, 2010	$25 0

Notwithstanding the foregoing, (i) up to 100% of the amount of Capital Expenditures permitted above for any Fiscal Year, if not expended in the Fiscal Year for which it is permitted, may be carried over for expenditure in the next succeeding Fiscal Year and (ii) Capital Expenditures made in any Fiscal Year shall be deemed to be made, first, in respect of the amounts permitted for such Fiscal Year as provided above and, second, in respect of amounts carried over from the prior Fiscal Year pursuant to *clause (i)* above, (iii) the maximum amount of Capital Expenditures for

each Fiscal Year following the Fiscal Year ending December 31, 2005 may be increased by an additional amount not exceeding $3,000,000 to the extent such Capital Expenditures consist of expenditures by the Borrower and its Subsidiaries for the construction, operation and maintenance of communications networks to serve in residential buildings, multiple dwelling units, commercial buildings or other developments, and (iv) Capital Expenditures shall not include any items contained in *clauses (a), (b)* or *(c)* of the definition thereof.

ARTICLE VI

REPORTING COVENANTS

The Borrower agrees with the Lenders and the Administrative Agent to each of the following, as long as any Obligation remains outstanding and, in each case, unless the Requisite Lenders otherwise consent in writing.

Section 6.1 Financial Statements

The Borrower shall furnish to the Administrative Agent (who will make such information available to each of the Lenders) each of the following:

(a) *Monthly Reports* Not later than 30 days after the end of each fiscal month in each Fiscal Year, financial information regarding the Borrower and its Subsidiaries consisting of (i) Consolidated unaudited balance sheets as of the close of such month and the related statements of income and cash flow for such month and that portion of the current Fiscal Year ending as of the close of such month, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections or, if applicable, the latest business plan provided pursuant to *clause (f)* below for the current Fiscal Year and (ii) calculation showing the aggregate amount of EBITDA for such Fiscal Month and number of access line accounts for the subsidiaries of the Borrowers that are independent local exchange carriers, in each case certified by a Responsible Officer of the Borrower as fairly presenting the Consolidated financial position of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments)

(b) *Quarterly Reports* Not later than 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year (or such earlier date on which the Borrower is required to file a Form 10-Q under the Exchange Act), financial information regarding the Borrower and its Subsidiaries consisting of Consolidated unaudited balance sheets as of the close of such quarter and the related statements of income and cash flow for such quarter and that portion of the Fiscal Year ending as of the close of such quarter, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections or, if applicable, the latest business plan provided pursuant to *clause (f)* below for the current Fiscal Year, in each case certified by a Responsible Officer of the Borrower as fairly presenting the Consolidated financial position of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance

with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments)

(c) *Annual Reports* Not later than 90 days after the end of each Fiscal Year (or such earlier date on which the Borrower is required to file a Form 10-K under the Exchange Act), financial information regarding the Borrower and its Subsidiaries consisting of Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such year and related statements of income and cash flows of the Borrower and its Subsidiaries for such Fiscal Year, all prepared in conformity with GAAP and certified, in the case of such Consolidated Financial Statements, without qualification as to the scope of the audit or as to the Borrower being a going concern by the Borrower's Accountants, together with the report of such accounting firm stating that (i) such Financial Statements fairly present the Consolidated financial position of the Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP applied on a basis consistent with prior years (except for changes with which the Borrower's Accountants shall concur and that shall have been disclosed in the notes to the Financial Statements) and (ii) the examination by the Borrower's Accountants in connection with such Consolidated Financial Statements has been made in accordance with generally accepted auditing standards, and accompanied by a certificate stating that in the course of the regular audit of the business of the Borrower and its Subsidiaries such accounting firm has obtained no knowledge that a Default or Event of Default in respect of the financial covenants contained in *Article V (Financial Covenants)* has occurred and is continuing, or, if in the opinion of such accounting firm, a Default or Event of Default has occurred and is continuing in respect of such financial covenants, a statement as to the nature thereof

(d) *Compliance Certificate* Together with each delivery of any Financial Statement pursuant to *clause (b)* or *(c)* above, a certificate of a Responsible Officer of the Borrower (each, a "*Compliance Certificate*") (i) demonstrating compliance with each of the financial covenants contained in *Article (V) (Financial Covenants)* that is tested on a quarterly basis and (ii) stating that no Default or Event of Default has occurred and is continuing or, if a Default or an Event of Default has occurred and is continuing, stating the nature thereof and the action that the Borrower proposes to take with respect thereto.

(e) *Corporate Chart and Other Collateral Updates.* Together with each delivery of any Financial Statement pursuant to *clause (b)* or *(c)* above, (i) a certificate of a Responsible Officer of the Borrower certifying that the Corporate Chart attached thereto (or the last Corporate Chart delivered pursuant to this clause (e) is true, correct, complete and current as of the date of such Financial Statement and (ii) a certificate of a Responsible Officer of the Borrower in form and substance satisfactory to the Administrative Agent that all certificates, statements, updates and other documents (including updated schedules) required to be delivered pursuant to the Pledge and Security Agreement by any Loan Party in the preceding Fiscal Quarter have been delivered thereunder (or such delivery requirement was otherwise duly waived or extended) The reporting requirements set forth in this clause (e) are in addition to, and are not intended to and shall not replace or otherwise modify, any obligation of any Loan Party under any Loan Document (including other notice or reporting requirements) Compliance with the reporting obligations in this clause (e) shall only provide notice to the Administrative Agent and shall not, by itself, modify any obligation of any Loan Party under any Loan Document, update any Schedule to this Agreement or any schedule to any other Loan Document or cure, or otherwise modify in any way, any failure to comply with any covenant, or any breach of any

representation or warranty, contained in any Loan Document or any other Default or Event of Default

(f) *Business Plan* Not later than 30 days after the end of each Fiscal Year, and containing substantially the types of financial information contained in the Projections, (i) the annual business plan of the Borrower and its Subsidiaries for the next succeeding Fiscal Year approved by the board of directors of the Borrower, (ii) forecasts prepared by management of the Borrower for each fiscal month in the next succeeding Fiscal Year and (iii) forecasts prepared by management of the Borrower for each of the succeeding Fiscal Years through the Fiscal Year ending December 31, 2010, including, in each instance described in *clauses (ii)* and *(iii)* above, (x) a projected Fiscal Quarter-end and Fiscal Year-end Consolidated balance sheet and income statement and statement of cash flows and (y) a statement of all of the material assumptions on which such forecasts are based.

(g) *Management Letters, Etc* Within five Business Days after receipt thereof by any Loan Party, copies of each management letter, exception report or similar letter or report received by such Loan Party from its independent certified public accountants (including the Borrower's Accountants).

(h) *Intercompany Loan Balances*. Together with each delivery of any Financial Statement pursuant to *clause (a)* above, a summary of the outstanding balance of all intercompany Indebtedness as of the last day of the fiscal month covered by such Financial Statement, certified by a Responsible Officer of the Borrower

Section 6.2 Default Notices

As soon as practicable, and in any event within five Business Days after a Responsible Officer of any Loan Party has actual knowledge of the existence of any Default, Event of Default or other event having had a Material Adverse Effect or having any reasonable likelihood of causing or resulting in a Material Adverse Change, the Borrower shall give the Administrative Agent notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given by telephone, shall be promptly confirmed in writing on the next Business Day.

Section 6.3 Litigation and Regulatory Matters

The Borrower shall provide the Administrative Agent.

(a) promptly after the commencement thereof, written notice of the commencement of all actions, suits and proceedings before any domestic or foreign Governmental Authority or arbitrator affecting the Borrower or any Subsidiary of the Borrower that (i) seeks injunctive or similar relief or (ii) in the reasonable judgment of the Borrower or such Subsidiary expose the Borrower or such Subsidiary to liability in an amount aggregating $1,000,000 or more or that, if adversely determined, would have a Material Adverse Effect, and

(b) promptly, and in any event within 10 days, after filing, receipt or becoming aware thereof, copies of any filings or communications sent to and notices or other communications received by any Borrower or any of its Subsidiaries from any Governmental Authority, including the Securities and Exchange Commission, the FCC, any PUC, or any other state utility commission, relating to (i) any material non-compliance by any Borrower or any of

its Subsidiaries with any laws or regulations or with respect to any matter or proceeding the effect of which, if adversely determined, would have a Material Adverse Effect or (ii) any violation by any Borrower or any of its Subsidiaries of any Communication License, CATV Franchise, PUC Authorization or similar license, franchise or authorization

Section 6.4 Asset Sales

Prior to any Asset Sale, the Borrower shall send the Administrative Agent a notice (a) describing such Asset Sale or the nature and material terms and conditions of such transaction and (b) stating the estimated Net Cash Proceeds anticipated to be received by the Borrower or any of its Subsidiaries.

Section 6.5 Notices under First Lien Loan Documents

Promptly after the sending or filing thereof, the Borrower shall send the Administrative Agent copies of all material notices, certificates or reports delivered pursuant to, or in connection with, any First Lien Loan Document.

Section 6.6 SEC Filings; Press Releases

Promptly after the sending or filing thereof, the Borrower shall send the Administrative Agent copies of (a) all reports that Borrower sends to its security holders generally, (b) all reports and registration statements that Borrower or any of its Subsidiaries files with the Securities and Exchange Commission or any national or foreign securities exchange or the National Association of Securities Dealers, Inc., (c) all press releases and (d) all other statements concerning material changes or developments in the business of such Loan Party made available by any Loan Party to the public or any other creditor.

Section 6.7 Labor Relations

Promptly after becoming aware of the same, the Borrower shall give the Administrative Agent written notice of (a) any material labor dispute to which the Borrower or any of its Subsidiaries is or may become a party, including any strikes, lockouts or other disputes relating to any of such Person's plants and other facilities, and (b) any Worker Adjustment and Retraining Notification Act or related liability incurred with respect to the closing of any plant or other facility of any such Person.

Section 6.8 Tax Returns

Upon the request of any Lender, through the Administrative Agent, the Borrower shall provide copies of all federal, state, local tax returns and reports filed by the Borrower or any Subsidiary of the Borrower in respect of taxes measured by income (excluding sales, use and like taxes)

Section 6.9 Insurance

As soon as is practicable and in any event within 90 days after the end of each Fiscal Year, the Borrower shall furnish the Administrative Agent with (a) a report in form and substance reasonably satisfactory to the Administrative Agent and the Lenders outlining all material insurance coverage maintained as of the date of such report by the Borrower or any

Subsidiary of the Borrower and the duration of such coverage and (b) an insurance broker's statement that all premiums then due and payable with respect to such coverage have been paid and confirming, with respect to any insurance maintained by the Borrower or any Loan Party, that the Administrative Agent has been named as loss payee or additional insured, as applicable

Section 6.10 ERISA Matters

The Borrower shall furnish the Administrative Agent (with sufficient copies for each of the Lenders) each of the following:

(a) promptly and in any event within 30 days after the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate knows or has reason to know that any ERISA Event has occurred, written notice describing such event;

(b) promptly and in any event within 10 days after the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate knows or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a written statement of a Responsible Officer of the Borrower describing such ERISA Event or waiver request and the action, if any, the Borrower, its Subsidiaries and ERISA Affiliates propose to take with respect thereto and a copy of any notice filed with the PBGC or the IRS pertaining thereto; and

(c) simultaneously with the date that the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate files a notice of intent to terminate any Title IV Plan, if such termination would require material additional contributions in order to be considered a standard termination within the meaning of Section 4041(b) of ERISA, a copy of each notice.

Section 6.11 Environmental Matters

The Borrower shall provide the Administrative Agent promptly and in any event within 10 days after the Borrower or any Subsidiary of the Borrower learning of any of the following, written notice of each of the following.

(a) that any Loan Party is or may be liable to any Person as a result of a Release or threatened Release that could reasonably be expected to subject such Loan Party to Environmental Liabilities and Costs in excess of $1,000,000,

(b) the receipt by any Loan Party of notification that any Real Property or personal property of such Loan Party is or is reasonably likely to be subject to any Environmental Lien;

(c) the receipt by any Loan Party of any notice of violation of or potential liability under, or knowledge by such Loan Party that there exists a condition that could reasonably be expected to result in a violation of or liability under, any Environmental Law, except for violations and liabilities the consequence of which, in the aggregate, would not be reasonably likely to subject the Loan Parties collectively to Environmental Liabilities and Costs in excess of $1,000,000,

(d) the commencement of any judicial or administrative proceeding or investigation alleging a violation of or liability under any Environmental Law, that, in the

aggregate, if adversely determined, would have a reasonable likelihood of subjecting the Loan Parties collectively to Environmental Liabilities and Costs in excess of $1,000,000;

(e) any proposed acquisition of stock, assets or real estate, any proposed leasing of property or any other action by any Loan Party or any of its Subsidiaries other than those the consequences of which, in the aggregate, have reasonable likelihood of subjecting the Loan Parties collectively to Environmental Liabilities and Costs in excess of $1,000,000;

(f) any proposed action by any Loan Party or any of its Subsidiaries or any proposed change in Environmental Laws that, in the aggregate, have a reasonable likelihood of requiring the Loan Parties to obtain additional environmental, health or safety Permits or make additional capital improvements to obtain compliance with Environmental Laws that, in the aggregate, would have cost $1,000,000 or more or that shall subject the Loan Parties to additional Environmental Liabilities and Costs in excess of $1,000,000; and

(g) upon written request by any Lender through the Administrative Agent, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report delivered pursuant to this Agreement.

Section 6.12 Customer Contracts

Promptly after any Loan Party becoming aware of the same, the Borrower shall give the Administrative Agent written notice of any cancellation, termination or loss of any material Contractual Obligation or other customer arrangement.

Section 6.13 New Markets

In advance of (a) the entrance into any new market by the Borrower or any of its Subsidiaries, (b) any material change of prospective markets by the Borrower or any of its Subsidiaries or (c) any deferral of any market, the Borrower shall deliver to the Administrative Agent a revised business plan, in form and substance reasonably satisfactory to the Administrative Agent, to include such new market, change in prospective market or deferral of any market, as applicable.

Section 6.14 Other Information

The Borrower shall provide the Administrative Agent or any Lender with such other information respecting the business, properties, condition, financial or otherwise, or operations of the Borrower or any Subsidiary of the Borrower as the Administrative Agent or such Lender through the Administrative Agent may from time to time reasonably request.

ARTICLE VII

AFFIRMATIVE COVENANTS

The Borrower agrees with the Lenders and the Administrative Agent to each of the following, as long as any Obligation remains outstanding and, in each case, unless the Requisite Lenders otherwise consent in writing:

Section 7.1 Preservation of Corporate Existence, Etc.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, preserve and maintain its legal existence, rights (charter and statutory) and franchises, except as permitted by *Sections 8.4 (Sale of Assets)* and *8.7 (Restriction on Fundamental Changes, Permitted Acquisitions)* and *8.11 (Modification of Constituent Documents)*.

Section 7.2 Compliance with Laws, Etc.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, comply with all applicable Requirements of Law, Contractual Obligations and Permits, except where the failure so to comply would not, in the aggregate, have a Material Adverse Effect.

Section 7.3 Conduct of Business

The Borrower shall and the Borrower shall cause each Subsidiary of the Borrower to, use its best efforts, in the ordinary course and consistent with past practice, to preserve its business and the goodwill and business of the customers, advertisers, suppliers and others having business relations with the Borrower or any of its Subsidiaries, except in each case where the failure to comply with this covenant would not, in the aggregate, have a Material Adverse Effect.

Section 7.4 Payment of Taxes, Etc.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, pay and discharge before the same shall become delinquent, all lawful governmental claims, taxes, assessments, charges and levies, except where contested in good faith, by proper proceedings and adequate reserves therefor have been established on the books of the Borrower or the appropriate Subsidiary in conformity with GAAP

Section 7.5 Maintenance of Insurance

The Borrower shall (a) maintain for itself, and the Borrower shall cause to be maintained for each Subsidiary of the Borrower, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates, and, in any event, all insurance required by any Collateral Documents and (b) cause all such insurance relating to any Loan Party to name the Administrative Agent on behalf of the Secured Parties as additional insured or loss payee (subject to the terms of the Intercreditor Agreement), as appropriate, and to provide that no cancellation, material addition in amount or material change in coverage shall be effective until after 30 days' written notice thereof to the Administrative Agent

Section 7.6 Access

The Borrower shall, and shall cause each Subsidiary of the Borrower to, from time to time permit the Administrative Agent and the Lenders, or any agents or representatives thereof, within two Business Days after written notification of the same (except that during the continuance of an Event of Default, no such notice shall be required) to, (a) examine and make copies of and abstracts from the records and books of account of the Borrower and each

Subsidiary of the Borrower, (b) visit the properties of the Borrower and each Subsidiary of the Borrower, (c) discuss the affairs, finances and accounts of the Borrower and each Subsidiary of the Borrower with any of their respective officers or directors and (d) after prior written notice to the Borrower, communicate directly with any of its certified public accountants (including the Borrower's Accountants); *provided, however*, that unless an Event of Default has occurred and is continuing, the Borrower shall only be obligated to pay the costs and expenses of the Administrative Agent incurred in connection with this *Section 7.6* The Borrower shall authorize its certified public accountants (including the Borrower's Accountants), and shall cause the certified public accountants of any Subsidiary of the Borrower, if any, to disclose to the Administrative Agent or any Lender any and all financial statements and other information of any kind, as the Administrative Agent or any Lender reasonably requests and that such accountants may have with respect to the business, financial condition, results of operations or other affairs of the Borrower or any Subsidiary of the Borrower

Section 7.7 Keeping of Books

The Borrower shall, and shall cause each Subsidiary of the Borrower to keep, proper books of record and account, in which full and correct entries shall be made in conformity with GAAP of all financial transactions and the assets and business of the Borrower and each such Subsidiary.

Section 7.8 Maintenance of Properties, Etc.

The Borrower shall, and shall cause each Subsidiary of the Borrower to, maintain and preserve (a) in good working order and condition all of its properties necessary in the conduct of its business, (b) all rights, permits, licenses, approvals and privileges (including all Permits) used or useful or necessary in the conduct of its business and (c) all registered patents, trademarks, trade names, copyrights and service marks with respect to its business, except where failure to so maintain and preserve the items set forth in *clauses (a), (b)* and *(c)* above would not, in the aggregate, have a Material Adverse Effect.

Section 7.9 Application of Proceeds

The Borrower (and, to the extent distributed to them by the Borrower, each Loan Party) shall use the entire amount of the proceeds of the Term Loans as provided in *Section 4.13 (Use of Proceeds)*

Section 7.10 Environmental

The Borrower shall, and shall cause each Subsidiary of the Borrower to, comply in all material respects with Environmental Laws and, without limiting the foregoing, the Borrower shall, at its sole cost and expense, upon receipt of any notification or otherwise obtaining knowledge of any Release or other event that has any reasonable likelihood of the Borrower or any Subsidiary of the Borrower incurring Environmental Liabilities and Costs in excess of $1,000,000 in the aggregate, (a) conduct, or pay for consultants to conduct, tests or assessments of environmental conditions at such operations or properties, including the investigation and testing of subsurface conditions and (b) take such Remedial Action and undertake such investigation or other action as required by Environmental Laws or as any Governmental Authority requires or as is appropriate and consistent with good business practice to address the Release or event and otherwise ensure compliance with Environmental Laws.

Section 7.11 Additional Collateral and Guaranties

To the extent not delivered to the Administrative Agent on or before the Closing Date (including in respect of after-acquired property and Persons that become Subsidiaries of any Loan Party after the Closing Date) and subject to *Section 7.12 (Regulatory Consents for Guaranties and Security)*, the Borrower agrees promptly to do, or cause each Subsidiary of the Borrower to do, each of the following, unless otherwise agreed by the Administrative Agent and subject to the terms of the Intercreditor Agreement.

(a) deliver to the Administrative Agent such duly executed supplements and amendments to the Guaranty (or, in the case of any Subsidiary of any Loan Party that is not a Domestic Subsidiary or that holds shares in any Person that is not a Domestic Subsidiary, foreign guarantees and related documents), in each case in form and substance reasonably satisfactory to the Administrative Agent and as the Administrative Agent deems necessary or advisable in order to ensure that each Subsidiary of each Loan Party guaranties, as primary obligor and not as surety, the full and punctual payment when due of the Obligations or any part thereof, *provided, however*, in no event shall any Excluded Foreign Subsidiary be required to guaranty the payment of the Obligations, unless (x) the Borrower and the Administrative Agent otherwise agree or (y) such Excluded Foreign Subsidiary has entered into Guaranty Obligations in respect of other Indebtedness of the Borrower having substantially similar tax consequences;

(b) deliver to the Collateral Agent such duly-executed joinder and amendments to the Pledge and Security Agreement and, if applicable, other Collateral Documents (or, in the case of any such Subsidiary of any Loan Party that is not a Domestic Subsidiary or that holds shares in any Person that is not a Domestic Subsidiary, foreign charges, pledges, security agreements and other Collateral Documents), in each case in form and substance reasonably satisfactory to the Administrative Agent and as the Administrative Agent deems necessary or advisable in order to (i) effectively grant to the Collateral Agent, for the benefit of the Secured Parties, a valid, perfected and enforceable security interest in the Stock, and Stock Equivalents and other debt Securities owned by any Loan Party and (ii) effectively grant to the Collateral Agent, for the benefit of the Secured Parties, a valid, perfected and enforceable first-priority security interest in all property interests and other assets of any Loan Party; *provided, however*, in no event shall (x) any Loan Party or any of its Subsidiaries, individually or collectively, be required to pledge in excess of 66% of the outstanding Voting Stock of any Excluded Foreign Subsidiary or (y) any assets of any Excluded Foreign Subsidiary be required to be pledged, unless the Borrower and the Administrative Agent otherwise agree,

(c) subject to the terms of the Intercreditor Agreement, deliver to the Collateral Agent all certificates, instruments and other documents representing all Pledged Stock and all other Stock, Stock Equivalents and other debt Securities being pledged pursuant to the joinders, amendments and foreign agreements executed pursuant to *clause (b)* above, together with (i) in the case of certificated Pledged Stock and other certificated Stock and Stock Equivalents, undated stock powers endorsed in blank and (ii) in the case of other certificated debt Securities, endorsed in blank, in each case executed and delivered by a Responsible Officer of such Loan Party or such Subsidiary thereof, as the case may be,

(d) to take such other actions necessary or advisable to ensure the validity or continuing validity of the guaranties required to be given pursuant to *clause (a)* above or to create, maintain or perfect the security interest required to be granted pursuant to *clause (b)* above, including the filing of UCC financing statements in such jurisdictions as may be required

by the Collateral Documents or by law or as may be reasonably requested by the Administrative Agent or the Collateral Agent, and

(e) deliver to the Administrative Agent, on the Business Day following the Closing Date, the legal opinion relating to the matters described above of local counsel in the State of Alabama, and, if requested by the Administrative Agent, the legal opinions relating to the matters described above of other local counsel, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

Section 7.12 Regulatory Consents for Guaranties and Security

(a) At the request of the Administrative Agent, the Borrower shall, or cause its applicable Subsidiary to, use its respective best efforts to obtain each Permit of the applicable Governmental Authority or third party which is required for the Collateral Agent to hold a first priority perfected security interest in the CATV Franchises set forth in *Schedule 7 12 (Regulatory Consents)* requiring prior approval of the applicable Government Authority.

(b) The Borrower shall, or cause its applicable Subsidiary to, use its respective best efforts to obtain each Permit of the applicable Governmental Authority or third party which is required for (i) the Collateral Agent to hold a first-priority perfected security interest in the rights under the PUC Authorizations set forth in *Schedule 7 12 (Regulatory Consents)* requiring prior approval of the applicable Government Authority or third party and (ii) Knology Georgia to fully guaranty the Obligations and to grant a first-priority perfected security interest in favor of the Collateral Agent over all or substantially all of its assets as security for such Guaranty

(c) Promptly following the acquisition or assumption by or grant to any Loan Party of any Communications License, CATV Franchise or PUC Authorization, the Borrower shall, or cause its applicable Subsidiary to, use its respective best efforts to obtain each Permit of the applicable Governmental Authority or third party which is required for the Collateral Agent to hold a perfected security interest in such franchise, authorization or license to the extent permitted by applicable law.

(d) For so long as any Permit set forth in *Schedule 7 12 (Regulatory Consents)* or required under *clauses (a), (b)* or *(c)* above has not been obtained, the Borrower shall deliver (i) a written report to the Administrative Agent on the first Business Day of every calendar month detailing the respective efforts made by the Borrower and its Subsidiaries to obtain each such Permit from the applicable Governmental Authority during the preceding calendar month and (ii) copies of any Permits obtained during such preceding calendar month.

(e) Immediately upon obtaining each applicable Permit referred to in *clauses (a)* through *(c)* above, the Borrower shall, or cause its applicable Subsidiary to, execute and/or deliver such documents and take such other action as may be required by the Administrative Agent to ensure that the Collateral Agent holds a perfected security interest in the assets which are subject to such Permit and, as applicable, to ensure that Knology Georgia has fully guaranteed the Obligations and granted a perfected security interest, in favor of the Collateral Agent over all or substantially all of its assets as security for such Guaranty.

Section 7.13 Control Accounts, Approved Deposit Accounts

(a) The Borrower shall, and shall cause each of their respective Subsidiaries, with the exception of any Excluded Foreign Subsidiary, to (i) deposit in an Approved Deposit Account all cash they receive, (ii) not establish or maintain any Securities Account that is not a Control Account (other than any Securities Accounts maintained as a surety for insurance obligations as long as the aggregate balance in all such Securities Accounts does not at any time exceed $2,750,000) and (iii) not establish or maintan any Deposit Account other than with a Deposit Account Bank; *provided*, *however*, that (i) the Borrower and each of its Subsidiaries shall be permitted to maintain payroll, withholding tax and other fiduciary accounts as long as the aggregate balance in all such accounts), does not at any time exceed $2,500,000 and (ii) the provisions of this *Section 7 13* shall not apply to deposits or accounts subject to a Deposit Account Control Agreement subject to *Section 7 17 (Post-Closing Obligations)*

(b) The Administrative Agent may establish one or more Cash Collateral Accounts with such depositaries and Securities Intermediaries as it in its sole discretion shall determine; *provided*, *however*, that no Cash Collateral Account shall be established with respect to the assets of any Excluded Foreign Subsidiary. The Borrower agrees that each such Cash Collateral Account shall meet the requirements set forth in the definition of "*Cash Collateral Account*" Without limiting the foregoing, funds on deposit in any Cash Collateral Account may be invested (but the Administrative Agent shall be under no obligation to make any such investment) in Cash Equivalents at the direction of the Administrative Agent and, except during the continuance of an Event of Default, the Administrative Agent agrees with the Borrower to issue Entitlement Orders for such investments in Cash Equivalents as requested by the Borrower; *provided*, *however*, that the Administrative Agent shall not have any responsibility for, or bear any risk of loss of, any such investment or income thereon. Neither the Borrower nor any Subsidiary of the Borrower or any other Loan Party or Person claiming on behalf of or through the Borrower, any Subsidiary of the Borrower or any other Loan Party shall have any right to demand payment of any funds held in any Cash Collateral Account at any time prior to the payment in full of all then outstanding and payable monetary Obligations. The Administrative Agent shall apply all funds on deposit in a Cash Collateral Account as provided in *Section 2.6 (Mandatory Prepayments)*

Section 7.14 Real Property

(a) The Borrower shall, and shall cause each of its Subsidiaries to, (i) comply in all material respects with all of their respective obligations under all of their respective Leases now or hereafter held respectively by them, including the Leases set forth on *Schedule 4.19 (Real Property)*, the failure to comply with which would not have a Material Adverse Effect, (ii) not modify, amend, cancel, extend or otherwise change in any materially adverse manner any term, covenant or condition of any such Lease if such change would have a Material Adverse Effect, (iii) not assign or sublet any other Lease if such assignment or sublet would have a Material Adverse Effect and (iv) provide the Administrative Agent with a copy of each notice of default under any Lease received by the Borrower or any Subsidiary of the Borrower immediately upon receipt thereof and deliver to the Administrative Agent a copy of each notice of default sent by the Borrower or any Subsidiary of the Borrower under any Lease simultaneously with its delivery of such notice under such Lease.

(b) At least 15 Business Days prior to (i) entering into any Lease (other than a renewal of an existing Lease) for the principal place of business and chief executive office of

the Borrower or any other Guarantor or any other Lease (including any renewal) in which the annual rental payments are anticipated to equal or exceed $1,000,000 or (ii) acquiring any material owned Real Property, the Borrower shall, and shall cause such Guarantor to, provide the Administrative Agent written notice thereof.

(c) To the extent not previously delivered to the Administrative Agent, upon written request of the Administrative Agent, the Borrower shall, and shall cause each Guarantor to, execute and deliver to the Administrative Agent, for the benefit of the Secured Parties, promptly and in any event not later than 45 days (or such later period as the Administrative Agent may approve in its sole discretion) after receipt of such notice (or, if such notice is given by the Administrative Agent prior to the acquisition of such Real Property, immediately upon such acquisition), a Mortgage on any owned Real Property of the Borrower or such Guarantor, together with (i) if requested by the Administrative Agent and such Real Property is located in the United States, all Mortgage Supporting Documents relating thereto or (ii) documents similar to Mortgage Supporting Documents deemed by the Administrative Agent to be appropriate in the applicable jurisdiction to obtain the equivalent in such jurisdiction of a mortgage on such Real Property

(d) To the extent not previously delivered to the Administrative Agent, the Borrower shall, and shall cause each Guarantor to (except as may be agreed to by the Administrative Agent), execute and deliver to the Administrative Agent, for the benefit of the Secured Parties, promptly and in any event not later than 60 days, all Mortgage Supporting Documents relating to each of the owned Real Properties of the Loan Parties identified on *Schedule 7 14 (Mortgage Documents)* and, to the extent requested, an environmental site assessment report prepared by a consultant acceptable to the Administrative Agent and in a form and scope satisfactory to the Administrative Agent

Section 7.15 Interest Rate Contracts

The Borrower shall, within 30 days after the Closing Date, enter into an Interest Rate Contract or Contracts, on terms and with counterparties satisfactory to the Administrative Agent, to the extent necessary to ensure that no less than 50% of the Borrower's Consolidated Indebtedness (other than "Revolving Credit Outstandings" as defined in the First Lien Credit Agreement) effectively bears interest at a fixed rate for a term of at least three consecutive years following the date thereof.

Section 7.16 Ratings

The Borrower shall at all times maintain ratings with respect to the Term Loan Facility by each of S&P and Moody's.

Section 7.17 Post-Closing Obligations

(a) Within 5 Business Days of the Closing Date (or such later date as the Administrative Agent may agree), the Borrower shall cause the (i) Broadband Account to become subject to a Deposit Account Control Agreement entered into by Knology Broadband, Inc. or transfer all amounts on deposit in such account to an account of the Borrower or a Guarantor which is subject to a Deposit Account Control Agreement entered into by the Borrower or such Guarantor and (ii) transfer, to the extent necessary to comply with the requirements of *Section 7 13 (Control Accounts, Approved Deposit Accounts)*, amounts on deposit in the Interstate

Account to an account of the Borrower or a Guarantor that is subject to a Deposit Account Control Agreement entered into by the Borrower or such Guarantor

(b) Within 45 days of the Closing Date (or such later date as the Administrative Agent may agree), the Borrower shall deliver to the Administrative Agent (i) a landlord waiver with respect to the leased property at 1701 Boxwood Place, Columbus, Georgia in form satisfactory to the Administrative Agent and (ii) evidence of the satisfaction-in-full of the Existing Notes and the related termination of the Existing Indenture in form satisfactory to the Administrative Agent.

ARTICLE VIII

NEGATIVE COVENANTS

The Borrower agrees with the Lenders and the Administrative Agent to each of the following, as long as any Obligation or any Commitment remains outstanding and, in each case, unless the Requisite Lenders otherwise consent in writing:

Section 8.1 Indebtedness

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness except for the following.

(a) the Secured Obligations (other than in respect of Hedging Contracts not permitted to be incurred pursuant to *clause (h)* below) and Guaranty Obligations with respect thereto,

(b) (i) Indebtedness existing on the date of this Agreement and disclosed on *Schedule 8.1* (*Existing Indebtedness*), including Indebtedness in respect of the First Lien Facilities, and (ii) Indebtedness constituting "First Lien Obligations" as defined in, and permitted under, the Intercreditor Agreement,

(c) Guaranty Obligations incurred by the Borrower or any Guarantor in respect of Indebtedness of the Borrower or any Guarantor that is otherwise permitted by this *Section 8.1* (other than *clause (a)* above);

(d) Capital Lease Obligations and purchase money Indebtedness (i) set forth in *Schedule 8.1(d) (Capital Leases)* or (ii) incurred after the Closing Date by the Borrower or a Subsidiary of the Borrower to finance the acquisition of fixed assets, *provided*, *however*, that the Capital Expenditure related thereto is otherwise permitted by *Section 5.4 (Capital Expenditures)* and that the aggregate outstanding principal amount of all such Capital Lease Obligations and purchase money Indebtedness shall not exceed $10,000,000 at any time during the term of this Agreement,

(e) Renewals, extensions, refinancings and refundings of Indebtedness permitted by *clauses (b)* and *(d)* above, *clause (k)* below or this *clause (e)*, *provided*, *however*, that any such renewal, extension, refinancing or refunding (i) is in an aggregate principal amount not greater than the principal amount of (and accrued but unpaid interest on or premium, if any, under), and is on terms no less favorable to the Borrower or any Subsidiary of the Borrower

obligated thereunder, including as to weighted average maturity and final maturity, than the Indebtedness being renewed, extended, refinanced or refunded and (ii), in the case of the First Lien Facilities, complies with the terms of the Intercreditor Agreement,

(f) Indebtedness arising from intercompany loans (i) from the Borrower to any Guarantor, (ii) from any Guarantor to the Borrower or any other Guarantor or (iii) from the Borrower or any Guarantor to any Subsidiary of the Borrower that is not a Guarantor; *provided, however*, that in each case the Investment in such intercompany loan is permitted under *Section 8.3 (Investments)*,

(g) Indebtedness arising under any performance or surety bond entered into in the ordinary course of business;

(h) Obligations under Interest Rate Contracts mandated by *Section 7.15 (Interest Rate Contract)*;

(i) unsecured Indebtedness not otherwise permitted under this *Section 8.1*; *provided*, *however*, that the aggregate outstanding principal amount of all such unsecured Indebtedness shall not exceed $10,000,000 at any time,

(j) Indebtedness under unsecured promissory notes issued by the Borrower as consideration in connection with any Permitted Acquisition, *provided, however*, that (x)(i) the obligations under such notes are subordinated to the Obligations on terms reasonably satisfactory to the Administrative Agent, (ii) no principal in respect of such notes is, or may be, payable before the first anniversary of the Maturity Date, and (iii) no interest in respect of such notes is required to be paid in cash prior to the Maturity Date or (y) the aggregate outstanding principal amount of all such Indebtedness incurred, shall not exceed $4,000,000 in any Fiscal Year and $10,000,000 at any time during the term of this Agreement;

(k) Indebtedness assumed pursuant to a Permitted Acquisition; *provided* that (i) such Indebtedness was not created in contemplation of such Permitted Acquisition and (ii) the aggregate outstanding principal amount of all such Indebtedness shall not exceed $7,500,000 at any time

(l) Permitted MDU Transactions and Permitted CIU Transactions, in each case, to the extent accounted for as Capital Lease Obligations.

Section 8.2 Liens, Etc.

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, create or suffer to exist, any Lien upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any right to receive income, except for the following.

(a) Liens created pursuant to the Loan Documents,

(b) Liens existing on the date of this Agreement and disclosed on *Schedule 8.2 (Existing Liens)*, including Liens securing the First Lien Facilities,

(c) Customary Permitted Liens on the assets of the Borrower and the Borrower's Subsidiaries;

(d) purchase money Liens granted by the Borrower or any of its Subsidiaries (including the interest of a lessor under a Capital Lease and purchase money Liens to which any property is subject at the time, on or after the date hereof, of the Borrower's or such Subsidiary's acquisition thereof) securing Indebtedness permitted under *Section 8 1(d) (Indebtedness)* and limited in each case to the property purchased with the proceeds of such purchase money Indebtedness or subject to such Capital Lease,

(e) any Lien securing the renewal, extension, refinancing or refunding of any Indebtedness secured by any Lien permitted by *clauses (b)* or *(d)* above, *clause (h)* below or this *clause (e)* without any change in the assets subject to such Lien and to the extent such renewal, extension, refinancing or refunding is permitted by *Section 8 1(e) (Indebtedness)*;

(f) Liens in favor of lessors securing operating leases to the extent such operating leases are permitted hereunder and, to the extent such transactions create a Lien, sale and leaseback transactions permitted by *Section 8 4(f) (Asset Sales)*;

(g) Liens not otherwise permitted by the foregoing clauses of this *Section 8 2* securing obligations or other liabilities of any Loan Party, *provided*, *however*, that the aggregate outstanding amount of all such obligations and liabilities shall not exceed $1,000,000 at any time, and

(h) Liens securing Indebtedness permitted under *Section 8 1(k) (Indebtedness)*, *provided* that (i) such Liens were not created in contemplation of such Permitted Acquisitions and (ii) such Liens are purchase money Liens granted by the Proposed Acquisition Target or its Subsidiaries (including the interest of a lessor under a Capital Lease and purchase money Liens on any property of Proposed Acquisition Target or its Subsidiaries) and limited in each case to the property purchased with the proceeds of such purchase money Indebtedness or subject to such Capital Lease

Section 8.3 Investments

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to make or maintain, directly or indirectly, any Investment except for the following.

(a) Investments existing on the date of this Agreement and disclosed on *Schedule 8 3* (*Existing Investments*);

(b) Investments in cash and Cash Equivalents held in a Deposit Account or a Control Account or otherwise in compliance with *Section 7 13 (Control Accounts, Approved Deposit Accounts)* or outside such accounts to the extent permitted by *Section 7 13(a) (Control Accounts, Approved Deposit Accounts).*

(c) Investments in payment intangibles, chattel paper (each as defined in the UCC) and Accounts, notes receivable and similar items arising or acquired in the ordinary course of business consistent with the past practice of the Borrower and its Subsidiaries,

(d) Investments received in settlement of amounts due to the Borrower or any Subsidiary of the Borrower effected in the ordinary course of business,

(e) Investments by (i) the Borrower or any Guarantor in the Borrower or any other Guarantor (other than Knology Georgia until such time as it has fully guaranteed the Obligations pursuant to the Guaranty and granted a Lien in favor of the Collateral Agent over substantially all of its assets as security for such Guaranty and has obtained all necessary Permits in connection therewith) or (ii) any Subsidiary of the Borrower that is not a Guarantor in the Borrower or any other Subsidiary of the Borrower

(f) Investments by the Borrower or any Guarantor in a Permitted Acquisition;

(g) loans or advances to employees of the Borrower or any Subsidiaries of the Borrower in the ordinary course of business as presently conducted other than any loans or advances that would be in violation of Section 402 of the Sarbanes-Oxley Act, *provided, however*, that the aggregate principal amount of all loans and advances permitted pursuant to this *clause (g)* shall not exceed $1,000,000 at any time;

(h) Guaranty Obligations permitted by *Section 8.1 (Indebtedness)*;

(i) Investments in promissory notes received in consideration for Asset Sales permitted by *Section 8.4(f)*; and

(j) Investments not otherwise permitted hereby; *provided, however*, that the aggregate outstanding amount of all such Investments shall not, at any time, exceed $2,000,000.

Section 8.4 Sale of Assets

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, sell, convey, transfer, lease or otherwise dispose of, any of their respective assets or any interest therein (including the sale or factoring at maturity or collection of any accounts) to any Person or permit or suffer any other Person to acquire any interest in any of their respective assets, nor shall the Borrower permit any of its Subsidiaries to issue or sell any shares of their Stock or any Stock Equivalents (any such disposition being an "*Asset Sale*"), except for the following:

(a) the sale or disposition of Cash Equivalents, Inventory, customer premise equipment and fiber optic cable, in each case, in the ordinary course of business,

(b) the sale or disposition of Equipment that has become obsolete or is replaced in the ordinary course of business; *provided, however*, that the aggregate Fair Market Value of all such equipment disposed of in any Fiscal Year shall not exceed $1,000,000,

(c) a true lease or sublease of Real Property not constituting Indebtedness and not constituting a sale and leaseback transaction,

(d) assignments and licenses of intellectual property of the Borrower and its Subsidiaries in the ordinary course of business;

(e) any Asset Sale to the Borrower or any Guarantor,

(f) as long as no Default or Event of Default is continuing or would result therefrom, any other Asset Sale (including in the form of a sale and leaseback transaction) for Fair Market Value, payable at least 75% in cash upon such sale; *provided*, *however*, that with respect to any such Asset Sale pursuant to this *clause (f)*, (i) the aggregate consideration received (together with the Fair Market Value of any Asset Sales permitted by *clause (h)* below) (x) during any Fiscal Year for all such Asset Sales shall not exceed $15,000,000 (provided that up to 100% of the amount in this *clause (x)*, if not received in the Fiscal Year for which it is permitted, may be carried over for receipt in the next succeeding Fiscal Year, *provided, further,* that consideration received in any Fiscal Year shall be deemed received, first, in respect of the amounts permitted for such Fiscal Year and, second, in respect of amounts carried over from the prior Fiscal Year) or (y) during the term of this Agreement shall not exceed $30,000,000 for such Asset Sales and (ii) an amount equal to all Net Cash Proceeds of such Asset Sale are applied to the payment of the Obligations as set forth in, and to the extent required by, *Section 2 6 (Mandatory Prepayments)*;

(g) the Cerritos Sale; and

(h) any Asset Sale in the form of a divestiture of assets acquired after the Closing Date either in connection with a Permitted Acquisition or an Investment permitted by *clauses (f)* or *(i)* of *Section 8.3 (Investments)*; *provided, however*, an amount equal to all Net Cash Proceeds of such Asset Sale are applied to the payment of the Obligations as set forth in, and to the extent required by, *Section 2 6 (Mandatory Prepayments)*

Section 8.5 Restricted Payments

The Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, declare, order, pay, make or set apart any sum for any Restricted Payment except for the following.

(a) Restricted Payments by any Subsidiary of the Borrower to the Borrower or any Guarantor,

(b) dividends and distributions declared and paid on the common Stock of the Borrower and payable only in common Stock of the Borrower;

(c) dividends and distributions declared and paid on New Preferred Stock of the Borrower and payable only in additional preferred stock with the same terms as such New Preferred Stock of the Borrower;

(d) cash dividends with respect to the New Preferred Stock and other Stock of the Borrower with terms substantially similar to the New Preferred Stock made in any Fiscal Year in an amount not to exceed the sum of the amount of (i) Excess Cash Flow of the Borrower for the preceding Fiscal Year not otherwise used to prepay Term Loans pursuant to *clause (b)* of *Section 2 6 (Mandatory Prepayments)* plus (ii) Net Cash Proceeds from Equity Issuances received after the Closing Date not otherwise used for Permitted Acquisitions or to prepay Term Loans under *clause (a)* of *Section 2 6 (Mandatory Prepayments)*, *provided*, that (x) such cash dividends are funded from Excess Cash Flow and Net Cash Proceeds from Equity Issuances, (y) prior to the date of any such dividend, all PIK Amounts and interest accrued and payable-in-kind shall have been paid in full in cash and (z) before and after giving effect to the payment of such dividends, the Leverage Ratio does not exceed 5 5 to 1 0,

(e) the redemption of the New Preferred Stock or other preferred stock of the Borrower (with terms substantially similar to the New Preferred Stock) with the Net Cash Proceeds of any Equity Issuance not otherwise used to prepay Term Loans under *Section 2.6 (Mandatory Prepayments)* or *clause (d)* above; *provided,* that, prior to the date of any such redemption, all PIK Amounts and interest accrued and payable-in-kind shall have been paid in full in cash; and

(f) cash dividends in lieu of fractional shares of (i) common Stock of the Borrower payable in connection with the conversion of New Preferred Stock, or other preferred stock with terms substantially similar to the New Preferred Stock, into common Stock of the Borrower, or (ii) New Preferred Stock, or other preferred stock with terms substantially similar to the New Preferred Stock, payable in connection with scheduled dividend payments not to exceed $200,000 in the aggregate;

provided, however, that such Restricted Payments shall not be permitted if an Event of Default or Default shall have occurred and be continuing at the date of declaration or payment thereof or would result therefrom.

Section 8.6 Prepayment and Cancellation of Indebtedness

(a) The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, cancel any claim or Indebtedness owed to any of them except (i) in the ordinary course of business consistent with past practice and (ii) in respect of intercompany Indebtedness among the Borrower and the Guarantors that are Domestic Subsidiaries.

(b) The Borrower shall not, nor shall the Borrower permit any of its Subsidiaries to, prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of any Indebtedness or in violation of the Intercreditor Agreement, *provided, however*, that the Borrower and each Subsidiary of the Borrower may (i) prepay the Obligations in accordance with the terms of this Agreement, (ii) make regularly scheduled or otherwise required repayments or redemptions of Indebtedness, (iii) prepay in full the Existing Indebtedness with the proceeds of the initial Borrowings hereunder or proceeds from the First Lien Agreement, (iv) make any payments or redemption with respect of the Second Lien Term Loan expressly permitted by this Agreement, (v) prepay Indebtedness payable to the Borrower by any of its Subsidiaries, (vi) renew, extend, refinance and refund Indebtedness, as long as such renewal, extension, refinancing or refunding is permitted under *Section 8.1(e) (Indebtedness)*, and (vii) prepay Capital Lease Obligations and purchase money Indebtedness permitted under *Section 8.1(d) (Indebtedness)*.

Section 8.7 Restriction on Fundamental Changes; Permitted Acquisitions

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, (a) except in connection with a Permitted Acquisition, (i) merge or consolidate with any Person (other than with other Subsidiaries of the Borrower or the Borrower so long as the Borrower is the surviving Person following such merger or consolidation), (ii) acquire all or substantially all of the Stock or Stock Equivalents of any Person or (iii) acquire all or substantially all of the assets of any Person or all or substantially all of the assets constituting the business of a division, branch or other unit operation of any Person, (b) enter into any joint venture or partnership with any Person (except as permitted by *Section 8.3(j) (Investments)*) or (c) acquire or create any Subsidiary unless, after giving effect to such creation or acquisition, such Subsidiary is a Wholly-

Owned Subsidiary of the Borrower (unless such Subsidiary is permitted under *clause (j)* of *Section 8 3 (Investments)*), the Borrower is in compliance with *Section 7 11 (Additional Collateral and Guaranties)* and the Investment in such Subsidiary is permitted under *Section 8 3(c) (Investments)*.

Section 8.8 Change in Nature of Business

The Borrower shall not, and shall not permit any of its Subsidiaries to, make any material change in the nature or conduct of its business as carried on at the date hereof, whether in connection with a Permitted Acquisition or otherwise, except for the entry into business reasonably related or ancillary thereto.

Section 8.9 Transactions with Affiliates

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, except as otherwise expressly permitted herein, do any of the following: (a) make any Investment in an Affiliate of the Borrower that is not a Subsidiary of the Borrower, (b) transfer, sell, lease, assign or otherwise dispose of any asset to any Affiliate of the Borrower that is not a Subsidiary of the Borrower, (c) merge into or consolidate with or purchase or acquire assets from any Affiliate of the Borrower that is not a Subsidiary of the Borrower, (d) repay (prior to its scheduled maturity) any Indebtedness, issued or incurred after the Closing Date, to any Affiliate of the Borrower that is not a Subsidiary of the Borrower,(e) enter into any other transaction directly or indirectly with or for the benefit of any Affiliate of the Borrower that is not a Guarantor (including guaranties and assumptions of obligations of any such Affiliate), except for, in the case of this *clause (e)*, (i) transactions in the ordinary course of business on a basis no less favorable to the Borrower or, as the case may be, such Subsidiary thereof as would be obtained in a comparable arm's length transaction with a Person not an Affiliate thereof (as determined in good faith by the board of directors of the Borrower) and (ii) salaries and other director or employee compensation to officers or directors of the Borrower or any of its Subsidiaries commensurate with current compensation levels.

Section 8.10 Limitations on Restrictions on Subsidiary Distributions; No New Negative Pledge; Restricted Subsidiaries

(a) Except pursuant to the Loan Documents, agreements governing purchase money Indebtedness or Capital Lease Obligations permitted by *Section 8 1(b), (d), (e)* or *(k) (Indebtedness)* (in the case of agreements permitted by such clauses, any prohibition or limitation shall only be effective against the assets financed thereby) and agreements relating to Asset Sales permitted under *Section 8 4 (Sales of Assets)* (in the case of such agreements, any prohibition or limitation shall only be effective against the assets or Stock subject to such Asset Sate), the Borrower shall not, and shall not permit any of its Subsidiaries to, (i) agree to enter into or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of such Subsidiary to pay dividends or make any other distribution or transfer of funds or assets or make loans or advances to or other Investments in, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower or (ii) enter into or suffer to exist or become effective any agreement prohibiting or limiting the ability of the Borrower or any Subsidiary of the Borrower to create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, to secure the Obligations, including any agreement requiring any other Indebtedness or Contractual Obligation to be equally and ratably secured with the Obligations

(b) Notwithstanding anything herein to the contrary, until the PUC Authorizations contemplated *Section 7 12(b) (Regulatory Consents)* are obtained and each Subsidiary listed on *Schedule 8 10(b) (Restricted Subsidiaries)* has satisfied the Subsidiary Guaranty Requirements, no such Subsidiary of the Borrower shall (i) conduct any business or engage in any activities other than the businesses related to the CATV Franchises or PUC Authorizations, as applicable, (ii) incur any Indebtedness directly or on behalf of the Borrower or any of its other Subsidiaries (other than the incurrence of accounts payable or accrued liabilities in the ordinary course of business provided that such accounts payable or accrued liabilities do not exceed in the aggregate $5,000,000 for all Subsidiaries listed on *Schedule 8.10(b) (Restricted Subsidiaries)*); or (iii) receive, collect, retain or hold any funds, proceeds or assets (other than such Permits) either directly or on behalf of the Borrower or any of its other Subsidiaries other than in the ordinary course of business, *provided*, that any funds, proceeds or assets are received by such Subsidiary other than in the ordinary course of business shall be immediately transferred to the Borrower.

Section 8.11 Modification of Constituent Documents

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to amend its Constituent Documents (including in the terms of its outstanding Stock), except for changes and amendments that do not materially affect the rights and privileges of the Borrower or any Subsidiary of the Borrower and do not materially adversely affect the interests of the Secured Parties under the Loan Documents or in the Collateral.

Section 8.12 Modification of First Lien Loan Documents

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, (a) alter, rescind, terminate, amend, supplement, waive or otherwise modify any provision of any First Lien Loan Document (except as permitted by the Intercreditor Agreement) or (b) permit any breach or default to exist under any First Lien Loan Document or take or fail to take any action thereunder, if to do so would have a Material Adverse Effect.

Section 8.13 Accounting Changes; Fiscal Year

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, change its (a) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Lenders and the Administrative Agent or (b) fiscal year.

Section 8.14 Margin Regulations

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, use all or any portion of the proceeds of any credit extended hereunder to purchase or carry margin stock (within the meaning of Regulation U of the Federal Reserve Board) in contravention of Regulation U of the Federal Reserve Board

Section 8.15 Sale/Leasebacks

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, enter into any sale and leaseback transaction, except as permitted by *Section 8 4(f) (Asset Sales)*

Section 8.16 No Speculative Transactions

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, engage in any speculative transaction or in any transaction involving Hedging Contracts except as required by *Section 7.15 (Interest Rate Contract)* or for the sole purpose of hedging in the normal course of business and consistent with industry practices.

Section 8.17 Compliance with ERISA

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower or any ERISA Affiliate to, cause or permit to occur, (a) an event that could result in the imposition of a Lien under Section 412 of the Code or Section 302 or 4068 of ERISA or (b) ERISA Events that would have a Material Adverse Effect in the aggregate.

Section 8.18 Environmental

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, allow a Release of any Contaminant in violation of any Environmental Law; *provided, however,* that the Borrower shall not be deemed in violation of this *Section 8.18* if all Environmental Liabilities and Costs incurred or reasonably expected to be incurred by the Loan Parties as the consequence of all such Releases shall not exceed $2,000,000 in the aggregate.

Section 8.19 Patriot Act

The Borrower shall not, nor shall it permit any Subsidiary of the Borrower to, take any action or permit any circumstance (whether directly or indirectly) the result of which would result in a breach of *Section 4.21 (Prohibited Persons, Trade Restrictions).*

ARTICLE IX

EVENTS OF DEFAULT

Section 9.1 Events of Default

Each of the following events shall be an Event of Default:

(a) the Borrower shall fail to pay any principal of any Term Loan when the same becomes due and payable; or

(b) the Borrower shall fail to pay any interest on any Term Loan, any fee under any of the Loan Documents or any other Obligation (other than one referred to in *clause (a)* above) and such non-payment continues for a period of three Business Days after the due date therefor, or

(c) any representation or warranty made or deemed made by any Loan Party in any Loan Document or by any Loan Party (or any of its officers) in connection with any Loan Document shall prove to have been incorrect in any material respect when made or deemed made, or

(d) any Loan Party shall fail to perform or observe (i) any term, covenant or agreement contained in Article V (Financial Covenants), Section 6.1 (Financial Statements), 6.2 (Default Notices), 7.1 (Preservation of Corporate Existence, Etc.), 7.6 (Access), 7.9 (Application of Proceeds) or Article VIII (Negative Covenants) or (ii) any other term, covenant or agreement contained in this Agreement or in any other Loan Document if such failure under this clause (ii) shall remain unremedied for 30 days after the earlier of (A) the date on which a Responsible Officer of the Borrower becomes aware of such failure and (B) the date on which written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender, or

(e) (i) the Borrower or any Subsidiary of the Borrower shall fail to make any payment on any Indebtedness of the Borrower or any such Subsidiary (other than the Obligations) or any Guaranty Obligation in respect of Indebtedness of any other Person, and, in each case, such failure relates to Indebtedness having a principal amount of $2,000,000 or more, when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), (ii) any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness, if the effect of such event or condition is to accelerate the maturity of such Indebtedness (including the occurrence of an "Event of Default" pursuant to, and as defined in, the First Lien Credit Agreement) or (iii) any such Indebtedness shall become or be declared to be due and payable, or be required to be prepaid or repurchased (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; *provided, however*, that a default described in *clause (i)* through *(iii)* of this *clause (e)* in respect of the First Lien Credit Agreement shall not at any time constitute an Event of Default unless such default, event or condition is not cured or waived within 45 days after the occurrence of such default, event or condition; or

(f) (i) the Borrower or any Subsidiary of the Borrower shall generally not pay its debts as such debts become due, shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors, (ii) any proceeding shall be instituted by or against the Borrower or any Subsidiary of the Borrower seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts, under any Requirement of Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a custodian, receiver, trustee or other similar official for it or for any substantial part of its property, provided, however, that, in the case of any such proceedings instituted against the Borrower or any Subsidiary of the Borrower (but not instituted by the Borrower or any Subsidiary of the Borrower) either such proceedings shall remain undismissed or unstayed for a period of 30 days or more or any action sought in such proceedings shall occur or (iii) the Borrower or any Subsidiary of the Borrower shall take any corporate action to authorize any action set forth in *clauses (i)* and *(ii)* above, or

(g) one or more judgments or orders (or other similar process) involving, in the case of money judgments, an aggregate amount in excess of $2,000,000, to the extent not covered by insurance, shall be rendered against one or more of the Borrower and its Subsidiaries and such judgment or order shall continue for a period of 30 days without being discharged, stayed or bonded pending appeal; or

(h) an ERISA Event shall occur and the amount of all liabilities and deficiencies resulting therefrom, whether or not assessed, exceeds $2,000,000 in the aggregate; or

(i) any provision of any Loan Document after delivery thereof shall for any reason fail or cease to be valid and binding on, or enforceable against, any Loan Party party thereto, or any Loan Party shall so state in writing, or

(j) any Collateral Document shall for any reason fail or cease to create a valid and enforceable Lien on any Collateral purported to be covered thereby or, except as permitted by the Loan Documents, such Lien shall fail or cease to be a perfected and first priority Lien, or any Loan Party shall so state in writing, or

(k) there shall occur any Change of Control; or

(l) the Borrower or any Subsidiary of the Borrower shall have entered into one or more consent or settlement decrees or agreements or similar arrangements with a Governmental Authority or one or more judgments, orders, decrees or similar actions shall have been entered against one or more of the Borrower or any Subsidiary of the Borrower based on or arising from the violation of or pursuant to any Environmental Law, or the generation, storage, transportation, treatment, disposal or Release of any Contaminant and, in connection with all the foregoing, the Borrower or any Subsidiary of the Borrower is likely to incur Environmental Liabilities and Costs exceeding $2,000,000 in the aggregate that were not reflected in the Projections or the Financial Statements delivered pursuant to *Section 4 4 (Financial Statements)* prior to the date hereof, or

(m) the Borrower or any Subsidiary of the Borrower shall (i) default in any payment or payments (which payment or payments are material either individually or in the aggregate) when due of any material Contractual Obligation, or in the performance or observance, of any material obligation or condition of any material Contractual Obligation, unless, but only as long as, the existence of such default is being contested by the Borrower or such Subsidiary in good faith by appropriate proceedings and adequate reserves in respect thereof have been established to the extent required by GAAP, or (ii) allow any Communications License, CATV Franchise or PUC Authorization of the Borrower or of any Subsidiary of the Borrower to be revoked, suspended, cancelled or otherwise terminated and such revocation, suspension, cancellation or termination would have a Material Adverse Effect.

Section 9.2 Remedies

During the continuance of any Event of Default, the Administrative Agent (a) may, and, at the request of the Requisite Lenders, shall, by notice to the Borrower declare that all or any portion of the Commitments be terminated, whereupon the obligation of each Lender to make any Term Loan shall immediately terminate and (b) may and, at the request of the Requisite Lenders, shall, by notice to the Borrower, declare the Term Loans, all interest thereon and all other amounts and Obligations payable under this Agreement to be forthwith due and payable, whereupon the Term Loans, all such interest and all such amounts and Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; *provided, however*, that upon the occurrence of the Events of Default specified in *Section 9 1(f) (Events of Default)*, (x) the Commitments of each Lender to make Term Loans and the commitments of each Lender shall each automatically be terminated and (y) the Term Loans, all such interest and all such amounts and Obligations shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower In addition to the remedies set forth above, the Administrative Agent may exercise

any remedies provided for by the Collateral Documents in accordance with the terms thereof or any other remedies provided by applicable law in each case, subject to the terms of the Intercreditor Agreement

Section 9.3 Regulatory Approvals

(a) Upon any action by the Administrative Agent or Collateral Agent to commence the exercise of remedies hereunder or under the other Loan Documents, the Borrower hereby undertakes, and agrees to cause each of its Subsidiaries to undertake, to cooperate and join with the Administrative Agent or Collateral Agent in any application to any regulatory body (including the FCC or any PUC), administrative agency, court or other forum, with respect thereto and to provide such assistance in connection therewith as the Administrative Agent or the Collateral Agent may request, including the preparation of filings and appearances of officers and employees of the Borrower or any of its Subsidiaries before any Governmental Authority, in each case, in support of any such application made by the Administrative Agent or the Collateral Agent and the Borrower shall not, nor shall the Borrower permit any of its Subsidiaries to, directly or indirectly, oppose any such action by the Administrative Agent or the Collateral Agent before any Governmental Authority.

Section 9.4 Rescission

If at any time after termination of the Commitments or acceleration of the maturity of the Term Loans, the Borrower shall pay all arrears of interest and all payments on account of principal of the Term Loans that shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified herein) and all Events of Default and Defaults (other than non-payment of principal of and accrued interest on the Term Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to *Section 11 1 (Amendments, Waivers, Etc)*, then upon the written consent of the Requisite Lenders and written notice to the Borrower, the termination of the Commitments or the acceleration and their consequences may be rescinded and annulled; *provided*, *however*, that such action shall not affect any subsequent Event of Default or Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision that may be made at the election of the Requisite Lenders, and such provisions are not intended to benefit the Borrower and do not give the Borrower the right to require the Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are met.

ARTICLE X

THE ADMINISTRATIVE AGENT

Section 10.1 Authorization and Action

(a) Each Lender hereby appoints Credit Suisse, acting through one or more of its branches, as the Administrative Agent and the Collateral Agent hereunder, and each Lender authorizes the Administrative Agent and the Collateral Agent to take such action as agent on their behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Administrative Agent or the Collateral Agent, as applicable, under such agreements and to exercise such powers as are reasonably incidental thereto Without limiting the foregoing, each Lender hereby authorizes the Administrative Agent and the Collateral Agent

to execute and deliver, and to perform its respective obligations under, each of the Loan Documents to which it is a party, to exercise all rights, powers and remedies that the Administrative Agent or the Collateral Agent, as applicable, may have under such Loan Documents and, in the case of the Collateral Agent with respect to the Collateral Documents, to act as agent for the Lenders and the other Secured Parties under such Collateral Documents. In particular, each Lender agrees to the terms of the Intercreditor Agreement and to be bound by the terms thereof as if it were a party thereto (including *Section 5 6* thereof).

(b) As to any matters not expressly provided for by this Agreement and the other Loan Documents (including enforcement or collection), the Administrative Agent and the Collateral Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders, and such instructions shall be binding upon all Lenders; *provided, however,* that the Administrative Agent and the Collateral Agent shall not be required to take any action that (i) the Administrative Agent or the Collateral Agent in good faith believes exposes it to personal liability unless it receives an indemnification satisfactory to it from the Lenders with respect to such action or (ii) is contrary to this Agreement or applicable law The Administrative Agent and the Collateral Agent each agree to give to each Lender prompt notice of each notice given by any Loan Party pursuant to *Article II* hereof or as otherwise expressly required by the terms of this Agreement or the other Loan Documents

(c) In performing its functions and duties hereunder and under the other Loan Documents, each of the Administrative Agent and the Collateral Agent is acting solely on behalf of the Lenders except to the limited extent provided in *Section 2.7(b) (Evidence of Debt)*, and their respective duties are entirely administrative in nature. Neither the Administrative Agent nor the Collateral Agent assume and shall not be deemed to have assumed any obligation other than as expressly set forth herein and in the other Loan Documents or any other relationship as the agent, fiduciary or trustee of or for any Lender or holder of any other Obligation. The Administrative Agent and the Collateral Agent may perform any of its duties under any Loan Document by or through its agents or employees.

(d) The Arranger shall have no obligations or duties whatsoever in such capacity under this Agreement or any other Loan Document and shall incur no liability hereunder or thereunder in such capacity.

Section 10.2 Reliance by Agents, Etc.

None of the Administrative Agent, the Collateral Agent, nor any of their respective Affiliates or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it, him, her or them under or in connection with this Agreement or the other Loan Documents, except for its, his, her or their own gross negligence or willful misconduct Without limiting the foregoing, the Administrative Agent and the Collateral Agent (a) may treat the payee of any Note as its holder until such Note has been assigned in accordance with *Section 2 4 (Evidence of Debt)*, (b) may rely on the Register to the extent set forth in *Section 11.2 (Assignments and Participations)*, (c) may consult with legal counsel (including counsel to the Borrower or any other Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts, (d) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made by or on behalf of the

Borrower or any of its Subsidiaries in or in connection with this Agreement or any other Loan Document, (e) shall not have any duty to ascertain or to inquire either as to the performance or observance of any term, covenant or condition of this Agreement or any other Loan Document, as to the financial condition of any Loan Party or as to the existence or possible existence of any Default or Event of Default, (f) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the attachment, perfection or priority of any Lien created or purported to be created under or in connection with, this Agreement, any other Loan Document or any other instrument or document furnished pursuant hereto or thereto and (g) shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which writing may be a telecopy or electronic mail) or any telephone message believed by it to be genuine and signed or sent by the proper party or parties

Section 10.3 Posting of Approved Electronic Communications

(a) Each of the Lenders and the Borrower agree, and the Borrower shall cause each Guarantor to agree, that the Administrative Agent and the Collateral Agent may, but shall not be obligated to, make the Approved Electronic Communications available to the Lenders by posting such Approved Electronic Communications on IntraLinks™ or a substantially similar electronic platform chosen by the Administrative Agent and the Collateral Agent to be its electronic transmission system (the "*Approved Electronic Platform*")

(b) Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Closing Date, a dual firewall and a User ID/Password Authorization System) and the Approved Electronic Platform is secured through a single-user-per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Lenders and the Borrower acknowledges and agrees, and the Borrower shall cause each Guarantor to acknowledge and agree, that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution. In consideration for the convenience and other benefits afforded by such distribution and for the other consideration provided hereunder, the receipt and sufficiency of which is hereby acknowledged, each of the Lenders and the Borrower hereby approves, and the Borrower shall cause each Guarantor to approve, distribution of the Approved Electronic Communications through the Approved Electronic Platform and understands and assumes, and the Borrower shall cause each Guarantor to understand and assume, the risks of such distribution

(c) The Approved Electronic Communications and the Approved Electronic Platform are provided "*as is*" and "*as available*". None of the Administrative Agent, the Collateral Agent or any of their respective Affiliates or any of their respective officers, directors, employees, agents, advisors or representatives (the "*Agent Affiliates*") warrant the accuracy, adequacy or completeness of the Approved Electronic Communications and the Approved Electronic Platform and each expressly disclaims liability for errors or omissions in the Approved Electronic Communications and the Approved Electronic Platform No Warranty of any kind, express, implied or statutory (including any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects) is made by the agent affiliates in connection with the approved electronic communications or the approved electronic platform

(d) Each of the Lenders and the Borrower agree, and the Borrower shall cause each Guarantor to agree, that the Administrative Agent and the Collateral Agent may, but (except as may be required by applicable law) shall not be obligated to, store the Approved Electronic Communications on the Approved Electronic Platform in accordance with the Administrative Agent's generally-applicable document retention procedures and policies.

Section 10.4 The Agents Individually

With respect to its Ratable Portion, each Agent that is a Lender shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "*Lenders*", "*Requisite Lenders*" and any similar terms shall, unless the context clearly otherwise indicates, include each Agent in its individual capacity as a Lender or as one of the Requisite Lenders. Each Agent and each of its Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with, any Loan Party as if such Agent were not acting as an Agent.

Section 10.5 Lender Credit Decision

Each Lender acknowledges that it shall, independently and without reliance upon any Agent or any other Lender conduct its own independent investigation of the financial condition and affairs of the Borrower and each other Loan Party in connection with the making and continuance of the Term Loans. Each Lender also acknowledges that it shall, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and other Loan Documents.

Section 10.6 Indemnification

Each Lender agrees to indemnify the Administrative Agent, the Collateral Agent and, in each case, each of its Affiliates, and each of their respective directors, officers, employees, agents and advisors (to the extent not reimbursed by the Borrower), from and against such Lender's aggregate Ratable Portion of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements (including reasonable fees, expenses and disbursements of financial and legal advisors) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against, the Administrative Agent, the Collateral Agent or any of its Affiliates, directors, officers, employees, agents and advisors in any way relating to or arising out of this Agreement or the other Loan Documents or any action taken or omitted by the Administrative Agent or the Collateral Agent under this Agreement or the other Loan Documents; *provided, however*, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or Collateral Agent's or such Affiliate's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Administrative Agent and Collateral Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable fees, expenses and disbursements of financial and legal advisors) incurred by the Administrative Agent or the Collateral Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of its rights or responsibilities under, this Agreement or the other Loan Documents, to the

extent that the Administrative Agent or the Collateral Agent is not reimbursed for such expenses by the Borrower or another Loan Party.

Section 10.7 Successor Agents

The Administrative Agent and the Collateral Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Administrative Agent or Collateral Agent, as applicable. If no successor Administrative Agent or Collateral Agent shall have been so appointed by the Requisite Lenders, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Administrative Agent or Collateral Agent, as applicable, selected from among the Lenders. Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent or as Collateral Agent by a successor Collateral Agent, such successor Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of the applicable retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. Prior to any retiring Agent's resignation hereunder as Administrative Agent or Collateral Agent, the retiring Agent shall take such action as may be reasonably necessary to assign to the successor Agent its rights as Administrative Agent or Collateral Agent, as applicable, under the Loan Documents. After such resignation, any retiring Agent shall continue to have the benefit of this *Article X* as to any actions taken or omitted to be taken by it while it was Administrative Agent or Collateral Agent, as applicable, under this Agreement and the other Loan Documents. If no Person has accepted the appointment as successor Collateral Agent, as provided above, the Administrative Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of, the applicable retiring Collateral Agent effective upon its resignation until a successor Collateral Agent has been appointed in accordance with the terms hereof. If no Person has accepted the appointment as successor Administrative Agent or the Administrative Agent has not succeeded a retiring Collateral Agent, in each case, as provided above, the Requisite Lenders shall succeed to, and become vested with, all the rights, powers, privileges and duties of, the applicable retiring Agent effective upon its resignation

Section 10.8 Concerning the Collateral and the Collateral Documents

(a) Each Lender agrees that any action taken by the Administrative Agent, the Collateral Agent or the Requisite Lenders (or, where required by the express terms of this Agreement, a greater proportion of the Lenders) in accordance with the provisions of this Agreement, the other Loan Documents and the exercise by the Administrative Agent, the Collateral Agent or the Requisite Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders and other Secured Parties. Without limiting the generality of the foregoing and, in each case, subject to *Section 10 7 (Successor Agents)*, (i) the Administrative Agent shall have the sole and exclusive right and authority to act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection herewith and with the Collateral Documents, (ii) the Collateral Agent shall have the sole and exclusive right and authority to (A) execute and deliver each Collateral Document and accept delivery of each such agreement delivered by the Borrower or any of its Subsidiaries, (B) act as collateral agent for the Lenders and the other Secured Parties for purposes of the perfection of all security interests and Liens created by such agreements and all other purposes stated therein, *provided, however*, that the Collateral Agent hereby appoints,

authorizes and directs each Lender to act as collateral sub-agent for the Administrative Agent and the Lenders for purposes of the perfection of all security interests and Liens with respect to the Collateral, including any Deposit Accounts maintained by a Loan Party with, and cash and Cash Equivalents held by, such Lender, (C) manage, supervise and otherwise deal with the Collateral and (D) take such action as is necessary or desirable to maintain the perfection and priority of the security interests and Liens created or purported to be created by the Collateral Documents and (iii) the Administrative Agent, and the Collateral Agent at the direction of the Administrative Agent, shall have the exclusive right and authority to (except as may be otherwise specifically restricted by the terms hereof or of any other Loan Document) exercise all remedies given to the Administrative Agent, the Lenders and the other Secured Parties with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(b) Each of the Lenders hereby consents to the release and hereby directs, in accordance with the terms hereof, the Administrative Agent and the Collateral Agent to release (or, in the case of *clause (ii)* below, release or subordinate) any Lien held by the Administrative Agent or the Collateral Agent for the benefit of the Lenders against any of the following.

(i) all of the Collateral and all Loan Parties, upon termination of the Commitments and payment and satisfaction in full of all Term Loans and all other Obligations that the Administrative Agent has been notified in writing are then due and payable;

(ii) any assets that are subject to a Lien permitted by *Section 8 2(d)* or *(e)* (*Liens, Etc*),

(iii) any part of the Collateral sold or disposed of by a Loan Party if such sale or disposition is permitted by this Agreement (or permitted pursuant to a waiver of or consent to a transaction otherwise prohibited by this Agreement); and

(iv) any assets, Collateral or Loan Parties to the extent required by the Intercreditor Agreement.

Each of the Administrative Agent and the Lenders hereby directs the Collateral Agent to execute and deliver or file such termination and partial release statements and do such other things as are necessary to release Liens to be released pursuant to this *Section 10 8* promptly upon the effectiveness of any such release.

Section 10.9 Actions by the Collateral Agent

The Collateral Agent shall take, or refrain from taking, any action as directed in writing by the Administrative Agent Notwithstanding anything to the contrary provided herein or in the Collateral Documents, the Collateral Agent shall not be obligated to take, or refrain from taking, any action (a) to the extent the Collateral Agent has received a written advice from its counsel that such action is in conflict with any applicable law, Collateral Document or order of any Governmental Authority or (b) with respect to which the Collateral Agent, in its reasonable judgment, has not received adequate security or indemnity hereunder or under the Collateral Documents. Nothing in this *Section 10 9* shall impair the right of the Collateral Agent in its discretion to take or omit to take any action which is deemed proper by the Collateral Agent under the Collateral Documents or the Intercreditor Agreement and which it believes in good faith is not inconsistent with any direction of the Administrative Agent delivered pursuant to this

Section 10.9; *provided*, *however*, the Collateral Agent shall not be under any obligation to take any discretionary action under the provisions of this Agreement or any other Collateral Document unless so directed by the Administrative Agent. The Collateral Agent shall be obliged to perform only such duties as are specifically set forth in this Agreement or any Collateral Document, and no implied covenants or obligations shall be read into this Agreement or any Collateral Document against the Collateral Agent The Collateral Agent shall, upon receipt of any written direction pursuant to this *Section 10 9*, exercise the rights and powers vested in it by any Collateral Document with respect to such direction, and the Collateral Agent shall not be liable with respect to any action taken or omitted in accordance with such direction. If the Collateral Agent shall seek directions from the Administrative Agent or the Requisite Lenders with respect to any action under any Collateral Document or the Intercreditor Agreement, the Collateral Agent shall not be required to take, or refrain from taking, such action until it shall have received such direction. The Collateral Agent shall not agree to amend or modify the Intercreditor Agreement without the consent of the Requisite Lenders or, in the case of any amendment or other modifications to the definition of "Cap Amount" or "First Lien Obligations" under the Intercreditor Agreement, the consent of 100% of the Lenders hereunder The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to deal with it in the same manner as with similar property for its own account. The powers conferred on the Collateral Agent hereunder and under the Collateral Documents are solely to protect the Collateral Agent's interest in the Collateral (for itself and for the benefit of the Secured Parties) and, except as expressly set forth herein, shall not impose any duty upon the Collateral Agent to exercise any such powers The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers at the direction of the Administrative Agent, and neither the Collateral Agent nor any of its officers, directors, employees or agents shall be responsible to any Secured Party or any Loan Party for any act or failure to act hereunder, except for its own gross negligence or willful misconduct.

Section 10.10 Collateral Matters Relating to Related Obligations

The benefit of the Loan Documents and of the provisions of this Agreement relating to the Collateral shall extend to and be available in respect of any Secured Obligation arising under any Hedging Contract that is a Loan Document or that is otherwise owed to Persons other than the Administrative Agent, the Collateral Agent and the Lenders (collectively, "*Related Obligations*") solely on the condition and understanding, as among the Administrative Agent, the Collateral Agent and all Secured Parties, that (a) the Related Obligations shall be entitled to the benefit of the Loan Documents and the Collateral to the extent expressly set forth in this Agreement and the other Loan Documents and to such extent the Collateral Agent shall hold, and have the right and power to act with respect to, the Guaranty and the Collateral on behalf of and as agent for the holders of the Related Obligations, but the Collateral Agent is otherwise acting solely as agent for the Lenders and shall have no fiduciary duty, duty of loyalty, duty of care, duty of disclosure or other obligation whatsoever to any holder of Related Obligations, (b) all matters, acts and omissions relating in any manner to the Guaranty, the Collateral, or the omission, creation, perfection, priority, abandonment or release of any Lien, shall be governed solely by the provisions of this Agreement and the other Loan Documents and no separate Lien, right, power or remedy shall arise or exist in favor of any Secured Party under any separate instrument or agreement or in respect of any Related Obligation, (c) each Secured Party shall be bound by all actions taken or omitted, in accordance with the provisions of this Agreement and the other Loan Documents, by the Administrative Agent, the Collateral Agent and the Requisite Lenders, each of whom shall be entitled to act at its sole discretion and exclusively in its own

interest given its own Commitments and its own interest in the Term Loans and other Obligations to it arising under this Agreement or the other Loan Documents, without any duty or liability to any other Secured Party or as to any Related Obligation and without regard to whether any Related Obligation remains outstanding or is deprived of the benefit of the Collateral or becomes unsecured or is otherwise affected or put in jeopardy thereby, (d) no holder of Related Obligations and no other Secured Party (except the Administrative Agent, the Collateral Agent and the Lenders to the extent set forth in this Agreement) shall have any right to be notified of, or to direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or under this Agreement or the Loan Documents and (e) no holder of any Related Obligation shall exercise any right of setoff, banker's lien or similar right except to the extent provided in *Section 11.6 (Right of Set-off)* and then only to the extent such right is exercised in compliance with *Section 11.7 (Sharing of Payments, Etc.)*.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Amendments, Waivers, Etc.

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be in writing and (x) in the case of an amendment to cure any ambiguity, omission, defect or inconsistency, signed by the Administrative Agent and the Borrower, (y) in the case of any such waiver or consent, signed by the Requisite Lenders (or by the Administrative Agent with the consent of the Requisite Lenders) and (z) in the case of any other amendment, by the Requisite Lenders (or by the Administrative Agent with the consent of the Requisite Lenders) and the Borrower, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided*, *however*, that no amendment, waiver or consent shall, unless in writing and signed by each Lender directly affected thereby, in addition to the Requisite Lenders (or the Administrative Agent with the consent thereof), do any of the following

(i) waive any condition specified in *Section 3.1 (Conditions Precedent to Initial Loans)*, except with respect to a condition based upon another provision hereof, the waiver of which requires only the concurrence of the Requisite Lenders and, in the case of the conditions specified in *Section 3.1 (Conditions Precedent to Initial Loans)*, subject to the provisions of *Section 3.2 (Determinations of Initial Borrowing Conditions)*,

(ii) increase the Commitment of such Lender or subject such Lender to any additional obligation,

(iii) extend the scheduled final maturity of any Term Loan owing to such Lender, or waive, reduce or postpone any scheduled date fixed for the payment or reduction of principal or interest of any such Term Loan or fees owing to such Lender (it being understood that *Section 2.6 (Mandatory Prepayments)* does not provide for scheduled dates fixed for payment) or for the reduction of such Lender's Commitment,

(iv) reduce, or release the Borrower from its obligations to repay, the principal amount of any Term Loan owing to such Lender (other than by the payment or prepayment thereof);

(v) reduce the rate of interest on any Term Loan outstanding and owing to such Lender or any fee payable hereunder to such Lender,

(vi) expressly subordinate any of the Secured Obligations or any Liens securing the Secured Obligations (other than as provided by the Intercreditor Agreement),

(vii) postpone any scheduled date fixed for payment of interest or fees owing to such Lender or waive any such payment,

(viii) change the aggregate Ratable Portions of Lenders required for any or all Lenders to take any action hereunder;

(ix) release all or substantially all of the Collateral except as provided in *Section 10 8(b) (Concerning the Collateral and the Collateral Documents)* or release the Borrower from its payment obligation to such Lender under this Agreement or the Notes owing to such Lender (if any) or release any Guarantor from its obligations under the Guaranty except in connection with the sale or other disposition of a Guarantor (or all or substantially all of the assets thereof) permitted by this Agreement (or permitted pursuant to a waiver or consent of a transaction otherwise prohibited by this Agreement) and provided that any proceeds from such sale or disposition are applied as required hereby, or

(x) amend *Section 10 8(b) (Concerning the Collateral and the Collateral Documents)*, *Section 11.7 (Sharing of Payments, Etc.)*, this *Section 11 1* or either definition of the terms "Requisite Lenders" or "Ratable Portion"; and *provided, further*, that (w) any modification of the application of payments to the Term Loans pursuant to *Section 2 6 (Mandatory Prepayments)* shall require the consent of the Requisite Lenders, (x) no amendment, waiver or consent shall, unless in writing and signed by any Special Purpose Vehicle that has been granted an option pursuant to *Section 11.2(e) (Assignments and Participations)*, affect the grant or nature of such option or the right or duties of such Special Purpose Vehicle hereunder, and (y) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or the other Loan Documents, and provided, further, that the Administrative Agent may, with the consent of the Borrower, amend, modify or supplement this Agreement to cure any ambiguity, omission, defect or inconsistency, so long as such amendment, modification or supplement does not adversely affect the rights of any Lender

(b) The Administrative Agent may, but shall have no obligation to, with the written concurrence of any Lender, execute amendments, modifications, waivers or consents on behalf of such Lender Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances

(c) If, in connection with any proposed amendment, modification, waiver or termination requiring the consent of any Lender whose consent is required is not obtained when due (each such Lender, a "*Non-Consenting Lender*"), then, as long as the Lender acting as the Administrative Agent is not a Non-Consenting Lender, at the Borrower's request (and sole cost and expense), an Eligible Assignee acceptable to the Administrative Agent shall have the right with the Administrative Agent's consent and in the Administrative Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lender, and such Non-Consenting Lender agrees that it shall, upon the Administrative Agent's request, sell and assign (at the sole cost and expense of the Borrower) to the Lender acting as the Administrative Agent or such Eligible Assignee, all or any portion of the Term Loans of such Non-Consenting Lender for an amount equal to the principal balance of all Term Loans (including PIK Amounts) held by the Non-Consenting Lender and all accrued and unpaid interest, fees, unreimbursed costs and expenses and indemnities with respect thereto through the date of sale *plus* an amount equal to the Applicable Prepayment Premium calculated with respect to the principal amount of the Term Loans (including PIK Amounts) so purchased as of the date of such purchase; *provided, however*, that such purchase and sale shall be recorded in the Register maintained by the Administrative Agent and not be effective until (x) the Administrative Agent shall have received from such Eligible Assignee an agreement in form and substance satisfactory to the Administrative Agent and the Borrower whereby such Eligible Assignee shall agree to be bound by the terms hereof and (y) such Non-Consenting Lender shall have received payments of all Term Loans (including PIK Amounts) held by it and all accrued and unpaid interest, fees, unreimbursed costs and expenses and indemnities with respect thereto through the date of the sale. Each Lender agrees that, if it becomes a Non-Consenting Lender, it shall execute and deliver to the Administrative Agent an Assignment an Acceptance to evidence such sale and purchase and shall deliver to the Administrative Agent any Note (if the assigning Lender's Term Loans are evidenced by Notes) subject to such Assignment and Acceptance, *provided, however*, that the failure of any Non-Consenting Lender to execute an Assignment and Acceptance shall not render such sale and purchase (and the corresponding assignment) invalid and, such assignment shall be recorded in the Register and such Non-Consenting Lender shall be deemed to have executed and delivered such Assignment and Acceptance for all purposes of this Agreement and the other Loan Documents.

Section 11.2 Assignments and Participations

(a) Each Lender may sell, transfer, negotiate or assign to one or more Eligible Assignees all or a portion of its rights and obligations hereunder; *provided, however*, that (i) the aggregate amount being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event (if less than the assigning Lender's entire interest) be less than $1,000,000 or an integral multiple of $100,000 in excess thereof (treating multiple, simultaneous assignments by or to two or more Approved Funds which are Affiliates or share the same (or affiliated) manager or advisor as a single assignment for purposes of this *clause (a)*), except that such minimum amounts shall not apply if (A) the Borrower and the Administrative Agent consent or (B) if such assignment is being made to a Lender or an Affiliate or Approved Fund of such Lender, and (ii) if such Eligible Assignee is not, prior to the date of such assignment, a Lender or an Affiliate or Approved Fund of a Lender, such assignment shall be subject to the prior consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), *provided, however,* that if such assignment causes any Person (other than CSFB or an Affiliate of CSFB), together with any Affiliates of such Person, to hold in excess of 50% of the principal amount of the Obligations, or

such assignment is to a Person (other than CSFB or an Affiliate of CSFB) holding in excess of 50% of the principal amount of the Obligations, such assignment shall be subject to the prior consent of the Borrower (which consent shall not be unreasonably withheld, delayed or conditioned).

(b) The parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note (if the assigning Lender's Term Loans are evidenced by a Note) subject to such assignment (such new Note or Notes shall be dated the Closing Date and shall otherwise be in the form of the Note or Notes replaced thereby) and any administrative questionnaire, tax forms or other documents required by the Administrative Agent. Upon its receipt of an Assignment and Acceptance executed by the assigning Lender and the Eligible Assignee the Lender or Eligible Assignee shall pay to the Administrative Agent a registration and processing fee of $3,500 for each assignment (except that no such registration and processing fee shall be payable in the case of (i) an Assignment and Acceptance which is electronically executed and delivered to the Administrative Agent via an electronic settlement system (which system shall initially be ClearPar LLC) or (ii) an Eligible Assignee which is already a Lender or is an Affiliate of such Lender in respect of any assignment made pursuant to *Section 2 17 (Substitution of Lenders)* and *Section 11 1(c) (Amendments, Waivers, Etc)*). Commencing on the effective date specified in such Assignment and Acceptance, (i) the Eligible Assignee thereunder shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender, (ii) the Notes (if any) corresponding to the Term Loans assigned thereby shall be transferred to such assignee by notation in the Register and (iii) the assigning Lender thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except for those surviving the payment in full of the Obligations) and be released from its obligations under the Loan Documents, other than those relating to events or circumstances occurring prior to such assignment (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto).

(c) The Administrative Agent shall maintain at its address referred to in *Section 11 8 (Notices, Etc)* a copy of each Assignment and Acceptance delivered to and accepted by it and shall record in the Register the names and addresses of the Lenders and the principal amount of the Term Loans owing to each Lender from time to time and the Commitments of each Lender Any assignment pursuant to this *Section 11 2* shall not be effective until such assignment is recorded in the Register During the term of this Agreement, the Administrative Agent shall promptly deliver to the Borrower a report following the end of each calendar month summarizing all assignments made and recorded in the Register during such month pursuant to this *Section 11 2.*

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Eligible Assignee, the Administrative Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, and (ii) record or cause to be recorded the information contained therein in the Register Within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall, if requested by such assignee, execute and deliver to the Administrative Agent new Notes to the order of such assignee in an amount equal to the Commitments and Term Loans assumed by it pursuant to such

Assignment and Acceptance and, if the assigning Lender has surrendered any Note for exchange in connection with the assignment and has retained Commitments or Term Loans hereunder, new Notes to the order of the assigning Lender in an amount equal to the Commitments and Term Loans retained by it hereunder. Such new Notes shall be dated the same date as the surrendered Notes and be in substantially the form of *Exhibit B* (*Form of Term Note*).

(e) Each Lender may sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Loan Documents. The terms of such participation shall not, in any event, require the participant's consent to any amendments, waivers or other modifications of any provision of any Loan Documents, the consent to any departure by any Loan Party therefrom, or to the exercising or refraining from exercising any powers or rights such Lender may have under or in respect of the Loan Documents (including the right to enforce the obligations of the Loan Parties), except if any such amendment, waiver or other modification or consent would (i) reduce the amount, or postpone any date fixed for, any amount (whether of principal, interest or fees) payable to such participant under the Loan Documents, to which such participant would otherwise be entitled under such participation or (ii) result in the release of all or substantially all of the Collateral other than in accordance with *Section 10.8(b) (Concerning the Collateral and the Collateral Documents)*. In the event of the sale of any participation by any Lender, (w) such Lender's obligations under the Loan Documents shall remain unchanged, (x) such Lender shall remain solely responsible to the other parties for the performance of such obligations, (y) such Lender shall remain the holder of such Obligations for all purposes of this Agreement and (z) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Each participant shall be entitled to the benefits of *Sections 2.15 (Capital Adequacy)* and *2.16 (Taxes)* and of *2.14(d) (Illegality)* as if it were a Lender; *provided, however*, that anything herein to the contrary notwithstanding, the Borrower shall not, at any time, be obligated to make under *Section 2.12 (Capital Adequacy)*, *2.13 (Taxes)* or *2.11(d) (Illegality)* to the participants in the rights and obligations of any Lender (together with such Lender) any payment in excess of the amount the Borrower would have been obligated to pay to such Lender in respect of such interest had such participation not been sold, *provided, further*, that such participant in the rights and obligations of such Lender shall have no direct right to enforce any of the terms of this Agreement against the Borrower, the Administrative Agent or the other Lenders.

(f) The parties to this Agreement acknowledge that the provisions of this *Section 11.2* concerning assignments relate only to absolute assignments and that such provisions do not prohibit pledges or assignments creating security interests in the Term Loans or Notes, including any such pledge or assignment by any Lender to any Federal Reserve Bank in accordance with applicable law.

Section 11.3 Costs and Expenses

(a) The Borrower agrees upon demand to pay, or reimburse the Administrative Agent and the Collateral Agent for, all of its respective reasonable internal and external audit, legal, appraisal, valuation, filing, document duplication and reproduction and investigation expenses and for all other reasonable out-of-pocket costs and expenses of every type and nature (including the reasonable fees, expenses and disbursements of the Administrative Agent's and Collateral Agent's counsel, Weil, Gotshal & Manges LLP, local legal counsel, auditors, accountants, appraisers, printers, insurance and environmental advisors, and other consultants and agents) incurred by the Administrative Agent or the Collateral Agent in

connection with any of the following: (i) such Agent's audit and investigation of the Borrower and its Subsidiaries in connection with the preparation, negotiation or execution of any Loan Document or Administrative Agent's periodic audits of the Borrower or any of its Subsidiaries, as the case may be, (ii) the preparation, negotiation, execution or interpretation of this Agreement (including the satisfaction or attempted satisfaction of any condition set forth in *Article III (Conditions To Loans)*), any Loan Document or any proposal letter or commitment letter issued in connection therewith, or the making of the Term Loans hereunder, (iii) the creation, perfection or protection of the Liens under any Loan Document (including any reasonable fees, disbursements and expenses for local counsel in various jurisdictions), (iv) the ongoing administration of this Agreement and the Term Loans, including consultation with attorneys in connection therewith and with respect to such Agent's rights and responsibilities hereunder and under the other Loan Documents, (v) the protection, collection or enforcement of any Obligation or the enforcement of any Loan Document, (vi) the commencement, defense or intervention in any court proceeding relating in any way to the Obligations, any Loan Party, any of the Borrower's Subsidiaries, the First Lien Loan Documents, this Agreement or any other Loan Document, (vii) the response to, and preparation for, any subpoena or request for document production with which either such Agent is served or deposition or other proceeding in which such Agent is called to testify, in each case, relating in any way to the Obligations, any Loan Party, any of the Borrower's Subsidiaries, the First Lien Loan Documents, this Agreement or any other Loan Document or (viii) any amendment, consent, waiver, assignment, restatement, or supplement to any Loan Document or the preparation, negotiation and execution of the same

(b) The Borrower further agrees to pay or reimburse each Agent and each of the Lenders upon demand for all out-of-pocket costs and expenses, including reasonable attorneys' fees (including allocated costs of internal counsel and costs of settlement), incurred by the such Agent or such Lenders in connection with any of the following. (i) in enforcing Loan Document or Obligation or any security therefor or exercising or enforcing any other right or remedy available by reason of an Event of Default, (ii) refinancing or restructuring of the credit arrangements provided hereunder in the nature of a "*work-out*" or in any insolvency or bankruptcy proceeding, (iii) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to the Obligations, any Loan Party, any of the Borrower's Subsidiaries and related to or arising out of the transactions contemplated hereby or by any other Loan Document or First Lien Loan Document or (iv) in taking any other action in or with respect to any suit or proceeding (bankruptcy or otherwise) described in *clause (i), (ii)* or *(iii)* above.

Section 11.4 Indemnities

(a) The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Collateral Agent, the Arranger and each Lender (including each Person obligated on a Hedging Contract that is a Loan Document if such Person was a Lender, Agent or an Affiliate of an Agent at the time it entered into such Hedging Contract) and each of their respective Affiliates, and each of the directors, officers, employees, agents, trustees, shareholders, controlling persons, members, representatives, attorneys, consultants and advisors of or to any of the foregoing (including those retained in connection with the satisfaction or attempted satisfaction of any condition set forth in *Article III (Conditions To Loans)* (each such Person being an "*Indemnitee*") from and against any and all claims, damages, liabilities, obligations, losses, penalties, actions, judgments, suits, costs, disbursements and expenses, joint or several, of any kind or nature (including reasonable fees, disbursements and expenses of financial and legal advisors to any

such Indemnitee) that may be imposed on, incurred by or asserted against any such Indemnitee in connection with or arising out of any investigation, litigation or proceeding, whether or not such investigation, litigation or proceeding is brought by the Borrower, an Affiliate of the Borrower, any such Indemnitee or any of its directors, security holders or creditors or any such Indemnitee, director, security holder or creditor is a party thereto, whether direct, indirect, or consequential and whether based on any federal, state or local law or other statutory regulation, securities or commercial law or regulation, or under common law or in equity, or on contract, tort or otherwise, in any manner relating to or arising out of this Agreement, any other Loan Document, any Obligation, any Disclosure Document, any First Lien Loan Document, or any act, event or transaction related or attendant to any thereof, or the use or intended use of the proceeds of the Term Loans or in connection with any investigation of any potential matter covered hereby (collectively, the "*Indemnified Matters*"); *provided*, *however*, that the Borrower shall not have any liability under this *Section 11 4* to an Indemnitee with respect to any Indemnified Matter that has resulted primarily from the gross negligence or willful misconduct of that Indemnitee, as determined by a court of competent jurisdiction in a final non-appealable judgment or order. Without limiting the foregoing, "*Indemnified Matters*" include (i) all Environmental Liabilities and Costs arising from or connected with the past, present or future operations of the Borrower or any of its Subsidiaries involving any property subject to a Collateral Document, or damage to real or personal property or natural resources or harm or injury alleged to have resulted from any Release of Contaminants on, upon or into such property or any contiguous real estate, (ii) any costs or liabilities incurred in connection with any Remedial Action concerning the Borrower or any of its Subsidiaries, (iii) any costs or liabilities incurred in connection with any Environmental Lien and (iv) any costs or liabilities incurred in connection with any other matter under any Environmental Law, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (49 U.S C. § 9601 *et seq.*) and applicable state property transfer laws, whether, with respect to any such matter, such Indemnitee is a mortgagee pursuant to any leasehold mortgage, a mortgagee in possession, the successor in interest to the Borrower or any of its Subsidiaries, or the owner, lessee or operator of any property of the Borrower or any of its Subsidiaries by virtue of foreclosure, except, with respect to those matters referred to in *clauses (i), (ii), (iii)* and *(iv)* above, to the extent (x) incurred following foreclosure by the Administrative Agent, the Collateral Agent or any Lender, or the Administrative Agent or any Lender having become the successor in interest to the Borrower or any of its Subsidiaries and (y) attributable solely to acts of the Administrative Agent, the Collateral Agent or such Lender or any agent on behalf of such Agent or such Lender

(b) The Borrower shall indemnify the Administrative Agent, the Collateral Agent and the Lenders for, and hold the Administrative Agent, the Collateral Agent and the Lenders harmless from and against, any and all claims for brokerage commissions, fees and other compensation made against the Administrative Agent, the Collateral Agent and the Lenders for any broker, finder or consultant with respect to any agreement, arrangement or understanding made by or on behalf of any Loan Party or any of its Subsidiaries in connection with the transactions contemplated by this Agreement

(c) The Borrower, at the request of any Indemnitee, shall have the obligation to defend against any investigation, litigation or proceeding or requested Remedial Action, in each case contemplated in *clause (a)* above, and the Borrower, in any event, may participate in the defense thereof with legal counsel of the Borrower's choice In the event that such indemnitee requests the Borrower to defend against such investigation, litigation or proceeding or requested Remedial Action, the Borrower shall promptly do so and such Indemnitee shall have

the right to have legal counsel of its choice participate in such defense No action taken by legal counsel chosen by such Indemnitee in defending against any such investigation, litigation or proceeding or requested Remedial Action, shall vitiate or in any way impair the Borrower's obligation and duty hereunder to indemnify and hold harmless such Indemnitee

(d) The Borrower agrees that any indemnification or other protection provided to any Indemnitee pursuant to this Agreement (including pursuant to this *Section 11 4*) or any other Loan Document shall (i) survive payment in full of the Obligations and (ii) inure to the benefit of any Person that was at any time an Indemnitee under this Agreement or any other Loan Document

Section 11.5 Limitation of Liability

(a) The Borrower agrees that no Indemnitee shall have any liability (whether in contract, tort or otherwise) to any Loan Party or any of their respective Subsidiaries or any of their respective equity holders or creditors for or in connection with the transactions contemplated hereby and in the other Loan Documents and First Lien Loan Documents, except to the extent such liability is determined in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Indemnitee's gross negligence or willful misconduct. In no event, however, shall any Indemnitee be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). The Borrower hereby waives, releases and agrees (each for itself and on behalf of its Subsidiaries) not to sue upon any such claim for any special, indirect, consequential or punitive damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(b) IN NO EVENT SHALL ANY AGENT AFFILIATE HAVE ANY LIABILITY TO ANY LOAN PARTY, LENDER OR ANY OTHER PERSON FOR DAMAGES OF ANY KIND, INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT OR CONTRACT OR OTHERWISE) ARISING OUT OF ANY LOAN PARTY OR ANY AGENT AFFILIATE'S TRANSMISSION OF APPROVED ELECTRONIC COMMUNICATIONS THROUGH THE INTERNET OR ANY USE OF THE APPROVED ELECTRONIC PLATFORM, EXCEPT TO THE EXTENT SUCH LIABILITY OF ANY AGENT AFFILIATE IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT AFFILIATE'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

Section 11.6 Right of Set-off

Upon the occurrence and during the continuance of any Event of Default each Lender and each Affiliate of a Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Lender or its Affiliates to or for the credit or the account of the Borrower against any and all of the Obligations now or hereafter existing whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and even though such Obligations may be unmatured. Each Lender agrees promptly to notify the Borrower after any such set-off and application made by such Lender or its Affiliates, *provided, however*, that the failure to give such notice shall not affect the validity of such set-off and application The rights of each Lender

under this *Section 11 6* are in addition to the other rights and remedies (including other rights of set-off) that such Lender may have.

Section 11.7 Sharing of Payments, Etc.

(a) If any Lender (directly or through an Affiliate thereof) obtains any payment (whether voluntary, involuntary, through the exercise of any right of set-off (including pursuant to *Section 11 6 (Right of Set-off)* or otherwise) of the Term Loans owing to it, any interest thereon, fees in respect thereof or amounts due pursuant to *Section 11 3 (Costs and Expenses)* or *11 4 (Indemnities)* (other than payments pursuant to *Section 2 11 (Special Provisions Governing Eurodollar Rate Loans)*, *2 12 (Capital Adequacy)* or *2 13 (Taxes)* or otherwise receives any Collateral or any "*Proceeds*" (as defined in the Pledge and Security Agreement) of Collateral (other than payments pursuant to *Section 2 11 (Special Provisions Governing Eurodollar Rate Loans)*, *2 15 (Capital Adequacy)* or *2 16 (Taxes)* (in each case, whether voluntary, involuntary, through the exercise of any right of set-off or otherwise (including pursuant to *Section 11.6 (Right of Set-off)*)) in excess of its Ratable Portion of all payments of such Obligations obtained by all the Lenders, such Lender (a "*Purchasing Lender*") shall forthwith purchase from the other Lenders (each, a "*Selling Lender*") such participations in their Term Loans or other Obligations as shall be necessary to cause such Purchasing Lender to share the excess payment ratably with each of them.

(b) If all or any portion of any payment received by a Purchasing Lender is thereafter recovered from such Purchasing Lender, such purchase from each Selling Lender shall be rescinded and such Selling Lender shall repay to the Purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Selling Lender's ratable share (according to the proportion of (i) the amount of such Selling Lender's required repayment in relation to (ii) the total amount so recovered from the Purchasing Lender) of any interest or other amount paid or payable by the Purchasing Lender in respect of the total amount so recovered.

(c) The Borrower agrees that any Purchasing Lender so purchasing a participation from a Selling Lender pursuant to this *Section 11 7* may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

Section 11.8 Notices, Etc.

(a) *Addresses for Notices* All notices, demands, requests, consents and other communications provided for in this Agreement shall be given in writing, or by any telecommunication device capable of creating a written record, and addressed to the party to be notified as follows.

(i) if to the Borrower:

Knology, Inc
1241 O.G Skinner Drive
West Point, GA 31833
Attention: Robert K. Mills
Telecopy no.
E-Mail Address

with a copy to:

Alston & Bird LLP
1201 West Peachtree Street
Atlanta, Georgia 30309
Attention. Richard Grice
Telecopy no: 404 881 4777
E-Mail Address rgrice@alston.com

(ii) if to any Lender, at its Domestic Lending Office specified opposite its name on *Schedule II* (*Applicable Lending Offices and Addresses for Notices*) or on the signature page of any applicable Assignment and Acceptance,

(iii) if to the Administrative Agent or Collateral Agent.

Credit Suisse First Boston
Eleven Madison Avenue
New York, New York 10010
Attention: Agency Loan Administration
Telecopy no: 212 325 8304

with a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue,
New York, New York 10153-0119
Attention: Morgan Bale
Telecopy no (212) 310-8007
E-Mail Address morgan.bale@weil.com

or at such other address as shall be notified in writing (x) in the case of the Borrower, the Administrative Agent and the Collateral Agent, to the other parties and (y) in the case of all other parties, to the Borrower, the Administrative Agent and the Collateral Agent.

(b) *Effectiveness of Notices.* All notices, demands, requests, consents and other communications described in *clause (a)* above shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by posting to an Approved Electronic Platform (to the extent permitted by *Section 10.3 (Posting of Approved Electronic Communications)* to be delivered thereunder), an Internet website or a similar telecommunication device requiring a user prior access to such Approved Electronic Platform, website or other device (to the extent permitted by *Section 10.3 (Posting of Approved Electronic Communications)* to be delivered thereunder), when such notice, demand, request, consent and other communication shall have been made generally available on such Approved Electronic Platform, Internet website or similar device to the class of Person being notified (regardless of whether any such Person must accomplish, and whether or not any such Person shall have accomplished, any action prior to obtaining access to such items, including registration, disclosure of contact information, compliance with a standard user agreement or undertaking a duty of confidentiality) and such Person has been notified that such communication has been posted to the Approved Electronic Platform, (iii) if approved in advance by the Administrative Agent, if delivered by electronic mail, when transmitted to an electronic mail address (or by

another means of electronic delivery) as provided in *clause (a)* above; and (iv) if delivered by telecopy, when transmitted as provided in *clause (a)* above; *provided, however*, that notices and communications to the Administrative Agent pursuant to *Article II (The Facilities)* or *Article X (The Administrative Agent)* (A) shall not be effective until received by the Administrative Agent and (B) if given by telephone, shall not be effective unless confirmed in writing (including by telecopy) on the next Business Day.

(c) *Use of Electronic Platform* Notwithstanding clause (a) and (b) above (unless the Administrative Agent requests that the provisions of clause (a) and (b) above be followed) and any other provision in this Agreement or any other Loan Document providing for the delivery of, any Approved Electronic Communication by any other means, the Loan Parties shall deliver all Approved Electronic Communications to the Administrative Agent by properly transmitting such Approved Electronic Communications (in a format acceptable to the Administrative Agent) to such electronic mail address (or similar means of electronic delivery) as the Administrative Agent may notify the Borrower. Nothing in this clause (c) shall prejudice the right of the Administrative Agent or any Lender to deliver any Approved Electronic Communication to any Loan Party in any manner authorized in this Agreement or to request that the Borrower effect delivery in such manner.

Section 11.9 No Waiver; Remedies

No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11.10 Binding Effect

This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent and when the Administrative Agent shall have been notified by each Lender that such Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and each Lender and, in each case, their respective successors and assigns, *provided, however*, that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders

Section 11.11 Governing Law

This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Section 11.12 Submission to Jurisdiction; Service of Process

(a) Any legal action or proceeding with respect to this Agreement or any other Loan Document may be brought in the courts of the State of New York located in the City of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Agreement, the Borrower hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts The parties

hereto hereby irrevocably waive any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, that any of them may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(b) Nothing contained in this *Section 11.12* shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against the Borrower or any other Loan Party in any other jurisdiction.

(c) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase Dollars with such other currency at the spot rate of exchange quoted by the Administrative Agent at 11 00 a m (New York time) on the Business Day preceding that on which final judgment is given, for the purchase of Dollars, for delivery two Business Days thereafter

Section 11.13 Waiver of Jury Trial

EACH OF THE ADMINISTRATIVE AGENT, THE LENDERS AND THE BORROWER IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

Section 11.14 Marshaling; Payments Set Aside

None of the Administrative Agent or any Lender shall be under any obligation to marshal any assets in favor of the Borrower or any other party or against or in payment of any or all of the Obligations. To the extent that the Borrower makes a payment or payments to the Administrative Agent or the Lenders or any such Person receives payment from the proceeds of the Collateral or exercise its right of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, right and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred

Section 11.15 Section Titles

The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto, except when used to reference a section. Any reference to the number of a clause, sub-clause or subsection hereof immediately followed by a reference in parenthesis to the title of the Section containing such clause, sub-clause or subsection is a reference to such clause, sub-clause or subsection and not to the entire Section, *provided*, *however*, that, in case of direct conflict between the reference to the title and the reference to the number of such Section, the reference to the title shall govern absent manifest error If any reference to the number of a Section (but not to any clause, sub-clause or subsection thereof) is followed immediately by a reference in parenthesis to the title of a Section, the title reference shall govern in case of direct conflict absent manifest error

Section 11.16 Execution in Counterparts

This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document Delivery of an executed signature page of this Agreement by facsimile transmission, electronic mail or by posting on the Approved Electronic Platform shall be as effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all parties shall be lodged with the Borrower and the Administrative Agent.

Section 11.17 Entire Agreement

This Agreement, together with all of the other Loan Documents and all certificates and documents delivered hereunder or thereunder, embodies the entire agreement of the parties and supersedes all prior agreements and understandings relating to the subject matter hereof. In the event of any conflict between the terms of this Agreement and any other Loan Document, the terms of this Agreement shall govern.

Section 11.18 Confidentiality

Each Lender and the Administrative Agent agree to use all reasonable efforts to keep information obtained by it pursuant hereto and the other Loan Documents confidential in accordance with such Lender's or the Administrative Agent's, as the case may be, customary practices and agrees that it shall only use such information in connection with the transactions contemplated by this Agreement and not disclose any such information other than (a) to such Lender's or the Administrative Agent's, as the case may be, employees, representatives, advisors, attorneys and agents that are or are expected to be involved in the evaluation of such information in connection with the transactions contemplated by this Agreement and are advised of the confidential nature of such information, (b) to the extent such information presently is or hereafter becomes available to such Lender or the Administrative Agent, as the case may be, on a non-confidential basis from a source other than the Borrower or any other Loan Party, (c) to the extent disclosure is required by law, regulation or judicial order or requested or required by bank regulators or auditors or (d) to current or prospective pledgees, assignees, participants and Special Purpose Vehicle grantees of any option described in *Section 11 2(f) (Assignments and Participations)*, contractual counterparties in any Hedging Contract permitted hereunder and to their respective legal or financial advisors, in each case and to the extent such pledgees, assignees, participants, grantees or counterparties agree to be bound by, and to cause their advisors to comply with, the provisions of this *Section 11 18*. Notwithstanding any other provision in this Agreement, the Administrative Agent hereby agrees that the Borrower (and each of its officers, directors, employees, accountants, attorneys and other advisors) may disclose to any and all persons of any kind, the U.S tax treatment and U S tax structure of the Term Loan Facility and the transactions contemplated hereby and all materials of any kind (including opinions and other tax analyses) that are provided to it relating to such U S. tax treatment and U.S. tax structure

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

KNOLOGY, INC.,
as Borrower

By:_____
Name: Robert K. Mills
Title: Chief Financial Officer

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
as Administrative Agent, Collateral Agent and a Lender

By:_____
Name:
Title:

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

KNOLOGY, INC.,
as Borrower

By: _____
Name: Robert K. Mills
Title: Chief Financial Officer

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
as Administrative Agent, Collateral Agent and a Lender

By: _____
Name: DAVID DODD
Title: VICE PRESIDENT

By: _____
Name: VANESSA GOMEZ
Title: VICE PRESIDENT

Exhibit "A-3"

First Lien Guaranty

FIRST LIEN GUARANTY

FIRST LIEN GUARANTY, dated as of June 29, 2005, by Knology, Inc (the "*Borrower*") and each of the entities listed on the signature pages hereof or that becomes a party hereto pursuant to *Section 24 (Additional Guarantors)* hereof (each a "*Subsidiary Guarantor*" and, together with the Borrower, collectively, the "*Guarantors*" and individually a "*Guarantor*"), in favor of the Administrative Agent, the Collateral Agent, each Lender, each Issuer and each other holder of an Obligation (as each such term is defined in the Credit Agreement referred to below) (each, a "*Guarantied Party*" and, collectively, the "*Guarantied Parties*").

WITNESSETH

WHEREAS, pursuant to the First Lien Credit Agreement dated as of June 29, 2005 (together with all appendices, exhibits and schedules thereto and as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"; capitalized terms defined therein and used herein having the meanings given to them in the Credit Agreement) among the Borrower, the Lenders and Issuers party thereto and Credit Suisse, acting through one or more of its branches, as Administrative Agent and Collateral Agent for the Lenders and Issuers named therein, the Lenders and Issuers have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, each Subsidiary Guarantor is a direct or indirect Subsidiary of the Borrower;

WHEREAS, each Guarantor will receive substantial direct and indirect benefits from the making of the Loans, the issuance of the Letters of Credit and the granting of the other financial accommodations to the Borrower under the Credit Agreement; and

WHEREAS, a condition precedent to the obligation of the Lenders and the Issuers to make their respective extensions of credit to the Borrower under the Credit Agreement is that the Guarantors shall have executed and delivered this Guaranty for the benefit of the Guarantied Parties;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows.

Section 1 Guaranty

(a) To induce the Lenders to make the Loans and the Issuers to issue Letters of Credit, each Guarantor hereby absolutely, unconditionally and irrevocably guarantees, jointly with the other Guarantors and severally, as primary obligor and not merely as surety, the full and punctual payment when due and in the currency due, whether at stated maturity or earlier, by reason of acceleration, mandatory prepayment or otherwise in accordance herewith or any other Loan Document, of all the Obligations, whether or not from time to time reduced or extinguished or hereafter increased or incurred, whether or not recovery may be or hereafter may become barred by any statute of limitations, whether or not enforceable as against the Borrower, whether now or hereafter existing, and whether due or to become due, including principal, interest (including interest at the contract rate applicable upon default accrued or accruing after the commencement of any proceeding under the Bankruptcy Code, or any applicable provisions of

comparable state or foreign law, whether or not such interest is an allowed claim in such proceeding), fees and costs of collection This Guaranty constitutes a guaranty of payment and not of collection.

(b) Each Guarantor further agrees that, if (i) any payment made by Borrower or any other Person and applied to the Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or (ii) the proceeds of Collateral are required to be returned by any Guarantied Party to the Borrower, its estate, trustee, receiver or any other party, including any Guarantor, under any bankruptcy law, equitable cause or any other Requirement of Law, then, to the extent of such payment or repayment, any such Guarantor's liability hereunder (and any Lien or other Collateral securing such liability) shall be and remain in full force and effect, as fully as if such payment had never been made. If, prior to any of the foregoing, this Guaranty shall have been cancelled or surrendered (and if any Lien or other Collateral securing such Guarantor's liability hereunder shall have been released or terminated by virtue of such cancellation or surrender), this Guaranty (and such Lien or other Collateral) shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of any such Guarantor in respect of the amount of such payment (or any Lien or other Collateral securing such obligation).

Section 2 Limitation of Guaranty

Any term or provision of this Guaranty or any other Loan Document to the contrary notwithstanding, the maximum aggregate amount of the Obligations for which any Subsidiary Guarantor shall be liable shall not exceed the maximum amount for which such Subsidiary Guarantor can be liable without rendering this Guaranty or any other Loan Document, as it relates to such Subsidiary Guarantor, subject to avoidance under applicable law relating to fraudulent conveyance or fraudulent transfer (including Section 548 of the Bankruptcy Code or any applicable provisions of comparable state law) (collectively, "*Fraudulent Transfer Laws*"), in each case after giving effect (a) to all other liabilities of such Subsidiary Guarantor, contingent or otherwise, that are relevant under such Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Subsidiary Guarantor in respect of intercompany Indebtedness to the Borrower to the extent that such Indebtedness would be discharged in an amount equal to the amount paid by such Subsidiary Guarantor hereunder) and (b) to the value as assets of such Subsidiary Guarantor (as determined under the applicable provisions of such Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights held by such Subsidiary Guarantor pursuant to (i) applicable Requirements of Law, (ii) *Section 3 (Contribution)* of this Guaranty or (iii) any other Contractual Obligations providing for an equitable allocation among such Subsidiary Guarantor and other Subsidiaries or Affiliates of the Borrower of obligations arising under this Guaranty or other guaranties of the Obligations by such parties

Section 3 Contribution

To the extent that any Subsidiary Guarantor shall be required hereunder to pay a portion of the Obligations exceeding the greater of (a) the amount of the economic benefit actually received by such Subsidiary Guarantor from the Revolving Loans and the Term Loans and the other financial accommodations provided to the Borrower under the Loan Documents and (b) the amount such Subsidiary Guarantor would otherwise have paid if such Subsidiary Guarantor had paid the aggregate amount of the Obligations (excluding the amount thereof repaid

by the Borrower) in the same proportion as such Subsidiary Guarantor's net worth at the date enforcement is sought hereunder bears to the aggregate net worth of all the Subsidiary Guarantors at the date enforcement is sought hereunder, then such Guarantor shall be reimbursed by such other Subsidiary Guarantors for the amount of such excess, pro rata, based on the respective net worths of such other Subsidiary Guarantors at the date enforcement hereunder is sought.

Section 4 Authorization; Other Agreements

The Guaranteed Parties are hereby authorized, without notice to, or demand upon, any Guarantor, which notice and demand requirements each are expressly waived hereby, and without discharging or otherwise affecting the obligations of such Guarantor hereunder (which obligations shall remain absolute and unconditional notwithstanding any such action or omission to act), from time to time, to do each of the following:

(a) supplement, renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, the Obligations, or any part of them, or otherwise modify, amend or change the terms of any promissory note or other agreement, document or instrument (including the other Loan Documents) now or hereafter executed by the Borrower and delivered to the Guaranteed Parties or any of them, including any increase or decrease of principal or the rate of interest thereon;

(b) waive or otherwise consent to noncompliance with any provision of any instrument evidencing the Obligations, or any part thereof, or any other instrument or agreement in respect of the Obligations (including the other Loan Documents) now or hereafter executed by the Borrower and delivered to the Guaranteed Parties or any of them,

(c) accept partial payments on the Obligations,

(d) receive, take and hold additional security or collateral for the payment of the Obligations or any part of them and exchange, enforce, waive, substitute, liquidate, terminate, abandon, fail to perfect, subordinate, transfer, otherwise alter and release any such additional security or collateral;

(e) settle, release, compromise, collect or otherwise liquidate the Obligations or accept, substitute, release, exchange or otherwise alter, affect or impair any security or collateral for the Obligations or any part of them or any other guaranty therefor, in any manner,

(f) add, release or substitute any one or more other guarantors, makers or endorsers of the Obligations or any part of them and otherwise deal with the Borrower or any other guarantor, maker or endorser;

(g) apply to the Obligations any payment or recovery (x) from the Borrower, from any other guarantor, maker or endorser of the Obligations or any part of them or (y) from any Guarantor in such order as provided herein, in each case whether such Obligations are secured or unsecured or guaranteed or not guaranteed by others;

(h) apply to the Obligations any payment or recovery from any Guarantor of the Obligations or any sum realized from security furnished by such Guarantor upon its indebtedness or obligations to the Guaranteed Parties or any of them, in each case whether or not such indebtedness or obligations relate to the Obligations; and

(i) refund at any time any payment received by any Guarantied Party in respect of any Obligation, and payment to such Guarantied Party of the amount so refunded shall be fully guaranteed hereby even though prior thereto this Guaranty shall have been cancelled or surrendered (or any release or termination of any Collateral by virtue thereof), and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of any Guarantor hereunder in respect of the amount so refunded (and any Collateral so released or terminated shall be reinstated with respect to such obligations),

even if any right of reimbursement or subrogation or other right or remedy of any Guarantor is extinguished, affected or impaired by any of the foregoing (including any election of remedies by reason of any judicial, non-judicial or other proceeding in respect of the Obligations that impairs any subrogation, reimbursement or other right of such Guarantor)

Section 5 Guaranty Absolute and Unconditional

Each Guarantor hereby waives any defense of a surety or guarantor or any other obligor on any obligations arising in connection with or in respect of any of the following and hereby agrees that its obligations under this Guaranty are absolute and unconditional and shall not be discharged or otherwise affected as a result of any of the following:

(a) the invalidity or unenforceability of any of the Borrower's obligations under the Credit Agreement or any other Loan Document or any other agreement or instrument relating thereto, or any security for, or other guaranty of the Obligations or any part of them, or the lack of perfection or continuing perfection or failure of priority of any security for the Obligations or any part of them,

(b) the absence of any attempt to collect the Obligations or any part of them from the Borrower or other action to enforce the same,

(c) failure by any Guarantied Party to take any steps to perfect and maintain any Lien on, or to preserve any rights to, any Collateral;

(d) any Guarantied Party's election, in any proceeding instituted under chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code or any applicable provisions of comparable state or foreign law;

(e) any borrowing or grant of a Lien by the Borrower, as debtor-in-possession, or extension of credit, under Section 364 of the Bankruptcy Code or any applicable provisions of comparable state or foreign law,

(f) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of any Guarantied Party's claim (or claims) for repayment of the Obligations,

(g) any use of cash collateral under Section 363 of the Bankruptcy Code,

(h) any agreement or stipulation as to the provision of adequate protection in any bankruptcy proceeding;

(i) the avoidance of any Lien in favor of the Guarantied Parties or any of them for any reason,

(j) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against the Borrower, any Guarantor or any of the Borrower's other Subsidiaries, including any discharge of, or bar or stay against collecting, any Obligation (or any part of them or interest thereon) in or as a result of any such proceeding;

(k) failure by any Guaranteed Party to file or enforce a claim against the Borrower or its estate in any bankruptcy or insolvency case or proceeding,

(l) any action taken by any Guaranteed Party if such action is authorized hereby;

(m) any election following the occurrence of an Event of Default by any Guaranteed Party to proceed separately against the personal property Collateral in accordance with such Guaranteed Party's rights under the UCC or, if the Collateral consists of both personal and real property, to proceed against such personal and real property in accordance with such Guaranteed Party's rights with respect to such real property; or

(n) any other circumstance that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor or any other obligor on any obligations, other than the payment in full of the Obligations

Section 6 Waivers

Each Guarantor hereby waives diligence, promptness, presentment, demand for payment or performance and protest and notice of protest, notice of acceptance and any other notice in respect of the Obligations or any part of them, and any defense arising by reason of any disability or other defense of the Borrower Each Guarantor shall not, until the Obligations are irrevocably paid in full and the Revolving Credit Commitments have been terminated, assert any claim or counterclaim it may have against the Borrower or set off any of its obligations to the Borrower against any obligations of the Borrower to it. In connection with the foregoing, each Guarantor covenants that its obligations hereunder shall not be discharged, except by complete performance

Section 7 Reliance

Each Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrower and any endorser and other guarantor of all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations, or any part thereof, that diligent inquiry would reveal, and each Guarantor hereby agrees that no Guaranteed Party shall have any duty to advise any Guarantor of information known to it regarding such condition or any such circumstances. In the event any Guaranteed Party, in its sole discretion, undertakes at any time or from time to time to provide any such information to any Guarantor, such Guaranteed Party shall be under no obligation (a) to undertake any investigation not a part of its regular business routine, (b) to disclose any information that such Guaranteed Party, pursuant to accepted or reasonable commercial finance or banking practices, wishes to maintain confidential or (c) to make any other or future disclosures of such information or any other information to any Guarantor.

Section 8 Waiver of Subrogation and Contribution Rights

The Guarantors hereby waive any right of subrogation to any of the rights of the Guarantied Parties or any part of them against the Borrower or any Guarantor or any right of reimbursement or contribution or similar right against the Borrower or any Guarantor by reason of this Agreement or by any payment made by any Guarantor in respect of the Obligations.

Section 9 Subordination

Each Guarantor hereby agrees that any Indebtedness of the Borrower now or hereafter owing to any Guarantor, whether heretofore, now or hereafter created (the "*Guarantor Subordinated Debt*"), is hereby subordinated to all of the Obligations and that, except as permitted under *Section 8 5 (Restricted Payments)* of the Credit Agreement, the Guarantor Subordinated Debt shall not be paid in whole or in part until the Obligations have been paid in full and this Guaranty is terminated and of no further force or effect No Guarantor shall accept any payment of or on account of any Guarantor Subordinated Debt at any time in contravention of the foregoing. Upon the occurrence and during the continuance of an Event of Default, the Borrower shall pay to the Administrative Agent any payment of all or any part of the Guarantor Subordinated Debt and any amount so paid to the Administrative Agent shall be applied to payment of the Obligations as provided in *Section 2 13(f) (Payments and Computations)* of the Credit Agreement Each payment on the Guarantor Subordinated Debt received in violation of any of the provisions hereof shall be deemed to have been received by such Guarantor as trustee for the Guarantied Parties and shall be paid over to the Administrative Agent immediately on account of the Obligations, but without otherwise affecting in any manner such Guarantor's liability hereof Each Guarantor agrees to file all claims against the Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any Guarantor Subordinated Debt, and the Administrative Agent shall be entitled to all of such Guarantor's rights thereunder If for any reason a Guarantor fails to file such claim at least ten Business Days prior to the last date on which such claim should be filed, such Guarantor hereby irrevocably appoints the Administrative Agent as its true and lawful attorney-in-fact and is hereby authorized to act as attorney-in-fact in such Guarantor's name to file such claim or, in the Administrative Agent's discretion, to assign such claim to and cause proof of claim to be filed in the name of the Administrative Agent or its nominee In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to the Administrative Agent the full amount payable on the claim in the proceeding, and, to the full extent necessary for that purpose, each Guarantor hereby assigns to the Administrative Agent all of such Guarantor's rights to any payments or distributions to which such Guarantor otherwise would be entitled. If the amount so paid is greater than such Guarantor's liability hereunder, the Administrative Agent shall pay the excess amount to the party entitled thereto. In addition, each Guarantor hereby irrevocably appoints the Administrative Agent as its attorney-in-fact to exercise all of such Guarantor's voting rights in connection with any bankruptcy proceeding or any plan for the reorganization of the Borrower

Section 10 Default; Remedies

The obligations of each Guarantor hereunder are independent of and separate from the Obligations. If any Obligation is not paid when due, or upon any Event of Default hereunder or upon any default by the Borrower as provided in any other instrument or document evidencing all or any part of the Obligations, the Administrative Agent may, at its sole election, proceed or direct the Collateral Agent to proceed directly and at once, without notice, against any

Guarantor to collect and recover the full amount or any portion of the Obligations then due, without first proceeding against the Borrower or any other guarantor of the Obligations, or against any Collateral under the Loan Documents or joining the Borrower or any other guarantor in any proceeding against any Guarantor. At any time after maturity of the Obligations, the Administrative Agent or the Collateral Agent may (unless the Obligations have been irrevocably paid in full), without notice to any Guarantor and regardless of the acceptance of any Collateral for the payment hereof, appropriate and apply toward the payment of the Obligations (a) any indebtedness due or to become due from any Guarantied Party to such Guarantor and (b) any moneys, credits or other property belonging to such Guarantor at any time held by or coming into the possession of any Guarantied Party or any of its respective Affiliates.

Section 11 Irrevocability

This Guaranty shall be irrevocable as to the Obligations (or any part thereof) until the Commitments have been terminated and all monetary Obligations then outstanding have been irrevocably repaid in cash, at which time this Guaranty shall automatically be cancelled. Upon such cancellation and at the written request of any Guarantor or its successors or assigns, and at the cost and expense of such Guarantor or its successors or assigns, the Administrative Agent shall execute in a timely manner a satisfaction of this Guaranty and such instruments, documents or agreements as are necessary or desirable to evidence the termination of this Guaranty

Section 12 Setoff

Upon the occurrence and during the continuance of an Event of Default, each Guarantied Party and each Affiliate of a Guarantied Party may, without notice to any Guarantor and regardless of the acceptance of any security or collateral for the payment hereof, appropriate and apply toward the payment of all or any part of the Obligations (a) any indebtedness due or to become due from such Guarantied Party or Affiliate to such Guarantor and (b) any moneys, credits or other property belonging to such Guarantor, at any time held by, or coming into, the possession of such Guarantied Party or Affiliate

Section 13 No Marshalling

Each Guarantor consents and agrees that no Guarantied Party or Person acting for or on behalf of any Guarantied Party shall be under any obligation to marshal any assets in favor of any Guarantor or against or in payment of any or all of the Obligations

Section 14 Enforcement; Amendments; Waivers

No delay on the part of any Guarantied Party in the exercise of any right or remedy arising under this Guaranty, the Credit Agreement, the Intercreditor Agreement, any other Loan Document or otherwise with respect to all or any part of the Obligations, the Collateral or any other guaranty of or security for all or any part of the Obligations shall operate as a waiver thereof, and no single or partial exercise by any such Person of any such right or remedy shall preclude any further exercise thereof No modification or waiver of any provision of this Guaranty shall be binding upon any Guarantied Party, except as expressly set forth in a writing duly signed and delivered by the party making such modification or waiver Failure by any Guarantied Party at any time or times hereafter to require strict performance by the Borrower, any Guarantor, any other guarantor of all or any part of the Obligations or any other Person of any

provision, warranty, term or condition contained in any Loan Document now or at any time hereafter executed by any such Persons and delivered to any Guaranteed Party shall not waive, affect or diminish any right of any Guaranteed Party at any time or times hereafter to demand strict performance thereof and such right shall not be deemed to have been waived by any act or knowledge of any Guaranteed Party, or its respective agents, officers or employees, unless such waiver is contained in an instrument in writing, directed and delivered to the Borrower or such Guarantor, as applicable, specifying such waiver, and is signed by the party or parties necessary to give such waiver under the Credit Agreement. No waiver of any Event of Default by any Guaranteed Party shall operate as a waiver of any other Event of Default or the same Event of Default on a future occasion, and no action by any Guaranteed Party permitted hereunder shall in any way affect or impair any Guaranteed Party's rights and remedies or the obligations of any Guarantor under this Guaranty Any determination by a court of competent jurisdiction of the amount of any principal or interest owing by the Borrower to a Guaranteed Party shall be conclusive and binding on each Guarantor irrespective of whether such Guarantor was a party to the suit or action in which such determination was made.

Section 15 Successors and Assigns

This Guaranty shall be binding upon each Guarantor and upon the successors and assigns of such Guarantors and shall inure to the benefit of the Guaranteed Parties and their respective successors and assigns, all references herein to the Borrower and to the Guarantors shall be deemed to include their respective successors and assigns The successors and assigns of the Guarantors and the Borrower shall include their respective receivers, trustees and debtors-in-possession All references to the singular shall be deemed to include the plural where the context so requires

Section 16 Representations and Warranties; Covenants

Each Guarantor hereby (a) severally represents and warrants as to itself only that the representations and warranties as to it made by the Borrower in *Article IV (Representations and Warranties)* of the Credit Agreement are true and correct on the date hereof and true and correct in all material respects on each other date as required by *Section 3 2(b)(i) (Conditions Precedent to Each Loan and Letter of Credit)* of the Credit Agreement and (b) agrees to take, or refrain from taking, as the case may be, each action necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor.

Section 17 Governing Law

This Guaranty and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 18 Submission to Jurisdiction; Service of Process

(a) Any legal action or proceeding with respect to this Guaranty, and any other Loan Document, may be brought in the courts of the State of New York located in the City of New York or of the United States of America for the Southern District of New York, and, by execution and delivery of this Guaranty, each Guarantor hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts The parties hereto hereby irrevocably waive any objection, including any objection to the laying of venue or

based on the grounds of *forum non conveniens*, that any of them may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions.

(b) Each Guarantor hereby irrevocably consents to the service of any and all legal process, summons, notices and documents in any suit, action or proceeding brought in the United States of America arising out of or in connection with this Guaranty or any other Loan Document by the mailing (by registered or certified mail, postage prepaid) or delivering of a copy of such process to such Guarantor care of the Borrower at the Borrower's address specified in *Section 11 8 (Notices, Etc)* of the Credit Agreement. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing contained in this *Section 18 (Submission to Jurisdiction, Service of Process)* shall affect the right of the Administrative Agent or any other Guarantied Party to serve process in any other manner permitted by law or commence legal proceedings or otherwise proceed against a Guarantor in any other jurisdiction

(d) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase Dollars with such other currency at the spot rate of exchange quoted by the Administrative Agent at 10:00 a m. (New York time) on the Business Day preceding that on which final judgment is given, for the purchase of Dollars, for delivery two Business Days thereafter

Section 19 Waiver of Judicial Bond

To the fullest extent permitted by applicable law, the Guarantor waives the requirement to post any bond that otherwise may be required of any Guarantied Party in connection with any judicial proceeding to enforce such Guarantied Party's rights to payment hereunder, security interest in or other rights to the Collateral or in connection with any other legal or equitable action or proceeding arising out of, in connection with, or related to this Guaranty and the Loan Documents to which it is a party

Section 20 Certain Terms

The following rules of interpretation shall apply to this Guaranty (a) the terms "*herein*," "*hereof*," "*hereto*" and "*hereunder*" and similar terms refer to this Guaranty as a whole and not to any particular Article, Section, subsection or clause in this Guaranty, (b) unless otherwise indicated, references herein to an Exhibit, Article, Section, subsection or clause refer to the appropriate Exhibit to, or Article, Section, subsection or clause in this Guaranty and (c) the term "*including*" means "*including without limitation*" except when used in the computation of time periods

Section 21 Waiver of Jury Trial

EACH OF THE ADMINISTRATIVE AGENT, THE OTHER GUARANTIED PARTIES AND EACH GUARANTOR IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS GUARANTY AND ANY OTHER LOAN DOCUMENT

Section 22 Notices

Any notice or other communication herein required or permitted shall be given as provided in *Section 11 8 (Notices, Etc)* of the Credit Agreement and, in the case of any Guarantor, to such Guarantor in care of the Borrower.

Section 23 Severability

Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty

Section 24 Additional Guarantors

Each of the Guarantors agrees that, if, pursuant to *Section 7 11(a) (Additional Collateral and Guaranties)* of the Credit Agreement, the Borrower shall be required to cause any Subsidiary thereof that is not a Guarantor to become a Guarantor hereunder, or if for any reason the Borrower desires any such Subsidiary to become a Guarantor hereunder, such Subsidiary shall execute and deliver to the Administrative Agent a Guaranty Supplement in substantially the form of *Exhibit A (Guaranty Supplement)* attached hereto and shall thereafter for all purposes be a party hereto and have the same rights, benefits and obligations as a Guarantor party hereto on the Closing Date

Section 25 Collateral

Each Guarantor hereby acknowledges and agrees that its obligations under this Guaranty are secured pursuant to the terms and provisions of the Collateral Documents executed by it in favor of the Collateral Agent, for the benefit of the Secured Parties, and covenants that it shall not grant any Lien with respect to its Property in favor, or for the benefit, of any Person other than the Administrative Agent, for the benefit of the Secured Parties except as otherwise permitted by *Section 8 2 (Liens, etc)* of the Credit Agreement.

Section 26 Costs and Expenses

In accordance with the provisions of *Section 11 3 (Costs and Expenses)* of the Credit Agreement, each Guarantor agrees to pay or reimburse the Collateral Agent, the Collateral Agent and each of the other Guaranteed Parties upon demand for all out-of-pocket costs and expenses, including reasonable attorneys' fees (including allocated costs of internal counsel and costs of settlement), incurred by the Administrative Agent, the Collateral Agent and such other Guaranteed Parties in enforcing this Guaranty against such Guarantor or any security therefor or exercising or enforcing any other right or remedy available in connection herewith or therewith.

Section 27 Waiver of Consequential Damages

EACH GUARANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGE IN ANY LEGAL ACTION OR PROCEEDING IN RESPECT OF THIS GUARANTY OR ANY OTHER LOAN DOCUMENT

Section 28 Entire Agreement

This Guaranty, taken together with all of the other Loan Documents executed and delivered by the Guarantors, represents the entire agreement and understanding of the parties hereto and supersedes all prior understandings, written and oral, relating to the subject matter hereof

Section 29 Acknowledgment

The parties hereto acknowledge and agree that this Guaranty shall be subject to the terms and provisions of the Intercreditor Agreement

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, this Guaranty has been duly executed by the Guarantors as of the day and year first set forth above.

KNOLOGY OF KNOXVILLE, INC.
KNOLOGY OF NASHVILLE, INC.
KNOLOGY OF LOUISVILLE, INC.
KNOLOGY OF KENTUCKY, INC.
KNOLOGY BROADBAND, INC.
KNOLOGY NEW MEDIA, INC.
KNOLOGY BROADBAND OF CALIFORNIA, INC.
KNOLOGY BROADBAND OF FLORIDA, INC.
ITC GLOBE, INC.
KNOLOGY OF AUGUSTA, INC.
KNOLOGY OF COLUMBUS, INC.
KNOLOGY OF MONTGOMERY, INC.
KNOLOGY OF FLORIDA, INC.
KNOLOGY OF SOUTH CAROLINA, INC.
KNOLOGY OF CHARLESTON, INC.
KNOLOGY OF HUNTSVILLE, INC.
KNOLOGY OF ALABAMA, INC.
VALLEY TELEPHONE CO., LLC.
each as Guarantor

By: _____
Name: Robert K. Mills
Title: Chief Financial Officer

ACKNOWLEDGED AND AGREED
as of the date first above written:

CREDIT SUISSE,
CAYMAN ISLANDS BRANCH,
as Administrative Agent and as Collateral Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

IN WITNESS WHEREOF, this Guaranty has been duly executed by the Guarantors as of the day and year first set forth above.

KNOLOGY OF KNOXVILLE, INC.
KNOLOGY OF NASHVILLE, INC.
KNOLOGY OF LOUISVILLE, INC.
KNOLOGY OF KENTUCKY, INC.
KNOLOGY BROADBAND, INC.
KNOLOGY NEW MEDIA, INC.
KNOLOGY BROADBAND OF CALIFORNIA, INC.
KNOLOGY BROADBAND OF FLORIDA, INC.
ITC GLOBE, INC.
KNOLOGY OF AUGUSTA, INC.
KNOLOGY OF COLUMBUS, INC.
KNOLOGY OF MONTGOMERY, INC.
KNOLOGY OF FLORIDA, INC.
KNOLOGY OF SOUTH CAROLINA, INC.
KNOLOGY OF CHARLESTON, INC.
KNOLOGY OF HUNTSVILLE, INC.
KNOLOGY OF ALABAMA, INC.
VALLEY TELEPHONE CO., LLC,
each as Guarantor

By: _____
Name: Robert K. Mills
Title: Chief Financial Officer

ACKNOWLEDGED AND AGREED
as of the date first above written:

CREDIT SUISSE,
CAYMAN ISLANDS BRANCH,
as Administrative Agent and as Collateral Agent

By: _____
Name: DAVID DODD
Title: VICE PRESIDENT

By: _____
Name: VANESSA GOMEZ
Title: VICE PRESIDENT

EXHIBIT A
TO
GUARANTY

FORM OF GUARANTY SUPPLEMENT

The undersigned hereby agrees to be bound as a Guarantor for purposes of the Guaranty, dated as of _____ __, 200_ (the "*Guaranty*"), among Credit Suisse, Knology, Inc and certain of its Subsidiaries listed on the signature pages thereof and acknowledged by Credit Suisse, as Administrative Agent, and the undersigned hereby acknowledges receipt of a copy of the Guaranty The undersigned hereby represents and warrants that each of the representations and warranties contained in *Section 16 (Representations and Warranties, Covenants)* of the Guaranty applicable to it is true and correct on and as the date hereof as if made on and as of such date Capitalized terms used herein but not defined herein are used with the meanings given them in the Guaranty

IN WITNESS WHEREOF, the undersigned has caused this Guaranty Supplement to be duly executed and delivered as of _____, ____.

[NAME OF SUBSIDIARY GUARANTOR]

By _____
Name
Title.

ACKNOWLEDGED AND AGREED
as of the date first above written:

CREDIT SUISSE, *acting through one or more of its branches, as Administrative Agent and as Collateral Agent*

By _____
Name.
Title

Exhibit “A-4”

EXECUTION COPY

PLEDGE AND SECURITY AGREEMENT

Dated as of June 29, 2005

among

KNOLOGY, INC.
as a Grantor

and

Each Other Grantor
From Time to Time Party Hereto

and

CREDIT SUISSE,
CAYMAN ISLANDS BRANCH,
as Collateral Agent

WEIL, GOTSHAL & MANGES LLP
767 FIFTH AVENUE
NEW YORK, NEW YORK 10153-0119

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PLEDGE AND SECURITY AGREEMENT, dated as of June 29, 2005, by KNOLOGY, INC , a Delaware corporation (the "*Borrower*") and each of the other entities listed on the signature pages hereof or that becomes a party hereto pursuant to *Section 7 10 (Additional Grantors)* (each a "*Grantor*" and, collectively with the Borrower, the "*Grantors*"), in favor of CREDIT SUISSE, acting through one or more of its branches ("*CSFB*"), as agent (in such capacity, the "*Collateral Agent*") for the Secured Parties (as defined in the Credit Agreement referred to below).

WITNESSETH:

WHEREAS, pursuant to the First Lien Credit Agreement, dated as of June 29, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Borrower, the Lenders and Issuers party thereto and CSFB, as Administrative Agent and Collateral Agent for the Lenders and Issuers, the Lenders and the Issuers have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Grantors other than the Borrower are party to the Guaranty pursuant to which they have guaranteed the Obligations (as defined in the Credit Agreement), and

WHEREAS, it is a condition precedent to the obligation of the Lenders and the Issuers to make their respective extensions of credit to the Borrower under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Collateral Agent;

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the Issuers and the Collateral Agent to enter into the Credit Agreement and to induce the Lenders and the Issuers to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Collateral Agent as follows:

ARTICLE I DEFINED TERMS

Section 1.1 Definitions

(a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein have the meanings given to them in the Credit Agreement

(b) Terms used herein without definition that are defined in the UCC have the meanings given to them in the UCC, including the following terms (which are capitalized herein):

"Account Debtor"
"Account"
"Certificated Security"
"Chattel Paper"
"Commercial Tort Claim"
"Commodity Account"
"Control Account"
"Deposit Account"
"Documents"
"Entitlement Holder"

"Entitlement Order"
"Equipment"
"Financial Asset"
"General Intangible"
"Goods"
"Instruments"
"Inventory"
"Investment Property"
"Letter of Credit Right"
"Proceeds"
"Securities Account"
"Securities Intermediary"
"Security"
"Security Entitlement"

(c) The following terms shall have the following meanings:

"*Additional Pledged Collateral*" means any Pledged Collateral acquired by any Grantor after the date hereof and in which a security interest is granted pursuant to *Section 2.2 (Grant of Security Interest in Collateral)*, including, to the extent a security interest is granted therein pursuant to *Section 2.2 (Grant of Security Interest in Collateral)*, (i) all Stock and Stock Equivalents of any Person that are acquired by any Grantor after the date hereof, together with all certificates, instruments or other documents representing any of the foregoing and all Security Entitlements of any Grantor in respect of any of the foregoing, (ii) all additional Indebtedness from time to time owed to any Grantor by any obligor on the Pledged Debt Instruments and the Instruments evidencing such Indebtedness and (iii) all interest, cash, Instruments and other property or Proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any of the foregoing "*Additional Pledged Collateral*" may be General Intangibles, Instruments or Investment Property.

"*Agreement*" means this Pledge and Security Agreement

"*Collateral*" has the meaning specified in *Section 2.1 (Collateral)*

"*Collateral Agent*" has the meaning specified in the preamble to this Agreement

"*Copyright Licenses*" means any written agreement naming any Grantor as licensor or licensee granting any right under any Copyright, including the grant of any right to copy, publicly perform, create derivative works, manufacture, distribute, exploit or sell materials derived from any Copyright.

"*Copyrights*" means (a) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any foreign counterparts thereof, and (b) the right to obtain all renewals thereof.

"*Deposit Account Control Agreement*" means a letter agreement, substantially in the form of *Annex 1 (Form of Deposit Account Control Agreement)* (with such changes as may be

agreed to by the Collateral Agent), executed by the Grantor, the Collateral Agent and the relevant financial institution.

"*Excluded Equity*" means any Voting Stock in excess of 66% of the total outstanding Voting Stock of any direct Subsidiary of any Grantor that is a Non-U.S. Person For the purposes of this definition, "*Voting Stock*" means, as to any issuer, the issued and outstanding shares of each class of capital stock or other ownership interests of such issuer entitled to vote (within the meaning of Treasury Regulations § 1.956-2(c)(2)).

"*Excluded Property*" means, collectively, (a) Excluded Equity, (b) any permit, lease, license, contract, instrument or other agreement held by any Grantor that prohibits or requires the consent of any Person other than the Borrower and its Affiliates as a condition to the creation by such Grantor of a Lien thereon, or any permit, lease, license contract or other agreement held by any Grantor (including any Communications License, CATV Franchise or PUC Authorization) to the extent that any Requirement of Law applicable thereto prohibits the creation of a Lien thereon, but only, in each case, to the extent, and for so long as, such prohibition is not terminated or rendered unenforceable or otherwise deemed ineffective by the UCC or any other Requirement of Law and (c) Equipment owned by any Grantor that is subject to a purchase money Lien or a Capital Lease if the contract or other agreement in which such Lien is granted (or in the documentation providing for such Capital Lease) prohibits or requires the consent of any Person other than the Borrower and its Affiliates as a condition to the creation of any other Lien on such Equipment; *provided*, *however*, "*Excluded Property*" shall not include any Proceeds, substitutions or replacements of Excluded Property (unless such Proceeds, substitutions or replacements would constitute Excluded Property)

"*Intellectual Property*" means, collectively, all rights, priorities and privileges of any Grantor relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, trade secrets and Internet domain names, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"*Intercompany Note*" means any promissory note evidencing loans made by any Grantor or any of its Subsidiaries to any of its Subsidiaries or another Grantor or to any Subsidiary of the Borrower

"*LLC*" means each limited liability company in which a Grantor has an interest, including those set forth on *Schedule 2* (*Pledged Collateral*)

"*LLC Agreement*" means each operating agreement with respect to a LLC, as each agreement has heretofore been, and may hereafter be, amended, restated, supplemented or otherwise modified from time to time

"*Material Intellectual Property*" means Intellectual Property owned by or licensed to a Grantor and material to the conduct of any Grantor's business

"*Partnership*" means each partnership in which a Grantor has an interest, including those set forth on *Schedule 2* (*Pledged Collateral*)

"*Partnership Agreement*" means each partnership agreement governing a Partnership, as each such agreement has heretofore been, and may hereafter be, amended, restated, supplemented or otherwise modified.

"*Patents*" means (a) all letters patent of the United States, any other country or any political subdivision thereof and all reissues and extensions thereof, (b) all applications for letters patent of the United States or any other country and all divisionals, continuations and continuations-in-part thereof and (c) all rights to obtain any reissues, continuations or continuations-in-part of the foregoing.

"*Patent License*" means all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, have manufactured, use, import, sell or offer for sale any invention covered in whole or in part by a Patent.

"*Pledged Certificated Stock*" means all Certificated Securities and any other Stock and Stock Equivalent of a Person evidenced by a certificate, Instrument or other equivalent document, in each case owned by any Grantor, including all Stock listed on *Schedule 2 (Pledged Collateral)*.

"*Pledged Collateral*" means, collectively, the Pledged Stock, Pledged Debt Instruments, any other Investment Property of any Grantor, all chattel paper, certificates or other Instruments representing any of the foregoing and all Security Entitlements of any Grantor in respect of any of the foregoing. Pledged Collateral may be General Intangibles, Instruments or Investment Property.

"*Pledged Debt Instruments*" means all right, title and interest of any Grantor in Instruments evidencing any Indebtedness owed to such Grantor, including all Indebtedness described on *Schedule 2 (Pledged Collateral)*, issued by the obligors named therein.

"*Pledged Stock*" means all Pledged Certificated Stock and all Pledged Uncertificated Stock. For purposes of this Agreement, the term "*Pledged Stock*" shall not include any Excluded Equity.

"*Pledged Uncertificated Stock*" means any Stock or Stock Equivalent of any Person that is not a Pledged Certificated Stock, including all right, title and interest of any Grantor as a limited or general partner in any Partnership or as a member of any LLC and all right, title and interest of any Grantor in, to and under any Partnership Agreement or LLC Agreement to which it is a party.

"*Securities Account Control Agreement*" means a letter agreement, substantially in the form of *Annex 2* (*Form of Securities Account Control Agreement*) (with such changes as may be agreed to by the Collateral Agent), executed by the relevant Grantor, the Collateral Agent and the relevant Approved Securities Intermediary

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Trademark License*" means any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark.

"*Trademarks*" means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and, in each case, all goodwill associated therewith, whether now existing or hereafter adopted or acquired, all registrations and recordings thereof and all applications in connection therewith, in each case whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, and (b) the right to obtain all renewals thereof.

"*UCC*" means the Uniform Commercial Code as from time to time in effect in the State of Delaware; *provided*, *however*, that, in the event that, by reason of mandatory provisions of law, any of the attachment, perfection or priority of the Collateral Agent's and the Secured Parties' security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Delaware, the term "*UCC*" shall mean the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"*Vehicles*" means all vehicles covered by a certificate of title law of any state.

Section 1.2 Certain Other Terms.

(a) In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "from and including" and the words "*to*" and "*until*" each mean "to but excluding" and the word "*through*" means "to and including."

(b) The terms "*herein*," "*hereof*," "*hereto*" and "*hereunder*" and similar terms refer to this Agreement as a whole and not to any particular Article, Section, subsection or clause in this Agreement

(c) References herein to an Annex, Schedule, Article, Section, subsection or clause refer to the appropriate Annex or Schedule to, or Article, Section, subsection or clause in this Agreement

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) Where the context requires, provisions relating to any Collateral, when used in relation to a Grantor, shall refer to such Grantor's Collateral or any relevant part thereof

(f) Any reference in this Agreement to a Loan Document shall include all appendices, exhibits and schedules thereto, and, unless specifically stated otherwise all amendments, restatements, supplements or other modifications thereto, and as the same may be in effect at any time such reference becomes operative

(g) The term "*including*" means "including without limitation" except when used in the computation of time periods.

(h) The terms "*Lender*," "*Issuer*," "*Administrative Agent*," "*Collateral Agent*" and "*Secured Party*" include their respective successors.

(i) References in this Agreement to any statute shall be to such statute as amended or modified and in effect from time to time.

ARTICLE II GRANT OF SECURITY INTEREST

Section 2.1 Collateral

For the purposes of this Agreement, all of the following property now owned or at any time hereafter acquired by a Grantor or in which a Grantor now has or at any time in the future may acquire any right, title or interests is collectively referred to as the "*Collateral*":

(a) all Accounts;

(b) all Chattel Paper;

(c) all Deposit Accounts;

(d) all Documents;

(e) all Equipment;

(f) all General Intangibles,

(g) all Instruments,

(h) all Inventory,

(i) all Investment Property,

(j) all Letter-of-Credit Rights;

(k) all Vehicles,

(l) the Commercial Tort Claims described on *Schedule 7 (Commercial Tort Claims)* and on any supplement thereto received by the Collateral Agent pursuant to *Section 4.10 (Notice of Commercial Tort Claims)*;

(m) all books and records pertaining to the other property described in this *Section 2.1*,

(n) all property of any Grantor held by the Collateral Agent or any other Secured Party, including all property of every description, in the possession or custody of or in transit to the Collateral Agent or such Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Grantor or as to which such Grantor may have any right or power,

(o) all other Goods, fixtures and personal property of such Grantor, whether tangible or intangible and wherever located, and

(p) to the extent not otherwise included, all Proceeds of the foregoing;

provided, however, that "*Collateral*" shall not include any Excluded Property; and *provided, further*, that if and when any property shall cease to be Excluded Property, such property shall be deemed at all times from and after the date hereof to constitute Collateral.

Section 2.2 Grant of Security Interest in Collateral

Each Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of such Grantor, hereby mortgages, pledges and hypothecates to the Collateral Agent for the benefit of the Secured Parties, and grants to the Collateral Agent for the benefit of the Secured Parties a lien on and security interest in, all of its right, title and interest in, to and under the Collateral of such Grantor, *provided, however*, that if and when any property that at any time constituted Excluded Property becomes Collateral, the Collateral Agent shall have, and at all times from and after the date hereof be deemed to have had, a security interest in such property.

Section 2.3 Cash Collateral Accounts

The Collateral Agent may establish a Deposit Account at any bank or financial institution (including any of its Affiliates) which shall be designated as "CSFB – Knology, Inc Cash Collateral Account". Such Deposit Account shall be a Cash Collateral Account.

ARTICLE III REPRESENTATIONS AND WARRANTIES

To induce the Lenders, the Issuers and the Collateral Agent to enter into the Credit Agreement, each Grantor hereby represents and warrants each of the following to the Collateral Agent, the Lenders, the Issuers and the other Secured Parties:

Section 3.1 Title; No Other Liens

Except for the Lien granted to the Collateral Agent pursuant to this Agreement and the other Liens permitted to exist on the Collateral under the Credit Agreement, such Grantor (a) is the record and beneficial owner of the Pledged Collateral pledged by it hereunder constituting Instruments or Certificated Securities, (b) is the Entitlement Holder of all such Pledged Collateral constituting Investment Property held in a Securities Account and (c) has rights in or the power to transfer each other item of Collateral in which a Lien is granted by it hereunder, free and clear of any other Lien.

Section 3.2 Perfection and Priority

The security interest granted pursuant to this Agreement shall constitute a valid and continuing perfected security interest in favor of the Collateral Agent in the Collateral for which perfection is governed by the UCC or filing with the United States Copyright Office upon (a) in the case of all Collateral in which a security interest may be perfected by filing a financing statement under the UCC, the completion of the filings and other actions specified on *Schedule 3 (Filings)* (which, in the case of all filings and other documents referred to on such schedule, have been delivered to the Collateral Agent in completed and duly executed form), (b) the delivery to the Collateral Agent of all Collateral consisting of Instruments and Certificated Securities, in each case properly endorsed for transfer to the Collateral Agent or in blank, (c) the execution of Securities Account Control Agreements with respect to Investment Property not in certificated

form, (d) the execution of Deposit Account Control Agreements with respect to all Deposit Accounts of a Grantor and (e) all appropriate filings having been made with the United States Copyright Office. Such security interest shall be prior to all other Liens on the Collateral except for Customary Permitted Liens having priority over the Collateral Agent's Lien by operation of law or otherwise as permitted under the Credit Agreement

Section 3.3 Jurisdiction of Organization; Chief Executive Office

Such Grantor's jurisdiction of organization, legal name, organizational identification number, if any, and the location of such Grantor's chief executive office or sole place of business, in each case as of the date hereof, is specified on *Schedule 1 (Jurisdiction of Organization; Principal Executive Office)* and such *Schedule 1 (Jurisdiction of Organization, Principal Executive Office)* also lists all jurisdictions of incorporation, legal names and locations of such Grantor's chief executive office or sole place of business for the five years preceding the date hereof.

Section 3.4 Inventory and Equipment

On the date hereof, such Grantor's Inventory and Equipment (other than mobile goods and Inventory or Equipment in transit) are kept at the locations listed on *Schedule 4 (Location of Inventory and Equipment)* and such *Schedule 4 (Location of Inventory and Equipment)* also list the locations of such Inventory and Equipment for the five years preceding the date hereof.

Section 3.5 Pledged Collateral

(a) The Pledged Stock pledged hereunder by such Grantor is listed on *Schedule 2 (Pledged Collateral)* and constitutes that percentage of the issued and outstanding equity of all classes of each issuer thereof as set forth on *Schedule 2 (Pledged Collateral)*.

(b) All of the Pledged Stock (other than Pledged Stock in limited liability companies and partnerships) has been duly authorized, validly issued and is fully paid and nonassessable.

(c) Each of the Pledged Stock constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, and general equitable principles (whether considered in a proceeding in equity or at law)

(d) All Pledged Collateral and, if applicable, any Additional Pledged Collateral, consisting of Certificated Securities or Instruments has been delivered to the Collateral Agent in accordance with *Section 4 4(a) (Pledged Collateral)* and Section 7.11 of the Credit Agreement

(e) All Pledged Collateral held by a Securities Intermediary in a Securities Account is in a Control Account

(f) Other than Pledged Stock constituting General Intangibles, there is no Pledged Collateral other than that represented by Certificated Securities or Instruments in the possession of the Collateral Agent or that consist of Financial Assets held in a Control Account.

Section 3.6 Accounts

No amount payable to such Grantor under or in connection with any Account is evidenced by any Instrument or Chattel Paper that has not been delivered to the Collateral Agent, properly endorsed for transfer, to the extent delivery is required by *Section 4 4 (Pledged Collateral)*.

Section 3.7 Intellectual Property

(a) *Schedule 5 (Intellectual Property)* lists all Material Intellectual Property of such Grantor on the date hereof, separately identifying that owned by such Grantor and that licensed to such Grantor. The Material Intellectual Property set forth on *Schedule 5 (Intellectual Property)* for such Grantor constitutes all of the intellectual property rights necessary to conduct its business.

(b) All Material Intellectual Property owned by such Grantor is valid, subsisting, unexpired and enforceable, has not been adjudged invalid and has not been abandoned and the use thereof in the business of such Grantor does not infringe, misappropriate, dilute or violate the intellectual property rights of any other Person.

(c) Except as set forth in *Schedule 5 (Intellectual Property)*, none of the Material Intellectual Property owned by such Grantor is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) To such Grantor's knowledge, no holding, decision or judgment has been rendered by any Governmental Authority that would limit, cancel or question the validity of, or such Grantor's rights in, any Material Intellectual Property.

(e) No action or proceeding seeking to limit, cancel or question the validity of any Material Intellectual Property owned by such Grantor or such Grantor's ownership interest therein is pending or, to the knowledge of such Grantor, threatened. There are no claims, judgments or settlements to be paid by such Grantor relating to the Material Intellectual Property

Section 3.8 Deposit Accounts; Securities Accounts

The only Deposit Accounts or Securities Accounts maintained by any Grantor on the date hereof are those listed on *Schedule 6* (*Bank Accounts, Control Accounts*), which sets forth such information separately for each Grantor.

Section 3.9 Commercial Tort Claims

The only Commercial Tort Claims of any Grantor existing on the date hereof (regardless of whether the amount, defendant or other material facts can be determined and regardless of whether such Commercial Tort Claim has been asserted, threatened or has otherwise been made known to the obligee thereof or whether litigation has been commenced for such

claims) are those listed on *Schedule 7 (Commercial Tort Claims)*, which sets forth such information separately for each Grantor.

ARTICLE IV

COVENANTS

Each Grantor agrees with the Collateral Agent to the following, as long as any Obligation or Commitment remains outstanding and, in each case, unless the Collateral Agent otherwise consents in writing:

Section 4.1 Generally

Such Grantor shall (a) except for the security interest created by this Agreement and any Second Lien Loan Document in accordance with the Intercreditor Agreement, not create or suffer to exist any Lien upon or with respect to any Collateral, except Liens permitted under *Section 8 2 (Liens, Etc)* of the Credit Agreement, (b) not use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement, any other Loan Document, any Related Document (in any material respect), any Requirement of Law (in any material respect) or any policy of insurance covering the Collateral, (c) not enter into any agreement or undertaking restricting the right or ability of such Grantor or the Collateral Agent to sell, assign or transfer any Collateral if such restriction would have a Material Adverse Effect.

Section 4.2 Maintenance of Perfected Security Interest; Further Documentation

(a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in *Section 3 2 (Perfection and Priority)* and shall defend such security interest and such priority against the claims and demands of all Persons.

(b) Such Grantor shall furnish to the Collateral Agent from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Collateral Agent may reasonably request in writing, all in reasonable detail and in form and substance satisfactory to the Collateral Agent

(c) At any time and from time to time, upon the written request of the Collateral Agent, and at the sole expense of such Grantor, such Grantor shall promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further action as the Collateral Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including the filing of any financing or continuation statement under the UCC (or other similar laws) in effect in any jurisdiction with respect to the security interest created hereby and the execution and delivery of Deposit Account Control Agreements and Securities Account Control Agreements

Section 4.3 Changes in Locations, Name, Etc.

(a) Except upon 30 days' prior written notice to the Collateral Agent and delivery to the Collateral Agent of (i) all additional financing statements and other documents

reasonably requested by the Collateral Agent to maintain the validity, perfection and priority of the security interests provided for herein and (ii) if applicable, a written supplement to *Schedule 4 (Location of Inventory and Equipment)* showing (A) any additional locations at which Inventory or Equipment shall be kept or (B) any changes in any location where Inventory or Equipment shall be kept that would require the Collateral Agent to take any action to maintain a perfected security interest in such Collateral, such Grantor shall not do any of the following:

(i) permit any Inventory or Equipment to be kept at a location other than those listed on *Schedule 4 (Location of Inventory and Equipment)*, except for Inventory or Equipment in transit;

(ii) change its jurisdiction of organization or its location, in each case from that referred to in *Section 3.3 (Jurisdiction of Organization, Chief Executive Office)*; or

(iii) change its legal name or any trade name used to identify it in the conduct of its business or ownership of its properties or organizational identification number, if any, or corporation, limited liability company or other organizational structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

(b) Such Grantor shall keep and maintain at its own cost and expense satisfactory and complete records of the Collateral, including a record of all payments received and all credits granted with respect to the Collateral and all other dealings with the Collateral.

Section 4.4 Pledged Collateral

(a) Such Grantor shall (i) deliver to the Collateral Agent, all certificates and Instruments representing or evidencing any Pledged Collateral (including Additional Pledged Collateral), whether now existing or hereafter acquired, in suitable form for transfer by delivery or, as applicable, accompanied by such Grantor's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Collateral Agent, together, in respect of any Additional Pledged Collateral, with a Pledge Amendment, duly executed by the Grantor, in substantially the form of *Annex 3 (Form of Pledge Amendment)*, an acknowledgment and agreement to a Joinder Agreement duly executed by the Grantor, in substantially the form in the form of *Annex 4 (Form of Joinder Agreement)*, or such other documentation acceptable to the Collateral Agent and (ii) maintain all other Pledged Collateral constituting Investment Property in a Control Account. Such Grantor authorizes the Collateral Agent to attach each Pledge Amendment to this Agreement. The Collateral Agent shall have the right, at any time in its discretion and without notice to the Grantor, to transfer to or to register in its name or in the name of its nominees any Pledged Collateral The Collateral Agent shall have the right at any time to exchange any certificate or instrument representing or evidencing any Pledged Collateral for certificates or instruments of smaller or larger denominations

(b) Such Grantor shall be entitled to receive all cash dividends paid in respect of the Pledged Collateral (other than liquidating or distributing dividends) with respect to the Pledged Collateral Any sums paid upon or in respect of any Pledged Collateral upon the liquidation or dissolution of any issuer of any Pledged Collateral, any distribution of capital made on or in respect of any Pledged Collateral or any property distributed upon or with respect to any Pledged Collateral pursuant to the recapitalization or reclassification of the capital of any issuer

of Pledged Collateral or pursuant to the reorganization thereof shall, unless otherwise subject to a perfected security interest in favor of the Collateral Agent, be delivered to the Collateral Agent to be held by it hereunder as additional collateral security for the Secured Obligations. If any sum of money or property so paid or distributed in respect of any Pledged Collateral shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Collateral Agent, hold such money or property in trust for the Collateral Agent, segregated from other funds of such Grantor, as additional security for the Secured Obligations

(c) Such Grantor shall be entitled to exercise all voting, consent and corporate, partnership, limited liability company and similar rights with respect to the Pledged Collateral, *provided*, *however*, that no vote shall be cast, consent given or right exercised or other action taken by such Grantor that would impair the Collateral, be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document or, without prior notice to the Collateral Agent, enable or permit any issuer of Pledged Collateral to issue any Stock or other equity Securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any Stock or other equity Securities of any nature of any issuer of Pledged Collateral

(d) Such Grantor shall not grant "control" (within the meaning of such term under Article 9-106 of the UCC) over any Investment Property to any Person other than the Collateral Agent.

(e) In the case of each Grantor that is an issuer of Pledged Collateral, such Grantor agrees to be bound by the terms of this Agreement relating to the Pledged Collateral issued by it and shall comply with such terms insofar as such terms are applicable to it In the case of any Grantor that is a holder of any Stock or Stock Equivalent in any Person that is an issuer of Pledged Collateral, such Grantor consents to (i) the exercise of the rights granted to the Collateral Agent hereunder (including those described in *Section 5 3 (Pledged Collateral)*), and (ii) the pledge by each other Grantor, pursuant to the terms hereof, of the Pledged Stock in such Person and to the transfer of such Pledged Stock to the Collateral Agent or its nominee and to the substitution of the Collateral Agent or its nominee as a holder of such Pledged Stock with all the rights, powers and duties of other holders of Pledged Stock of the same class and, if the Grantor having pledged such Pledged Stock hereunder had any right, power or duty at the time of such pledge or at the time of such substitution beyond that of such other holders, with all such additional rights, powers and duties Such Grantor agrees to execute and deliver to the Collateral Agent such certificates, agreements and other documents as may be necessary to evidence, formalize or otherwise give effect to the consents given in this *clause (e)*.

(f) Such Grantor shall not, without the consent of the Collateral Agent, agree to any amendment of any Constituent Document that in any way adversely affects the perfection of the security interest of the Collateral Agent in the Pledged Collateral pledged by such Grantor hereunder, including any amendment electing to treat any membership interest or partnership interest that is part of the Pledged Collateral as a "security" under Section 8-103 of the UCC, or any election to turn any previously uncertificated Stock that is part of the Pledged Collateral into certificated Stock.

Section 4.5 Accounts

(a) Such Grantor shall not, other than in the ordinary course of business consistent with its past practice, (i) grant any extension of the time of payment of any Account,

(ii) compromise or settle any Account for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Account, (iv) allow any credit or discount on any Account or (v) amend, supplement or modify any Account in any manner that could adversely affect the value thereof.

(b) The Collateral Agent shall have the right to make test verifications of the Accounts in any manner and through any medium that it reasonably considers advisable, and such Grantor shall furnish all such assistance and information as the Collateral Agent may reasonably require in connection therewith; *provided, however,* that unless a Default or Event of Default shall be continuing, the Collateral Agent shall make no more than four such test verifications of the Accounts during any calendar year. At any time and from time to time, upon the Collateral Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Collateral Agent to furnish to the Collateral Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Accounts; *provided, however*, that unless a Default or Event of Default shall be continuing, the Collateral Agent shall request no more than four such reports during any calendar year.

Section 4.6 Delivery of Instruments and Chattel Paper

If any amount in excess of $100,000 payable under or in connection with any Collateral owned by such Grantor shall be or become evidenced by an Instrument or Chattel Paper, such Grantor shall deliver, within five Business Days, such Instrument or Chattel Paper to the Collateral Agent, duly indorsed in a manner satisfactory to the Collateral Agent, or, if consented to by the Collateral Agent, shall mark all such Instruments and Chattel Paper with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of CSFB, as Collateral Agent".

Section 4.7 Intellectual Property

(a) Such Grantor (either itself or through licensees) shall (i) continue to use each Trademark that is Material Intellectual Property in order to maintain such Trademark in full force and effect with respect to each class of goods for which such Trademark is currently used, free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark that is confusingly similar or a colorable imitation of such Trademark unless the Collateral Agent shall obtain a perfected security interest in such mark pursuant to this Agreement and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark (or any goodwill associated therewith) may become destroyed, invalidated, impaired or harmed in any way.

(b) Such Grantor (either itself or through licensees) shall not do any act, or omit to do any act, whereby any Patent that is Material Intellectual Property may become forfeited, abandoned or dedicated to the public

(c) Such Grantor (either itself or through licensees) (i) shall not (and shall not permit any licensee or sublicensee thereof to) do any act or omit to do any act whereby any portion of the Copyrights that is Material Intellectual Property may become invalidated or otherwise impaired and (ii) shall not (either itself or through licensees) do any act whereby any portion of the Copyrights that is Material Intellectual Property may fall into the public domain

(d) Such Grantor (either itself or through licensees) shall not do any act, or omit to do any act, whereby any trade secret that is Material Intellectual Property may become publicly available or otherwise unprotectable.

(e) Such Grantor (either itself or through licensees) shall not do any act that knowingly uses any Material Intellectual Property to infringe, misappropriate, or violate the intellectual property rights of any other Person.

(f) Such Grantor shall notify the Collateral Agent immediately if it knows, or has reason to know, that any application or registration relating to any Material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, right to use, interest in, or the validity of, any Material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(g) Whenever such Grantor, either by itself or through any agent, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency within or outside the United States or register any Internet domain name, such Grantor shall report such filing to the Collateral Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Collateral Agent, such Grantor shall execute and deliver, and have recorded, all agreements, instruments, documents and papers as the Collateral Agent may request to evidence the Collateral Agent's security interest in any Copyright, Patent, Trademark or Internet domain name and the goodwill and general intangibles of such Grantor relating thereto or represented thereby

(h) Such Grantor shall take all reasonable actions necessary or requested by the Collateral Agent, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency and any Internet domain name registrar, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of any Copyright, Trademark, Patent or Internet domain name that is Material Intellectual Property, including filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition and interference and cancellation proceedings

(i) In the event that any Material Intellectual Property is or has been infringed upon or misappropriated or diluted by a third party, such Grantor shall notify the Collateral Agent promptly after such Grantor learns thereof Such Grantor shall take appropriate action in response to such infringement, misappropriation of dilution, including promptly bringing suit for infringement, misappropriation or dilution and to recover all damages for such infringement, misappropriation of dilution, and shall take such other actions as may be appropriate in its reasonable judgment under the circumstances to protect such Material Intellectual Property

Unless otherwise agreed to by the Collateral Agent, such Grantor shall execute and deliver to the Collateral Agent for filing (i) in the United States Copyright Office a short-form copyright security agreement in the form attached hereto as *Annex 5 (Form of Short Form Intellectual Property Security Agreement)*, (ii) in the United States Patent and Trademark Office

and with the Secretary of State of all appropriate States of the United States a short-form patent security agreement in the form attached hereto as *Annex 5 (Form of Short Form Intellectual Property Security Agreement)*, (iii) in the United States Patent and Trademark Office a short-form trademark security agreement in form attached hereto as *Annex 5 (Form of Short Form Intellectual Property Security Agreement)* and (iv) with the appropriate Internet domain name registrar, a duly executed form of assignment of such Internet domain name to the Collateral Agent (together with appropriate supporting documentation as may be requested by the Collateral Agent) in form and substance reasonably acceptable to the Collateral Agent. In the case of *clause (iv)* above, such Grantor hereby authorizes the Collateral Agent to file such assignment in such Grantor's name and to otherwise perform in the name of such Grantor all other necessary actions to complete such assignment, and each Grantor agrees to perform all appropriate actions deemed necessary by the Collateral Agent for the Collateral Agent to ensure such Internet domain name is registered in the name of the Collateral Agent.

Section 4.8 Payment of Obligations

Such Grantor shall pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

Section 4.9 Insurance

Such Grantor shall (a) maintain, and cause to be maintained for each of its Subsidiaries, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which such Grantor or such Subsidiary operates, and such other insurance as may be reasonably requested by the Collateral Agent, and, in any event, all insurance required by any Collateral Documents and (b) cause all such insurance to name the Collateral Agent on behalf of the Secured Parties as additional insured or loss payee, as appropriate, and to provide that no cancellation, material addition in amount or material change in coverage shall be effective until after 30 days' written notice thereof to the Collateral Agent

Section 4.10 Notice of Commercial Tort Claims

Such Grantor agrees that, if it shall acquire any interest in any Commercial Tort Claim (whether from another Person or because such Commercial Tort Claim shall have come into existence), (a) it shall, within five Business Days of such acquisition, deliver to the Collateral Agent, in each case in form and substance satisfactory to the Collateral Agent, a notice of the existence and nature of such Commercial Tort Claim and deliver a supplement to *Schedule 7 (Commercial Tort Claims)* containing a reasonable description of such Commercial Tort Claim, (b) the provision of *Section 2 1 (Collateral)* shall apply to such Commercial Tort Claim and (c) it shall execute and deliver to the Collateral Agent, in each case in form and substance satisfactory to the Collateral Agent, any certificate, agreement and other document, and take all other action,

deemed by the Collateral Agent to be reasonably necessary or appropriate for the Collateral Agent to obtain, on behalf of the Lenders, a first-priority, perfected security interest in all such Commercial Tort Claims Any supplement to *Schedule 7 (Commercial Tort Claims)* delivered pursuant to this *Section 4 10 (Notice of Commercial Tort Claims)* shall, after the receipt thereof by the Collateral Agent, become part of *Schedule 7 (Commercial Tort Claims)* for all purposes hereunder other than in respect of representations and warranties made prior to the date of such receipt.

ARTICLE V

REMEDIAL PROVISIONS

Section 5.1 Code and Other Remedies

During the continuance of an Event of Default, the Collateral Agent may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the UCC or any other applicable law Without limiting the generality of the foregoing, the Collateral Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon any Collateral, and may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver any Collateral (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Collateral Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent shall have the right upon any such public sale or sales, and, to the extent permitted by the UCC and other applicable law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of any Grantor, which right or equity is hereby waived and released Each Grantor further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent at places that the Collateral Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Collateral Agent shall apply the net proceeds of any action taken by it pursuant to this *Section 5 1*, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any Collateral or in any way relating to the Collateral or the rights of the Collateral Agent and any other Secured Party hereunder, including reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as the Credit Agreement shall prescribe, and only after such application and after the payment by the Collateral Agent of any other amount required by any provision of law, need the Collateral Agent account for the surplus, if any, to any Grantor To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Collateral Agent or any other Secured Party arising out of the exercise by them of any rights hereunder, except where such claims, damages or demands have resulted primarily from the gross negligence or willful misconduct of the Collateral Agent or any other Secured Party, as determined by a court of competent jurisdiction in a final non-appealable judgment or order If any notice of a proposed sale or other disposition of Collateral shall be

required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

Section 5.2 Accounts and Payments in Respect of General Intangibles

(a) In addition to, and not in substitution for, any similar requirement in the Credit Agreement, if required by the Collateral Agent at any time during the continuance of an Event of Default, any payment of Accounts or payment in respect of General Intangibles, when collected by any Grantor, shall be forthwith (and, in any event, within five Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Collateral Agent, in an Approved Deposit Account or a Cash Collateral Account, subject to withdrawal by the Collateral Agent as provided in *Section 5 4 (Proceeds to be Turned Over To Collateral Agent)* Until so turned over, such payment shall be held by such Grantor in trust for the Collateral Agent, segregated from other funds of such Grantor At the Collateral Agent's written request, each such deposit of Proceeds of Accounts and payments in respect of General Intangibles shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit

(b) At the Collateral Agent's request, during the continuance of an Event of Default, each Grantor shall deliver to the Collateral Agent all original and other documents evidencing, and relating to, the agreements and transactions that gave rise to the Accounts or payments in respect of General Intangibles, including all orders, invoices and shipping receipts.

(c) The Collateral Agent may, without notice, at any time during the continuance of an Event of Default, limit or terminate the authority of a Grantor to collect its Accounts or amounts due under General Intangibles or any portion thereof.

(d) The Collateral Agent in its own name or in the name of others may at any time during the continuance of an Event of Default, after giving notice to the relevant Grantor or Grantors, communicate with Account Debtors to verify with them to the Collateral Agent's satisfaction the existence, amount and terms of any Account or amounts due under any General Intangible

(e) Upon the request of the Collateral Agent at any time during the continuance of an Event of Default, each Grantor shall notify Account Debtors that the Accounts or General Intangibles have been collaterally assigned to the Collateral Agent and that payments in respect thereof shall be made directly to the Collateral Agent. In addition, the Collateral Agent may at any time during the continuance of an Event of Default enforce such Grantor's rights against such Account Debtors and obligors of General Intangibles

(f) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Accounts and payments in respect of General Intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto Neither the Collateral Agent nor any other Secured Party shall have any obligation or liability under any agreement giving rise to an Account or a payment in respect of a General Intangible by reason of or arising out of this Agreement or the receipt by the Collateral Agent nor any other Secured Party of any payment relating thereto, nor shall the Collateral Agent nor any other Secured Party be obligated in any manner to perform any obligation of any Grantor under or pursuant to any agreement giving rise to an Account or a payment in respect of a General Intangible, to make any

payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 5.3 Pledged Collateral

(a) During the continuance of an Event of Default, upon notice by the Collateral Agent to the relevant Grantor or Grantors, (i) the Collateral Agent shall have the right to receive any Proceeds of the Pledged Collateral and make application thereof to the Obligations in the order set forth in the Credit Agreement and (ii) the Collateral Agent or its nominee may exercise (A) any voting, consent, corporate and other right pertaining to the Pledged Collateral at any meeting of shareholders, partners or members, as the case may be, of the relevant issuer or issuers of Pledged Collateral or otherwise and (B) any right of conversion, exchange and subscription and any other right, privilege or option pertaining to the Pledged Collateral as if it were the absolute owner thereof (including the right to exchange at its discretion any of the Pledged Collateral upon the merger, amalgamation, consolidation, reorganization, recapitalization or other fundamental change in the corporate or equivalent structure of any issuer of Pledged Stock, the right to deposit and deliver any Pledged Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Collateral Agent may determine), all without liability except to account for property actually received by it; *provided*, *however*, that the Collateral Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing

(b) In order to permit the Collateral Agent to exercise the voting and other consensual rights that it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions that it may be entitled to receive hereunder, (i) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Collateral Agent all such proxies, dividend payment orders and other instruments as the Collateral Agent may from time to time reasonably request and (ii) without limiting the effect of *clause (i)* above, each Grantor hereby grants to the Collateral Agent an irrevocable proxy to vote all or any part of the Pledged Collateral and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Collateral would be entitled (including giving or withholding written consents of shareholders, partners or members, as the case may be, calling special meetings of shareholders, partners or members, as the case may be, and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Collateral on the record books of the issuer thereof) by any other person (including the issuer of such Pledged Collateral or any officer or agent thereof) during the continuance of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations.

(c) Each Grantor hereby expressly authorizes and instructs each issuer of any Pledged Collateral pledged hereunder by such Grantor to (i) comply with any instruction received by it from the Collateral Agent in writing that (A) states that an Event of Default has occurred and is continuing and (B) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that such issuer shall be fully protected in so complying and (ii) unless otherwise expressly permitted hereby, pay any dividend or other payment with respect to the Pledged Collateral directly to the Collateral Agent

Section 5.4 Proceeds to be Turned Over To Collateral Agent

Unless otherwise expressly provided in the Credit Agreement, all Proceeds received by the Collateral Agent hereunder in cash or Cash Equivalents shall be held by the Collateral Agent in a Cash Collateral Account. All Proceeds while held by the Collateral Agent in a Cash Collateral Account (or by such Grantor in trust for the Collateral Agent) shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until applied as provided in the Credit Agreement.

Section 5.5 Registration Rights

(a) If the Collateral Agent shall determine to exercise its right to sell any of the Pledged Collateral pursuant to *Section 5 1 (Code and Other Remedies),* and if in the opinion of the Collateral Agent it is necessary or advisable to have the Pledged Collateral, or any portion thereof, to be registered under the provisions of the Securities Act, the relevant Grantor shall cause the issuer thereof to (i) execute and deliver, and cause the directors and officers of such issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Collateral Agent, necessary or advisable to register the Pledged Collateral, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Collateral, or that portion thereof to be sold and (iii) make all amendments thereto or to the related prospectus that, in the opinion of the Collateral Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such issuer to comply with the provisions of the securities or "Blue Sky" laws of any jurisdiction that the Collateral Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act

(b) Each Grantor recognizes that the Collateral Agent may be unable to effect a public sale of any Pledged Collateral by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise or may determine that a public sale is impracticable or not commercially reasonable and, accordingly, may resort to one or more private sales thereof to a restricted group of purchasers that shall be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Collateral Agent shall be under no obligation to delay a sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Collateral pursuant to this *Section 5 5* valid and binding and in compliance with all other applicable Requirements of Law Each Grantor further agrees that a breach of any covenant contained in this *Section 5 5* will cause irreparable injury to the Collateral Agent and other Secured Parties, that the Collateral Agent and the other Secured Parties have no adequate remedy

at law in respect of such breach and, as a consequence, that each and every covenant contained in this *Section 5 5* shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defense against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement

Section 5.6 Deficiency

Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorney employed by the Collateral Agent or any other Secured Party to collect such deficiency.

Section 5.7 Approvals

Without limiting the generality of the foregoing, each Grantor shall take any action which the Collateral Agent may reasonably request in order to transfer and assign to the Collateral Agent, or such one or more third parties as the Collateral Agent may designate, or to a combination of the foregoing, each Communications License, CATV Franchise or PUC Authorization or other approval from a Governmental Authority and the Collateral Agent is empowered to request the appointment of a receiver from any court of competent jurisdiction to enforce such obligations. Such receiver shall be instructed to seek from the Governmental Authority an involuntary transfer of control of each such Communications License, CATV Franchise or PUC Authorization or other approval for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred Each Grantor hereby agrees to authorize such an involuntary assignment or transfer of control upon the request of the receiver so appointed and, if such Grantor shall refuse to authorize the transfer, its approval may be required by the court. Furthermore, each Grantor shall use its best efforts to assist in obtaining approval of any Governmental Authority, if required, for any action or transaction contemplated by this Agreement, including, without limitation, the preparation, execution and filing with any Governmental Authority of the assignor's or transferor's portion of any application or applications for consent to the assignment of any Communications License, CATV Franchise or PUC Authorization or other approval or transfer of control necessary or appropriate under the rules and regulations of any Governmental Authority for the approval of the transfer or assignment of any portion of the assets of such Grantor, together with any Communications License, CATV Franchise or PUC Authorization or other approval. Because each Grantor agrees that the Collateral Agent's remedy at law for failure of such Grantor to comply with the provisions of this *Section 5 7* would by inadequate and that such failure would not be adequately compensable in damages, each Grantor agrees that these covenants and agreements may be specifically enforced, and each Grantor hereby waives, and agrees not to assert, any defenses against an action for specific performance of such covenants Notwithstanding the foregoing, the Lenders and the Collateral Agent understand and agree that the assignment or transfer of control of some of the Communications Licenses requires advance approval by the FCC

ARTICLE VI

THE COLLATERAL AGENT

Section 6.1 Collateral Agent's Appointment as Attorney-in-Fact

(a) Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any appropriate action and to execute any document or instrument that may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any of the following.

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any check, draft, note, acceptance or other instrument for the payment of moneys due under any Account or General Intangible or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any such moneys due under any Account or General Intangible or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any agreement, instrument, document or paper as the Collateral Agent may request to evidence the Collateral Agent's security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repair or pay any insurance called for by the terms of this Agreement (including all or any part of the premiums therefor and the costs thereof),

(iv) execute, in connection with any sale provided for in *Section 5.1 (Code and Other Remedies) or 5.5 (Registration Rights),* any endorsement, assignment or other instrument of conveyance or transfer with respect to the Collateral; or

(v) (A) direct any party liable for any payment under any Collateral to make payment of any moneys due or to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct, (B) ask or demand for, collect, and receive payment of and receipt for, any moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (C) sign and indorse any invoice, freight or express bill, bill of lading, storage or warehouse receipt, draft against debtors, assignment, verification, notice and other document in connection with any Collateral, (D) commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect any Collateral and to enforce any other right in respect of any Collateral, (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral, (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the

Collateral Agent may deem appropriate, (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Trademark pertains) throughout the world for such term or terms, on such conditions, and in such manner as the Collateral Agent shall in its sole discretion determine, including the execution and filing of any document necessary to effectuate or record such assignment and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and do, at the Collateral Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things that the Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's and the other Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do

Anything in this *clause (a)* to the contrary notwithstanding, the Collateral Agent agrees that it shall not exercise any right under the power of attorney provided for in this *clause (a)* unless an Event of Default shall be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained in this Agreement, the Collateral Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The reasonable expenses of the Collateral Agent incurred in connection with actions undertaken as provided in this *Section 6 1*, together with interest thereon at a rate per annum equal to the rate of interest provided in *Sections 2 10(a)(i)* and *(c) (Rate of Interest)* of the Credit Agreement, shall be payable by such Grantor to the Collateral Agent on demand

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released

Section 6.2 Duty of Collateral Agent

The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession shall be to deal with it in the same manner as the Collateral Agent deals with similar property for its own account Neither the Collateral Agent, any other Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to any Collateral. The powers conferred on the Collateral Agent hereunder are solely to protect the Collateral Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Collateral Agent or any other Secured Party to exercise any such powers The Collateral Agent and the other Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their respective officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct

Section 6.3 Authorization of Financing Statements

Each Grantor authorizes the Collateral Agent and its Affiliates, counsel and other representatives, at any time and from time to time, to file or record financing statements, amendments to financing statements, and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Collateral Agent reasonably determines appropriate to perfect the security interests of the Collateral Agent under this Agreement, and such financing statements and amendments may described the Collateral covered thereby as "all assets of the debtor", "all personal property of the debtor" or words of similar effect. Each Grantor hereby also authorizes the Collateral Agent and its Affiliates, counsel and other representatives, at any time and from time to time, to file continuation statements with respect to previously filed financing statements A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction

Section 6.4 Authority of Collateral Agent

Each Grantor acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the other Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Grantors, the Collateral Agent shall be conclusively presumed to be acting as agent for the Collateral Agent and the other Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Amendments in Writing

None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with *Section 11 1 (Amendments, Waivers, Etc)* of the Credit Agreement, *provided*, *however*, that annexes to this Agreement may be supplemented (but no existing provisions may be modified and no Collateral may be released) through Pledge Amendments and Joinder Agreements, in substantially the form of *Annex 3 (Form of Pledge Amendment)* and *Annex 4 (Form of Joinder Agreement)* respectively, in each case duly executed by the Collateral Agent and each Grantor directly affected thereby.

Section 7.2 Notices

All notices, requests and demands to or upon the Collateral Agent or any Grantor hereunder shall be effected in the manner provided for in *Section 11 8 (Notices, Etc)* of the Credit Agreement, *provided*, *however*, that any such notice, request or demand to or upon any Grantor shall be addressed to the Borrower's notice address set forth in such *Section 11 8*

Section 7.3 No Waiver by Course of Conduct; Cumulative Remedies

Neither the Collateral Agent nor any other Secured Party shall by any act (except by a written instrument pursuant to *Section 7 1 (Amendments in Writing)*, delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any other Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any other Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Collateral Agent or such other Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 7.4 Successors and Assigns

This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Collateral Agent and each other Secured Party and their successors and assigns, *provided*, *however*, that no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent

Section 7.5 Counterparts

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement Signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are attached to the same document Delivery of an executed counterpart by telecopy shall be effective as delivery of a manually executed counterpart

Section 7.6 Severability

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.7 Section Headings

The Article and Section titles contained in this Agreement are, and shall be, without substantive meaning or content of any kind whatsoever and are not part of the agreement of the parties hereto

Section 7.8 Entire Agreement

This Agreement together with the other Loan Documents represents the entire agreement of the parties and supersedes all prior agreements and understandings relating to the subject matter hereof.

Section 7.9 Governing Law

This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of Delaware.

Section 7.10 Additional Grantors

If, pursuant to *Section 7.11 (Additional Collateral and Guaranties)* of the Credit Agreement, the Borrower shall be required to cause any Subsidiary that is not a Grantor to become a Grantor hereunder, such Subsidiary shall execute and deliver to the Collateral Agent a Joinder Agreement substantially in the form of *Annex 4 (Form of Joinder Agreement)* and shall thereafter for all purposes be a party hereto and have the same rights, benefits and obligations as a Grantor party hereto on the Closing Date.

Section 7.11 Release of Collateral

(a) At the time provided in *Sections 10.8(b)(i)* and *(iii) (Concerning the Collateral and the Collateral Documents)* of the Credit Agreement and to the extent required under such provisions, Collateral shall be released from the Lien created hereby and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Collateral Agent and each Grantor hereunder with respect to such Collateral shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to such Collateral (if any) shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Collateral Agent shall deliver to such Grantor any such Collateral of such Grantor held by the Collateral Agent hereunder and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If the Collateral Agent shall be directed or permitted pursuant to *Section 10.8(b)(ii)* or *(iii) (Concerning the Collateral and the Collateral Documents)* of the Credit Agreement to release any Lien created hereby upon any Collateral (including any Collateral sold or disposed of by any Grantor in a transaction permitted by the Credit Agreement), such Collateral shall be released from the Lien created hereby to the extent provided under, and subject to the terms and conditions set forth in, *Section 10.8(b)(ii)* or *(iii) (Concerning the Collateral and the Collateral Documents)* of the Credit Agreement. In connection therewith, the Collateral Agent, at the request and sole expense of the Borrower, shall execute and deliver to the Borrower all releases or other documents, including, without limitation, UCC termination statements, reasonably necessary or desirable for the release of the Lien created hereby on such Collateral At the request and sole expense of the Borrower, a Grantor shall be released from its obligations hereunder in the event that all the capital stock of such Grantor shall be so sold or disposed, *provided*, *however*, that the Borrower shall have delivered to the Collateral Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Grantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the

Borrower in form and substance satisfactory to the Collateral Agent stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents

Section 7.12 Reinstatement

Each Grantor further agrees that, if any payment made by any Loan Party or other Person and applied to the Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of Collateral are required to be returned by any Secured Party to such Loan Party, its estate, trustee, receiver or any other party, including any Grantor, under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made or, if prior thereto the Lien granted hereby or other Collateral securing such liability hereunder shall have been released or terminated by virtue of such cancellation or surrender), such Lien or other Collateral shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect any Lien or other Collateral securing the obligations of any Grantor in respect of the amount of such payment.

Section 7.13 Acknowledgement

The Parties hereto acknowledge and agree that this Agreement shall be subject to the terms and provisions of the Intercreditor Agreement

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Pledge and Security Agreement to be duly executed and delivered as of the date first above written.

KNOLOGY, INC.,
as Grantor

By: _____
Name: Robert K. Mills
Title: Chief Financial Officer

KNOLOGY OF KNOXVILLE, INC.
KNOLOGY OF NASHVILLE, INC.
KNOLOGY OF LOUISVILLE, INC.
KNOLOGY OF KENTUCKY, INC.
KNOLOGY BROADBAND, INC.
KNOLOGY NEW MEDIA, INC.
KNOLOGY BROADBAND OF CALIFORNIA, INC.
KNOLOGY BROADBAND OF FLORIDA, INC.
ITC GLOBE, INC.
KNOLOGY OF AUGUSTA, INC.
KNOLOGY OF COLUMBUS, INC.
KNOLOGY OF MONTGOMERY, INC.
KNOLOGY OF FLORIDA, INC.
KNOLOGY OF SOUTH CAROLINA, INC.
KNOLOGY OF CHARLESTON, INC.
KNOLOGY OF HUNTSVILLE, INC.
KNOLOGY OF ALABAMA, INC.
VALLEY TELEPHONE CO, LLC,
as Grantor

By: _____
Name: Robert K. Mills
Title: Chief Financial Officer

ACCEPTED AND AGREED
as of the date first above written:

CREDIT SUISSE,
CAYMAN ISLANDS BRANCH,
as Collateral Agent

By: _____
Name: DAVID DODD
Title: VICE PRESIDENT

By: _____
Name: VANESSA GOMEZ
Title: VICE PRESIDENT

ANNEX 1
TO
PLEDGE AND SECURITY AGREEMENT

FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENT

_____ __, ____

[Financial Institution]
[Address]

Ladies and Gentlemen

Reference is made to account no. [_____] maintained with you (the "*Bank*") by [Knology, Inc., a Delaware corporation] (the "*Company*"), [as borrower] [as guarantor] into which funds are deposited from time to time (the "*Account*") The Company has entered into (i) a Pledge and Security Agreement, dated as of June 29, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*First Lien Pledge and Security Agreement*"), among the Company, certain of its subsidiaries and/or affiliates party thereto and Credit Suisse acting through one or more of its branches ("*CSFB*"), as agent for the Secured Parties referred to therein (in such capacity the "*First Lien Collateral Agent*"), and (ii) a Pledge and Security Agreement, dated as of June 29, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Second Lien Pledge and Security Agreement*" and, together with the First Lien Pledge and Security Agreement, the "*Pledge and Security Agreements*"), among the Company, certain of its subsidiaries and/or affiliates party thereto and CSFB, as agent for the Secured Parties referred to therein (in such capacity the "*Second Lien Collateral Agent*").

Pursuant to the Pledge and Security Agreements and related documents, the Company has granted to the First Lien Collateral Agent, for the benefit of the Secured Parties (as defined in the First Lien Pledge and Security Agreement), and the Second Lien Collateral Agent, for the benefit of the Secured Parties (as defined in the Second Lien Pledge and Security Agreement), a security interest in certain property of the Company, including, among other things, accounts, inventory, equipment, instruments, general intangibles and all proceeds thereof (the "*Collateral*"). Payments with respect to the Collateral are or hereafter may be made to the Account You, the Company and each Agent are entering into this letter agreement to perfect the security interest of each Agent in the Account

The Company hereby transfers to the First Lien Collateral Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement substantially in the form of Exhibit B hereto (a "*Notice of Termination of First Lien Pledge and Security Agreement*") from the First Lien Collateral Agent, the Second Lien Collateral Agent), exclusive control of the Account and all funds and other property on deposit therein. By your execution of this letter agreement, you (i) agree that you shall comply with instructions originated by the First Lien Collateral Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) directing disposition of the funds in the Account without further consent of the Company and (ii) acknowledge and agree that the First Lien Collateral Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) now has exclusive control of the Account, that all funds and other property on deposit in the Account shall be transferred to the First Lien Collateral

Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) as provided herein, that the Account is being maintained by you for the benefit of each Agent and that all amounts and other property therein are held by you as custodian for each Agent.

Except as provided in *clause f)* below, the Account shall not be subject to deduction, set-off, banker's lien, counterclaim, defense, recoupment or any other right in favor of any person or entity other than the First Lien Collateral Agent and the Second Lien Collateral Agent. By your execution of this letter agreement you also acknowledge that, as of the date hereof, you have received no notice of any other pledge or assignment of the Account and have not executed any agreements with third parties covering the disposition of funds in the Account You agree with each Agent as follows:

(a) Notwithstanding anything to the contrary or any other agreement relating to the Account, the Account is and shall be maintained for the benefit of each Agent, shall be entitled "*CSFB—Knology, Inc Account*" (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, such other title as the Second Lien Collateral Agent may from time to time designate in writing) and shall be subject to written instructions only from an authorized officer of the First Lien Collateral Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent).

(b) A post office box (the "*Lockbox*") has been rented in the name of the Company at the [_____] post office and the address to be used for such Lockbox is

[Insert address]

Your authorized representatives shall have access to the Lockbox under the authority given by the Company to the post office and shall make regular pick-ups from the Lockbox timed to gain maximum benefit of early presentation and availability of funds. You shall endorse process all checks received in the Lockbox and deposit such checks (to the extent eligible) in the Account in accordance with the procedures set forth below.

(i) You shall follow your usual operating procedures for the handling of any [checks received from the Lockbox or other] remittance received in the Account that contains restrictive endorsements, irregularities (such as a variance between the written and numerical amounts), undated or postdated items, missing signatures, incorrect payees and the like

(ii) You shall endorse and process all eligible checks and other remittance items not covered by *clause (iii)* below and deposit such checks and remittance items in the Account

(iii) You shall mail all checks returned unpaid because of uncollected or insufficient funds under appropriate advice to the Company (with a copy of the notification of return to each Agent) You may charge the Account for the amounts of any returned check that has been previously credited to the Account. To the extent insufficient funds remain in the Account to cover any such returned

check, the Company shall indemnify you for the uncollected amount of such returned check upon your demand. [If the proceeds of any returned check have been transferred to each Agent pursuant to the terms hereof and the Company has not reimbursed you for such returned check, each Agent shall reimburse you for the amount of such returned check; *provided*, *however*, that no such reimbursement shall be required unless and until you have delivered a copy of such returned check to each Agent together with evidence that the proceeds of such check were so forwarded to each Agent.

(c) You shall maintain a record of all checks and other remittance items received in the Account and, in addition to providing the Company with photostatic copies thereof, vouchers, enclosures and the like of such checks and remittance items on a daily basis, furnish to each Agent a monthly statement of the Account to the address set forth on the signature page hereto, or such other address as such Agent may from time to time designate in writing. Prior to the delivery to you of a written notice from the First Lien Collateral Agent in the form of Exhibit A hereto (a "*Blockage Notice*"), you are authorized to transfer to the Company, in same day funds, on each business day, the entire balance in the Account to the following account:

ABA Number: _____
[name and address of Company's bank]

Account Name: _____
Concentration Account
Account Number: _____
Reference _____
Attn: _____

or to such other account as the Company may from time to time designate in writing

(d) From and after the delivery to you of a written notice from the First Lien Collateral Agent in the form of Exhibit A hereto (a "*Blockage Notice*"), you shall transfer (by wire transfer or other method of transfer mutually acceptable to you and the First Lien Collateral Agent) to the First Lien Collateral Agent, in same day funds, on each business day, the entire balance in the Account to the following account:

ABA Number _____
Credit Suisse

_____

_____

Account Name: _____
Concentration Account
Account Number _____
Reference _____
Attn _____

or to such other account as the First Lien Collateral Agent may from time to time designate in writing (the "*First Lien Collateral Agent Concentration Account*").

(e) From and after the delivery to you of a Notice of Termination of First Lien Pledge and Security Agreement by the First Lien Collateral Agent and a Blockage Notice by the Second Lien Collateral Agent, if requested by the Second Lien Collateral Agent, you shall transfer (by wire transfer or other method of transfer mutually acceptable to you and the Second Lien Collateral Agent) to the Second Lien Collateral Agent, in same day funds, on each business day, the entire balance in the Account to such account as the Second Lien Collateral Agent may from time to time designate in writing.

(f) All customary service charges and fees with respect to the Account shall be debited to the Account. In the event insufficient funds remain in the Account to cover such customary service charges and fees, the Company shall pay and indemnify you for the amounts of such customary service charges and fees.

(g) You shall furnish to each Agent a monthly statement of the Account, to the address for such Agent set forth on the signature page hereto, or such other address as such Agent may from time to time designate in writing

This letter agreement shall be binding upon and shall inure to the benefit of you, the Company, the First Lien Collateral Agent, the Secured Parties referred to in the First Lien Pledge and Security Agreement, the Second Lien Collateral Agent, the Secured Parties referred to in the Second Lien Pledge and Security Agreement and the respective successors, transferees and assigns of any of the foregoing. You may terminate the letter agreement only upon 30 days' prior written notice to the Company, the First Lien Collateral Agent and the Second Lien Collateral Agent. Upon such termination you shall close the Account and transfer all funds in the Account to the First Lien Collateral Agent Concentration Account or as otherwise directed by the First Lien Collateral Agent (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, as directed by the Second Lien Collateral Agent). After such termination, you shall nonetheless remain obligated promptly to transfer to the First Lien Collateral Agent Concentration Account or as the First Lien Collateral Agent may otherwise direct (or, after you have received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, as the Second Lien Collateral Agent may direct) all funds and other property received in respect of the Account Each Agent may terminate this letter agreement with respect to such Agent upon 10 days' prior written notice to you and the Company

This letter agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement Delivery of an executed counterpart of a signature page to this letter agreement by telecopier shall be effective as delivery of a manually executed counterpart of this letter agreement.

This letter agreement supersedes all prior agreements, oral or written, with respect to the subject matter hereof and may not be amended, modified or supplemented except by a writing signed by each Agent, the Company and you You have not, and, without the prior consent of each Agent and the Company, you shall not, agree with any third part to comply with instructions or other directions concerning the Account or the disposition of funds in the Account originated by such third party

The Company hereby agrees to indemnify and hold you, your directors, officers, agents and employees harmless against all claims, causes of action, liabilities, lawsuits, demands and damages, including, without limitation, all court costs and reasonable attorney fees, in each case in any way related to or arising out of or in connection with this letter agreement or any action taken or not taken pursuant hereto, except to the extent caused by your gross negligence or willful misconduct.

Notwithstanding anything herein to the contrary, as between the First Lien Collateral Agent and the Second Lien Collateral Agent, the lien and security interest granted to the Second Lien Collateral Agent in the Collateral and the exercise of any right or remedy by the Second Lien Collateral Agent hereunder shall be subject to the Intercreditor Agreement (as defined in the Pledge and Security Agreements). In the event of any conflict between the terms of the Intercreditor Agreement and this letter agreement with respect to the Collateral, the terms of the Intercreditor Agreement shall govern and control.

This letter agreement shall be governed by, and construed in accordance with, the law of the State of Delaware.

[SIGNATURE PAGE FOLLOWS]

Upon acceptance of this letter agreement it shall be the valid and binding obligation of the Company, the Collateral Agent, and you, in accordance with its terms.

Very truly yours,

KNOLOGY, INC

By. _____
Name.
Title:

CREDIT SUISSE,
acting through one or more of its branches,
as First Lien Collateral Agent

By. _____
Name·
Title

Address.

CREDIT SUISSE,
acting through one or more of its branches,
as Second Lien Collateral Agent

By _____
Name.
Title

Address

ACKNOWLEDGED AND AGREED
as of the date first above written

[FINANCIAL INSTITUTION]

By _____
Name:
Title.

[SIGNATURE PAGE TO DEPOSIT ACCOUNT CONTROL ACCOUNT AGREEMENT]

EXHIBIT A
TO
DEPOSIT ACCOUNT CONTROL AGREEMENT

Form of Collateral Agent Blockage Notice

[Financial Institution]
[Address]

Re. Account No. _____ (the "*Account*")

Ladies and Gentlemen:

Reference is made to the Account and that certain Deposit Account Control Agreement dated _____ __, 20__ among you, Credit Suisse acting through one or more of its branches ("*CSFB*"), as First Lien Collateral Agent and Second Lien Collateral Agent (as such terms are defined in the Deposit Account Control Agreement), and Knology, Inc. (the "*Deposit Account Control Agreement*") Capitalized terms used herein shall have the meanings given to them in the Deposit Account Control Agreement

The [First Lien Collateral Agent][Second Lien Collateral Agent] hereby notifies you that, from and after the date of this notice, you are hereby directed to transfer (by wire transfer or other method of transfer mutually acceptable to you and the [First Lien Collateral Agent][Second Lien Collateral Agent]) to the [First Lien Collateral Agent][Second Lien Collateral Agent], in same day funds, on each business day, the entire balance in the Account to [the First Lien Collateral Agent Concentration Account specified in *clause (d)* of the Deposit Account Control Agreement or to such other account as the First Lien Collateral Agent may from time to time designate in writing] [such other account as the Second Lien Collateral Agent may from time to time designate in writing]

Very truly yours,

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
acting through one or more of its branches,
[as First Lien Collateral Agent]
[as Second Lien Collateral Agent]

By _____
Name.
Title:

EXHIBIT B
TO
DEPOSIT ACCOUNT CONTROL AGREEMENT

Form of Notice of Termination of First Lien Pledge and Security Agreement

[Name of Financial Institution]
[Address]

Re: Account No _____ (the "*Account*")

Ladies and Gentlemen.

Reference is made to the Account and that certain Deposit Account Control Agreement dated _____ __, 20__ among you, Credit Suisse acting through one or more of its branches ("*CSFB*"), as First Lien Collateral Agent and Second Lien Collateral Agent (as such terms are defined in the Deposit Account Control Agreement), and Knology, Inc. (the "*Deposit Account Control Agreement*"). Capitalized terms used herein shall have the meanings given to them in the Deposit Account Control Agreement.

The First Lien Collateral Agent hereby notifies you that the First Lien Pledge and Security Agreement has been terminated.

Very truly yours,

CREDIT SUISSE,
acting through one or more of its branches,
as First Lien Collateral Agent

By: _____
Name
Title:

ANNEX 2
TO
PLEDGE AND SECURITY AGREEMENT

FORM OF SECURITIES ACCOUNT CONTROL AGREEMENT

[Name and Address
of Approved Securities
Intermediary]

_____ __, 20__

Ladies and Gentlemen

The undersigned _____ (the "*Pledgor*") together with certain of its affiliates are party to (i) a Pledge and Security Agreement, dated as of June __, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*First Lien Pledge and Security Agreement*"), among the Company, certain of its subsidiaries and/or affiliates party thereto and Credit Suisse acting through one or more of its branches ("*CSFB*"), as agent for the Secured Parties referred to therein (in such capacity the "*First Lien Collateral Agent*"), and (ii) a Pledge and Security Agreement, dated as of June __, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Second Lien Pledge and Security Agreement*" and, together with the First Lien Pledge and Security Agreement, the "*Pledge and Security Agreements*"), among the Company, certain of its subsidiaries and/or affiliates party thereto and CSFB, as agent for the Secured Parties referred to therein (in such capacity the '*Second Lien Collateral Agent*') pursuant to which a security interest is granted by the Pledgor in all present and future Assets (hereinafter defined) in Account No _____ of the Pledgor (the "*Pledge*").

In connection therewith, the Pledgor hereby instructs you (the "*Approved Securities Intermediary*") to do all of the following:

1 maintain the Account, as "Knology, Inc.—CSFB, Control Account" (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement substantially in the form of Exhibit B hereto (a "*Notice of Termination of First Lien Pledge and Security Agreement*") from the First Lien Collateral Agent, such other title as the Second Lien Collateral Agent may from time to time designate in writing),

2 hold in the Account the assets, including, without limitation, all financial assets, securities, security entitlements and all other property and rights now or hereafter received in such Account (collectively the "*Assets*"), including, without limitation, those assets listed on *Schedule A (List of Assets)* attached hereto and made a part hereof,

3 provide to each Agent, with a duplicate copy to the Pledgor, a monthly statement of Assets and a confirmation statement of each transaction effected in the Account after such transaction is effected, and

4. honor only the instructions or entitlement orders (within the meaning of Section 8-102 of the UCC (as defined below) (the "*Entitlement Orders*") in regard to or in connection with the Account given by the First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent), except as provided in the following sentence. Until such time as the First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) gives a written notice in the form of Exhibit A hereto (a "*Notice of Control*") to the Approved Securities Intermediary that the Pledgor's rights under this sentence have been terminated (on which notice the Approved Securities Intermediary may rely exclusively), the Pledgor may (a) exercise any voting right that it may have with respect to any Asset, (b) give Entitlement Orders and otherwise give instructions to enter into purchase or sale transactions in the Account and (c) withdraw and receive for its own use all regularly scheduled interest and dividends paid with respect to the Assets and all cash proceeds of any sale of Assets ("*Permitted Withdrawals*"); *provided, however*, that, unless the First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) has consented to the specific transaction, the Pledgor shall not instruct the Approved Securities Intermediary to deliver and, except as may be required by law or by court order, the Approved Securities Intermediary shall not deliver, cash, securities, or proceeds from the sale of, or distributions on, such securities out of the Account to the Pledgor or to any other person or entity other than Permitted Withdrawals.

By its signature below, the Approved Securities Intermediary agrees to comply with the Entitlement Orders and instructions of the First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) (including, without limitation, any instruction with respect to sales, trades, transfers and withdrawals of cash or other of the Assets) without the further consent of the Pledgor or any other person (it being understood and agreed by the Pledgor that the Approved Securities Intermediary shall have no duty or obligation whatsoever to have knowledge of the terms of either Security Agreement or to determine whether or not an event of default exists thereunder). The Pledgor hereby agrees to indemnify and hold harmless the Approved Securities Intermediary, its affiliates, officers and employees from and against all claims, causes of action, liabilities, lawsuits, demands and damages, including, without limitation, all court costs and reasonable attorney's fees, that may result by reason of the Approved Securities Intermediary complying with such instructions of any Agent

The First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) shall confirm oral instructions hereunder in writing to the Approved Securities Intermediary within five days after such oral instructions are given

Except with respect to the obligations and duties as set forth herein, this letter agreement shall not impose or create any obligation or duty upon the Approved Securities Intermediary greater than or in addition to the customary and usual obligations and duties of the Approved Securities Intermediary to the Pledgor

As long as the Assets are pledged to each Agent, (i) the Approved Securities Intermediary shall not invade the Assets to cover margin debits or calls in any other account of the Pledgor and (ii) the Approved Securities Intermediary agrees that, except for liens resulting from customary commissions, fees, or charges based upon transactions in the Account, it subordinates in favor of each Agent any security interest, lien or right of setoff the Approved Securities Intermediary may have The Approved Securities Intermediary acknowledges that it has not received notice of any other security interest in the Account or the Assets. In the event any such notice is received, the Approved Securities Intermediary shall promptly notify each Agent. The Pledgor represents that the Assets are free and clear of any lien or encumbrance other than the liens created pursuant to each Security Agreement and agrees that no other lien or encumbrance shall be placed by it on the Assets without the express written consent of each Agent and the Approved Securities Intermediary.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and it and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, and the law of the Approved Securities Intermediary's jurisdiction for the purposes of Section 8-110 of the Uniform Commercial Code in effect in the State of Delaware (the "*UCC*") shall be, the law of the State of Delaware.

The Approved Securities Intermediary shall treat all property at any time held by the Approved Securities Intermediary in the Account as Financial Assets within the meaning of the UCC. The Approved Securities Intermediary acknowledges that this letter agreement constitutes written notification to the Approved Securities Intermediary, pursuant to the UCC and any applicable federal regulations for the Federal Reserve Book Entry System, of each Agent's security interest in the Assets The Pledgor, each Agent and the Approved Securities Intermediary are entering into this letter agreement to provide for the First Lien Collateral Agent's and the Second Lien Collateral Agent's control of the Assets and to confirm the priority of each Agent's security interest in the Assets.

If any term or provision of this letter agreement is determined to be invalid or unenforceable, the remainder of this letter agreement shall be construed in all respects as if the invalid or unenforceable term or provision were omitted This Agreement may not be altered or amended in any manner without the express written consent of the Pledgor, each Agent and the Approved Securities Intermediary. This Agreement may be executed in any number of counterparts, all of which shall constitute one original agreement

The Pledgor hereby agrees to indemnify and hold you, your directors, officers, agents and employees harmless against all claims, causes of action, liabilities, lawsuits, demands and damages, including, without limitation, all court costs and reasonable attorney fees, in each case in any way related to or arising out of or in connection with this letter agreement or any action taken or not taken pursuant hereto, except to the extent caused by your gross negligence or willful misconduct

This Agreement may be terminated by the Approved Securities Intermediary upon 30 day's prior written notice to the Pledgor and each Agent. Upon such termination, the Approved Securities Intermediary shall be under no further obligation except to hold the Assets in accordance with the terms of this letter agreement, pending receipt of written instructions from the First Lien Collateral Agent (or, after the Approved Securities Intermediary has received a Notice of Termination of First Lien Pledge and Security Agreement from the First Lien Collateral Agent, the Second Lien Collateral Agent) regarding the further disposition of the Assets. Each Agent may terminate this letter agreement with respect to such Agent upon 10 days' prior written notice to you and the Pledgor

The Pledgor acknowledges that this letter agreement supplements any existing agreement of the Pledgor with the Approved Securities Intermediary and, except as expressly provided herein, is in no way intended to abridge any right that the Approved Securities Intermediary might otherwise have.

Notwithstanding anything herein to the contrary, as between the First Lien Collateral Agent and the Second Lien Collateral Agent, the lien and security interest granted to the Second Lien Collateral Agent in the Assets and the exercise of any right or remedy by the Second Lien Collateral Agent hereunder shall be subject to the Intercreditor Agreement (as defined in the Second Lien Pledge and Security Agreement) In the event of any conflict between the terms of the Intercreditor Agreement and this letter agreement with respect to the Assets, the terms of the Intercreditor Agreement shall govern and control

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Pledgor and each Agent have caused this Agreement to be executed by their duly authorized officers all as of the date first above written

[NAME OF PLEDGOR]

By: _____
Name.
Title

CREDIT SUISSE,
acting through one or more of its branches,
as First Lien Collateral Agent

By. _____
Name.
Title:
Address

CREDIT SUISSE,
acting through one or more of its branches,
as Second Lien Collateral Agent

By _____
Name
Title:
Address:

ACCEPTED AND AGREED
as of the date first above written

[APPROVED FINANCIAL INTERMEDIARY]

By _____
Name
Title:

SCHEDULE A
TO
SECURITIES ACCOUNT CONTROL AGREEMENT

PLEDGED COLLATERAL ACCOUNT NUMBER: _____

EXHIBIT A
TO
SECURITIES ACCOUNT CONTROL AGREEMENT

Form of Collateral Agent Notice of Control

[Securities Intermediary]
[Address]

Re: Account No _____ (the "*Account*")

Ladies and Gentlemen

Reference is made to the Account and that certain Securities Account Control Agreement dated _____ __, 20__ among you, Credit Suisse ("*CSFB*"), acting through one or more of its branches, as Collateral Agent (the "*First Lien Collateral Agent*"), CSFB, acting through one or more of its branches, as Collateral Agent (the "*Second Lien Collateral Agent*"), and [_____ (the "*Pledgor*")] (such agreement, the "*Securities Account Control Agreement*") Capitalized terms used herein shall have the meanings given to them in the Securities Account Control Agreement

The [First Lien Collateral Agent][Second Lien Collateral Agent] hereby notifies you that, from and after the date of this notice, the Pledgor's rights to give Entitlement Orders with respect to the Account and the other rights afforded to the Pledgor under paragraph 4 of the Securities Account Control Agreement are terminated From and after the delivery of this notice to you, you shall honor only the Entitlement Orders in regard to or in connection with the Account and/or the financial assets contained therein given by the [First Lien Collateral Agent][Second Lien Collateral Agent]

Very truly yours,

CREDIT SUISSE,
acting through one or more of its branches,
[as First Lien Collateral Agent]
[as Second Lien Collateral Agent]

By _____
Name
Title

EXHIBIT B
TO
SECURITIES ACCOUNT CONTROL AGREEMENT

Form of Notice of Termination of First Lien Pledge and Security Agreement

[Name of Approved Securities Intermediary]
[Address]

Re Account No _____ (the "*Account*")

Ladies and Gentlemen:

Reference is made to the Account and that certain Securities Account Control Agreement dated _____ __, 20__ (the "*Securities Account Control Agreement*") among you, Credit Suisse acting through one or more of its branches ("*CSFB*"), as First Lien Collateral Agent and Second Lien Collateral Agent (as such terms are defined in the Deposit Account Control Agreement), and Knology, Inc (the "*Securities Account Control Agreement*"). Capitalized terms used herein shall have the meanings given to them in the Securities Account Control Agreement

The First Lien Collateral Agent hereby notifies you that the First Lien Security Agreement has been terminated

Very truly yours,

CREDIT SUISSE,
acting through one or more of its branches,
as First Lien Collateral Agent

By: _____
Name
Title.

ANNEX 3
TO
PLEDGE AND SECURITY AGREEMENT

FORM OF PLEDGE AMENDMENT

This **PLEDGE AMENDMENT**, dated as of _____ __, 20__, is delivered pursuant to *Section 4 4(a) (Pledged Collateral)* of the Pledge and Security Agreement, dated as of June __, 2005, by Knology, Inc. (the "*Borrower*"), the [undersigned Grantor and the other] Subsidiaries of the Borrower from time to time party thereto as Grantors in favor of Credit Suisse ("*CSFB*"), acting through one or more of its branches, as agent for the Secured Parties referred to therein (the "*Pledge and Security Agreement*") and the undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge and Security Agreement and that the Pledged Collateral listed on this Pledge Amendment shall be and become part of the Collateral referred to in the Pledge and Security Agreement and shall secure all Secured Obligations of the undersigned Capitalized terms used herein but not defined herein are used herein with the meaning given them in the Pledge and Security Agreement

[GRANTOR]

By: _____
Name
Title

Pledged Stock

ISSUER	CLASS	CERTIFICATE NO(S)	PAR VALUE	NUMBER OF SHARES, UNITS OR INTERESTS

Pledged Debt Instruments

ISSUER	DESCRIPTION OF DEBT	CERTIFICATE NO(S)	FINAL MATURITY	PRINCIPAL AMOUNT

ACKNOWLEDGED AND AGREED
as of the date first above written.

CREDIT SUISSE,
acting through one or more of its branches,
as Collateral Agent

By. _____
Name:
Title:

ANNEX 4
TO
PLEDGE AND SECURITY AGREEMENT

FORM OF JOINDER AGREEMENT

This **JOINDER AGREEMENT**, dated as of _____ __, 20__, is delivered pursuant to *Section 7 10 (Additional Grantors)* of the Pledge and Security Agreement, dated as of June __, 2005, by Knology, Inc. (the "*Borrower*") and the Subsidiaries of the Borrower listed on the signature pages thereof in favor of the Credit Suisse ("*CSFB*"), acting through one or more of its branches, as agent for the Secured Parties referred to therein (the "*Pledge and Security Agreement*") Capitalized terms used herein but not defined herein are used with the meanings given them in the Pledge and Security Agreement

By executing and delivering this Joinder Agreement, the undersigned, as provided in *Section 7 10 (Additional Grantors)* of the Pledge and Security Agreement, hereby becomes a party to the Pledge and Security Agreement as a Grantor thereunder with the same force and effect as if originally named as a Grantor therein and, without limiting the generality of the foregoing, hereby grants to the Collateral Agent, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of the undersigned, hereby collaterally assigns, mortgages, pledges and hypothecates to the Collateral Agent and grants to the Collateral Agent a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral of the undersigned and expressly assumes all obligations and liabilities of a Grantor thereunder.

The information set forth in *Annex 1-A* is hereby added to the information set forth in *Schedules 1* through *6* to the Pledge and Security Agreement [By acknowledging and agreeing to this Joinder Agreement, the undersigned hereby agree that this Joinder Agreement may be attached to the Pledge and Security Agreement and that the Pledged Collateral listed on *Annex 1-A* to this Pledge Amendment shall be and become part of the Collateral referred to in the Pledge and Security Agreement and shall secure all Secured Obligations of the undersigned.][1]

The undersigned hereby represents and warrants that each of the representations and warranties contained in *Article III* (*Representations and Warranties*) of the Pledge and Security Agreement applicable to it is true and correct on and as the date hereof as if made on and as of such date.

IN WITNESS WHEREOF, the undersigned has caused this Joinder Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GRANTOR]

By. _____
Name
Title:

[1] Insert to pledge Stock of the new Subsidiary without doing a Pledge Amendment

ACKNOWLEDGED AND AGREED
as of the date first above written

[EACH GRANTOR PLEDGING
ADDITIONAL COLLATERAL]

By. _____
Name:
Title:

CREDIT SUISSE,
acting through one or more of its branches,
as Collateral Agent

By: _____
Name
Title:

ANNEX 5
TO
PLEDGE AND SECURITY AGREEMENT

FORM OF SHORT FORM INTELLECTUAL PROPERTY SECURITY AGREEMENT

TRADEMARK SECURITY AGREEMENT, dated as of _____ __, 20__, by each of the entities listed on the signature pages hereof [or that becomes a party hereto pursuant to *Section 7.1 (Additional Grantors)* of the Security Agreement referred to below] (each a "*Grantor*" and, collectively, the "*Grantors*"), in favor of Credit Suisse ("*CSFB*"), acting through one or more of its branches, as agent for the Secured Parties (as defined in the Credit Agreement referred to below) (in such capacity, the "*Collateral Agent*").

WITNESSETH:

WHEREAS, pursuant to the First Lien Credit Agreement, dated as of June __, 20__ (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among Knology, Inc (the "*Borrower*"), the Lenders and Issuers party thereto and CSFB, acting through one or more of its branches, as Administrative Agent and Collateral Agent for the Lenders and Issuers, the Lenders and the Issuers have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Grantors other than the Borrower are party to the Guaranty pursuant to which they have guaranteed the Obligations, and

WHEREAS, all the Grantors are party to a Pledge and Security Agreement of even date herewith in favor of the Collateral Agent (the "*Security Agreement*") pursuant to which the Grantors are required to execute and deliver this Trademark Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Lenders, the Issuers and the Collateral Agent to enter into the Credit Agreement and to induce the Lenders and the Issuers to make their respective extensions of credit to the Borrower thereunder, each Grantor hereby agrees with the Collateral Agent as follows:

Section 1. Defined Terms

Unless otherwise defined herein, terms defined in the Credit Agreement or in the Security Agreement and used herein have the meaning given to them in the Credit Agreement or the Security Agreement.

Section 2. Grant of Security Interest in Trademark Collateral

Each Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations of such Grantor, hereby mortgages, pledges and hypothecates to the Collateral Agent for the benefit of the Secured Parties, and grants to the Collateral Agent for the benefit of the Secured Parties a lien on and security interest in, all of its right, title and interest in, to and under the following Collateral of such Grantor (the "*Trademark Collateral*").

(a) all of its Trademarks and Trademark Licenses to which it is a party, including, without limitation, those referred to on *Schedule I* hereto;

(b) all goodwill of the business connected with the use of, and symbolized by, each Trademark, and

(c) all Proceeds of the foregoing, including, without limitation, any claim by Grantor against third parties for past, present, future (i) infringement or dilution of any Trademark or Trademark licensed under any Trademark License or (ii) injury to the goodwill associated with any Trademark or any Trademark licensed under any Trademark License

Section 3. Security Agreement

The security interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interest granted to the Collateral Agent pursuant to the Security Agreement and each Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized offer as of the date first set forth above

Very truly yours,

[_____],
as Grantor

By _____
Name:
Title

ACCEPTED AND AGREED
as of the date first above written:

CREDIT SUISSE,
acting through one or more of its branches,
as Collateral Agent

By: _____
Name:
Title:

SCHEDULE I
TO
TRADEMARK SECURITY AGREEMENT

Trademark Registrations

INCLUDE ONLY U.S. REGISTERED INTELLECTUAL PROPERTY

A REGISTERED TRADEMARKS

B. TRADEMARK APPLICATIONS

C. TRADEMARK LICENSES

[Include complete legal description of agreement (name of agreement, parties and date)]

EXHIBIT "B"

FINANCIAL STATEMENTS OF PARENT

The audited consolidated balance sheet of Parent and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended December 31, 2004, are attached hereto.

FORM 10-K

KNOLOGY INC - KNOL

Filed: March 31, 2005 (period: December 31, 2004)

Annual report which provides a comprehensive overview of the company for the past year

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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, 2004

COMMISSION FILE NUMBER 000-32647

KNOLOGY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	58-2424258
(State or other jurisdiction of incorporation or organization)	(I R S Employer Identification No)
KNOLOGY, INC 1241 O G SKINNER DRIVE WEST POINT, GEORGIA	31833
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (706) 645-8553

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock
Options to Purchase Shares of Common Stock

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 this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes ☐ No ☑

The aggregate market value of the outstanding common equity held by non-affiliates of the registrant at June 30, 2004, was approximately $66 2 million, computed based on the closing sale price as quoted on the Nasdaq National Market on that date

As of January 31, 2005, we had 23,697,787 shares of common stock outstanding

DOCUMENTS INCORPORATED BY REFERENCE:

Parts of the registrant's proxy statement on Schedule 14A for its 2005 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K

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EX-32.1 SECTION 906 CERTIFICATION OF THE CEO
EX-32.2 SECTION 906 CERTIFICATION OF THE CFO

THIS ANNUAL REPORT ON FORM 10-K INCLUDES FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS, INCLUDING THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, THAT INVOLVE RISKS AND UNCERTAINTIES IN ADDITION, MEMBERS OF OUR SENIOR MANAGEMENT MAY, FROM TIME TO TIME, MAKE CERTAIN FORWARD-LOOKING STATEMENTS CONCERNING OUR OPERATIONS, PERFORMANCE AND OTHER DEVELOPMENTS OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN SUCH FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS, INCLUDING THOSE SET FORTH IN ITEM 1 OF PART I UNDER THE CAPTION "BUSINESS—RISK FACTORS" AND ELSEWHERE IN THIS ANNUAL REPORT ON FORM 10-K, AS WELL AS FACTORS WHICH MAY BE IDENTIFIED FROM TIME TO TIME IN OUR OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION OR IN THE DOCUMENTS WHERE SUCH FORWARD-LOOKING STATEMENTS APPEAR

PART I

For convenience in this annual report, "Knology," "we," "us," and "the Company" refer to Knology, Inc and our consolidated subsidiaries, taken as a whole

ITEM 1. BUSINESS

We are a fully integrated provider of video, voice, data and advanced communications services to residential and business customers in nine markets in the southeastern United States As of and for the year ended December 31, 2004, we had approximately 398,000 total connections, our revenues were $211 5 million and we had a net loss of $75 6 million Video, voice and data revenues accounted for approximately 46%, 34% and 20%, respectively, of our consolidated revenues for the year ended December 31, 2004

We provide our services over our wholly owned, fully upgraded 750 MHz interactive broadband network As of December 31, 2004, our network passed approximately 756,000 marketable homes Our network is designed with sufficient capacity to meet the growing demand for high-speed and high-bandwidth video, voice and data services, as well as the introduction of new communications services

We have operating experience in marketing, selling, provisioning, servicing and operating video, voice and data systems and services We have delivered a bundled service offering for seven years, and we are supported by a management team with decades of experience operating video, voice and data networks We provide a full suite of video, voice and data services in Huntsville and Montgomery, Alabama, Panama City and portions of Pinellas County, Florida, Augusta, Columbus and West Point, Georgia, Charleston, South Carolina, and Knoxville, Tennessee We began offering our bundled service package in Pinellas County, Florida during 2004 on a limited basis We plan to complete the enhancement of our network assets in Pinellas County making the bundle offering available to all of our marketable passings

We also provide video services in Cerritos, California, but do not currently intend to upgrade or enhance this network to provide additional services We have previously announced our intention to sell our Cerritos, California operations, which we acquired as part of the Verizon Media acquisition described below, but there can be no assurance that we will be able to do so on terms that are attractive to us

We have built our company through

- acquisitions of other cable companies, networks and franchises,
- upgrades of acquired networks to introduce expanded broadband services, including bundled voice and data services;
- construction and expansion of our broadband network to offer integrated video, voice and data services, and
- organic growth of connections through increased penetration of services to new marketable homes and our existing customer base, along with new service offerings

On December 23, 2003, we completed a public offering of our common stock Including the shares issued on January 13, 2004, pursuant to the exercise of the underwriters' over-allotment option, we issued approximately 6 9 million shares at a per share price to the public of $9 00, and our net proceeds were approximately $56 3 million

In December 2003, we completed the acquisition from Verizon Media Ventures Inc , a wholly owned subsidiary of Verizon Communications Inc , of substantially all of the assets of the cable systems in Pinellas County, Florida and Cerritos, California operated by Verizon Media, including all franchises, leases for real property, customer agreements, accounts receivable, prepaid expenses, inventory and equipment We also licensed certain intellectual property related to each network and assumed liabilities

under acquired contracts, certain current liabilities and certain operating liabilities to the extent they related to the acquired network assets

We paid Verizon Media an aggregate of approximately $17.0 million in cash, which was funded with the net proceeds of our common stock offering In connection with the completion of this acquisition, we also issued to a prior prospective purchaser and certain of its employees warrants to purchase one million shares of our common stock with an exercise price of $9 00 per share in exchange for the release of the prospective purchaser's exclusivity rights with Verizon Media

In March 2005, we entered into a definitive asset purchase agreement to sell our cable assets located in Cerritos, California to WaveDivision Holdings, LLC for $10 0 million in cash, subject to customary closing adjustments We expect the sale of the Cerritos system to close in the third quarter of 2005, subject to the satisfaction of closing conditions, including receipt of regulatory approvals with respect to the municipal franchise in Cerritos, California However, there can be no assurance that we will complete the sale of the Cerritos cable system or we may not complete the sale in a timely manner In the event the purchaser does not receive necessary regulatory or other approvals or the other conditions to closing are not satisfied, the sale will not be completed

Our Industry

In recent years, regulatory developments and advances in technology have substantially altered the competitive dynamics of the communications industry and blurred the lines among traditional video, voice and data providers The Telecommunications Act of 1996 and its implementation through FCC regulation have encouraged competition in these markets Advances in technology have made the transmission of video, voice and data on a single platform feasible and economical Communications providers seek to bundle products to leverage their significant capital investments, protect market share in their core service offerings from new sources of competition, and achieve operating efficiencies by providing more than one service over their networks at lower incremental costs while increasing revenue from the existing customer base

Incumbent cable operators are working to expand their core services to begin offering a bundled package of services Many of the cable operators' bundling strategies include the provision of Internet based voice services for their customers Most of the major providers have announced plans to roll out Voice over Internet Protocol ("VoIP") services in the next few years Some operators have circuit-switched networks in some of their markets that are capable of offering voice services According to the NCTA, as of December 31, 2004, there were approximately 3 million cable voice customers in the United States However, most cable providers will need to incur additional capital costs to upgrade their existing networks for voice capability In addition, they will need to devote and develop significant management resources for the deployment of voice services on a large scale

We believe the future of the industry will include a broader competitive landscape in which communications providers will offer bundled video, voice and data services and compete with each other based on scope and depth of the service offering, pricing and convenience While many competitors have begun to offer bundled services in response to these industry factors, few have been able to offer a full suite of services on a large scale

Our Strategy

Our goal is to be the leading provider of integrated broadband communications services to residential and business customers in our target markets and to fully leverage the capacity and capability of our interactive broadband network The key components of our strategy include

- ***Focus on offering fully integrated bundles of video, voice and data services.*** We provide video, voice and data services over our broadband network and promote the adoption of these services by new and existing customers in bundled offerings Bundling is central to our operating strategy and provides us with meaningful revenue opportunities, enables us to increase penetration and operating efficiencies, facilitates customer service, and reduces customer acquisition and installation costs We believe that offering our customers a bundle of video, voice and data services allows us to maximize the revenue generating capability of our network, increase revenue per customer, provide greater pricing flexibility and promote customer retention

  Leverage our broadband network to provide new services. We built our high-capacity, interactive broadband network with fiber optics as close to the customer as economically feasible We have completed our network upgrade in all of our current markets (with the exception of Cerritos, CA), which enables us to provide at least 750 MHz of capacity and two-way capability to all of our homes passed in these markets We have invested in advanced technology platforms that support advanced communications services and multiple emerging interactive services such as video-on-demand, subscriber video-on-demand, digital video recorder, interactive television, high-definition television, Internet Protocol Centrex services and passive optical network services in those markets We have begun to enhance our network assets in Pinellas County, Florida to provide voice services and started offering these services in late 2004

- ***Deliver industry-leading customer service.*** Outstanding customer service is a critical element of our operating philosophy Through our call center, which we operate 24 hours a day, seven days a week, we deliver personalized and

responsive customer care that promotes customer loyalty. Through our network operations center, we monitor and evaluate network performance and quality of service. Our philosophy is to be proactive in retaining customers rather than reactive, and we strive to resolve service delivery problems prior to the customer becoming aware of them. As we own our network and actively monitor our digital services from a centralized location to the customer premises, we have greater control over the quality of the services we deliver to our customers and, as a result, the overall customer experience. We have introduced a new enterprise management system that enhances our service capability by providing us with a single platform for sales, provisioning, customer care, trouble ticketing, credit control, scheduling and dispatch of service calls, as well as providing our customers with a single bill for all services.

- ***Pursue expansion opportunities.*** We have a history of acquiring, integrating, upgrading and expanding systems, enabling us to offer bundled video, voice and data services and increasing our revenue opportunity, penetration and operating efficiency. To augment our organic growth, we will pursue value-enhancing expansion opportunities meeting our previously described target market criteria that allow us to leverage our experience as a bundled broadband provider and endorse our operating philosophy of delivering profitable growth. These opportunities include acquisitions and edge-out expansion in new or existing markets. We will continue to evaluate growth opportunities based on targeted return requirements.

Our Interactive Broadband Network

Our network is critical to the implementation of our operating strategy, allowing us to offer bundled video, voice and data services to our customers in an efficient manner and with a high level of service. In addition to providing high capacity and scalability, our network has been specifically engineered to have increased reliability, including features such as:

- redundant fiber routing and uses SONET protocol which enables the rapid, automatic redirection of network traffic in the event of a fiber cut,
- back-up power supplies in our network which ensure continuity of our service in the event of a power outage, and
- network monitoring to the customer premises for all digital video, voice and data services.

Technical overview

Our interactive broadband network consists of fiber-optic cable, coaxial cable and copper wire. Fiber-optic cable is a communications medium that uses hair-thin glass fibers to transmit signals over long distances with minimum signal loss or distortion. In most of our network, our system's main high capacity fiber-optic cables connect to multiple nodes throughout a network. These nodes are connected to individual homes and buildings by coaxial cable and are shared by a number of customers, generally 500 homes. We have sufficient fibers in our cables to further subdivide our nodes to 125 homes if growth so dictates. Our network has excellent broadband frequency characteristics and physical durability, which is conducive to providing video and data transmission and telephone service.

As of December 31, 2004, our network consisted of approximately 10,300 miles of network and passed approximately 756,000 marketable homes and serving approximately 398,000 connections. Our interactive broadband network is designed using redundant fiber-optic cables. Our fiber rings are "self-healing," which means that they provide for the very rapid, automatic redirection of network traffic so that if there is a single point of failure on a fiber ring, our service will continue. By comparison, most traditional cable television systems do not have redundant architectures.

We provide power to our systems from locations along each network called hub sites, each of which is equipped with a generator and battery back-up power source to allow service to continue during a power outage. Additionally, individual nodes that are served by hubs are equipped with back-up power. Our redundant fiber-optic cables and network powering systems allow us to provide circuit-based voice services consistent with industry reliability standards for traditional telephone systems.

We monitor our network 24 hours a day, seven days a week from our network operations center in West Point, Georgia. Technicians in each of our service areas schedule and perform installations and repairs and monitor the performance of our interactive broadband network. We actively maintain the quality of our network to minimize service interruptions and extend the network's operational life.

Video

We offer video services over our network in the same way that traditional cable companies provide cable TV service. Our network is designed for an analog and digital two-way interactive transmission with fiber-optic cable carrying signals from the headend to the distribution point within our customers' neighborhoods, where the signals are transferred to our coaxial cable network for delivery to our customers.

Voice

We offer telephone service over our broadband network in much the same way local phone companies provide service We install a network interface box outside a customer's home to provide dial tone service Our network interconnects with those of other local phone companies We provide long-distance service using leased facilities from other telecommunications service providers We have two Class 5, full-featured Nortel DMS 500 switches located in West Point, Georgia and nearby Huguley, Alabama that direct all of our voice traffic and allow us to provide enhanced custom calling services including call waiting, call forwarding and three-way calling We also operate a telephone system in Valley, Alabama and West Point, Georgia, where we are the rural incumbent telephone company

Data

We provide Internet access using high-speed cable modems in much the same way customers currently receive Internet services over modems linked to the local telephone network The cable modems we presently use are significantly faster than dial-up modems generally in use today Our customers' Internet connections are always on, and there is no need to dial-up for access to the Internet or wait to connect through a port leased by an Internet service provider We provide our customers with a high level of data transfer rates through multiple peering arrangements with tier-one Internet facility providers

Our Bundled Service Offering

We offer a complete solution of video, voice and data services in all of our markets, except for Cerritos, CA We have begun enhancing our network assets in Pinellas County, Florida that we acquired from Verizon Media to provide voice services and offer these services to a portion of the market

We offer a broad range of service bundles designed to address the varying needs and interests of existing and potential customers We sell individual services at prices competitive to those of the incumbent providers, but attractively price additional services from our bundle Bundling our services enables us to increase penetration and operating efficiencies, facilitate customer service, reduce customer acquisition and installation costs, and increase customer retention

Our bundled strategy means that we may deliver more than one service to each customer, and therefore we report an aggregate number of connections for video, voice and data services For example, a single customer who purchases local video, voice and data services would count as three connections

Video services

We offer our customers a full array of video services and programming choices Customers generally pay initial connection charges and fixed monthly fees for video service As of December 31, 2004, we provided video services to 177,323 customers As of December 31, 2004, 31% of our video customers subscribed for digital video We offer only analog video service in Cerritos, California and do not intend to upgrade that network to provide digital video services or other enhanced services

Our analog video service offering comprises the following

- ***Basic Service:*** All of our video customers receive a package of basic programming, which generally consists of local broadcast television and local community programming, including public, government and educational access channels

- ***Expanded Basic Service:*** This expanded programming level includes approximately 190 channels of satellite-delivered or non-broadcast channels, such as ESPN, MTV, USA, CNN, The Discovery Channel, Nickelodeon and various home shopping networks

- ***Premium Channels:*** These channels provide commercial-free movies, sports and other special event entertainment programming, such as HBO, Showtime and Cinemax and are available through our expanded basic and digital tiers of services

Our platform enables us to provide an attractive service offering of extensive programming as well as interactive services Our digital video service consists of approximately 190 digital channels of programming, including our expanded basic cable service We have recently introduced new service offerings to strengthen our competitive position and generate additional revenues, including video-on-demand and subscriber video-on-demand Video-on-demand permits customers to order movies and other programming on demand with VCR-like functions for a fee-per-viewing basis Subscriber video-on-demand is a similar service that has specific content available from our premium channel offerings for an incremental charge

Voice services

Our voice services include local and long-distance telephone services Our telephone packages can be customized to include different options of the following core services

- local area calling plans,
- flat-rate local and long-distance plans,
- a variety of calling features, and
- measured and fixed rate toll packages based on usage

For local service, our customers pay a fixed monthly rate, plus additional charges per month for custom and advanced calling features such as call waiting, caller ID and voicemail We provide other telephone features for an additional charge We also offer off-net voice services to a small number of customers through an arrangement with a local utility provider in Newnan, Georgia

Data services

We offer tiered data services to both residential and business customers that include high-speed connections to the Internet using cable modems Because a customer's Internet service is offered over the existing cable connection in the home, no second phone line is required and there is no disruption of service when the phone rings or when the television is on We offer IntroNet, a high speed service aimed at first-time or dial-up Internet users IntroNet is available at speeds of 256k which is faster than traditional dial-up, but slower than our typical high-speed service, and priced at a discount to our faster product. The IntroNet product has been successful in capturing additional market share for us and providing a customer base to which higher speed data services may be marketed Our data packages generally include the following

- speed up to three megabits per second,
- specialized technical support 24 hours a day, seven days a week,
- access to exclusive local content, weather, national news, sports and financial reports,
- value-added features such as e-mail accounts, on-line storage, spam protection and parental controls, and
- a DOCSIS-compliant modem installed by a trained professional

Business services

Our broadband network also supports services to business customers, and accordingly, we have developed a full suite of products for small, medium and large enterprises We offer the traditional bundled product offering to these business customers We also have developed new products to meet the more complex voice and data needs of the larger business sector We offer passive optical network service, which enables our customers to have T-1 voice services and data speeds of up to 100 megabits per second on our fiber network We have introduced our Matrix product offering, which can replace customers' aging, low functionality PBX products with an IP Centrex voice and data service that offers more flexible features at a lower cost In addition, we offer a virtual private network service to provide businesses with multiple sites the ability to exchange information privately among their locations over our network We serve our business customers from locally based business offices with customer service and network support 24 hours a day, seven days a week

Broadband carrier services

We use extra, unused capacity on our network to offer wholesale services to other local and long distance telephone companies, Internet service providers and other integrated services providers We call these services our broadband carrier services While this is not a part of our core strategy, we believe our interactive broadband network offers other service providers a reliable and cost competitive alternative to other telecommunications service providers

Customer Service and Billing

Customer service

Customer service is an essential element of our operations and marketing strategy, and we believe our quality of service and responsiveness differentiates us from many of our competitors A significant number of our employees are dedicated to customer service activities, including

- sales and service upgrades,
- customer activations and provisioning,
- service issue resolutions, and
- administration of our customer satisfaction programs

We provide customer service 24 hours a day, seven days a week Our representatives are cross–trained to handle customer service transactions for all of our products and currently exceed the industry standards for call answer times We operate a centralized customer call center in Augusta, Georgia, which handles all customer service transactions In addition, we provide our business customers with local customer service, which we believe improves our responsiveness to customer needs and distinguishes our product in the market We believe it is a competitive advantage to provide our customers with the convenience of a single point of contact for all customer service issues for our video, voice and data service offerings and is consistent with our bundling strategy

We monitor our network 24 hours a day, seven days a week. Through our network operations center, we monitor our digital video, voice and data services to the customer level and our analog video services to the node level We strive to resolve service delivery problems prior to the customer being aware of any service interruptions

Billing

We are an early adopter of a single billing platform for video, voice and data services, which is part of an enterprise management system that we have implemented system wide This system, which was developed to our specifications, enables us to send a single bill to our customers for video, voice and data services

Sales and Marketing

We believe that we are the first provider of a bundled video, voice and data communications service package in our current markets Our sales and marketing materials emphasize the convenience, savings and improved service that can be obtained by subscribing to bundled services

We position ourselves as the local provider of choice in our markets, with a strong local customer interface and community presence, while simultaneously taking advantage of economies of scale from centralization of certain marketing functions

We have a sales staff in each of our markets including managers and direct sales teams for both residential and business services Our standard residential team consists of direct sales, outbound sales, and front counter sales as well as support personnel Our business services sales team consists of our account executives, specialized business installation coordinators and dedicated installation service teams Our call center sales team handles all inbound telemarketing sales

Our sales team is cross–trained on all our products to support our bundling strategy Our sales team is compensated based on connections and is therefore motivated to sell more than one product to each customer Our marketing and advertising strategy is to target bundled service prospects utilizing a broad mix of media tactics including broadcast television, cross channel cable spots, radio, newspaper, outdoor space, Internet and direct mail We have utilized database–marketing techniques to shape our offers, segment and target our prospect base to increase response and reduce acquisition costs

We have implemented several retention and customer referral tactics including customer newsletters, personalized e–mail communications and loyalty programs These programs are designed to increase loyalty, retention and up sell among our current base of customers

Pricing for Our Products and Services

We attractively price our services to promote sales of bundled packages We offer bundles of two or more services with tiered features and prices to meet the demands of a variety of customers We also sell individual services at prices competitive to those of the incumbent providers An installation fee, which is often waived during certain promotional periods for a bundled installation, is charged to new and reconnected customers We charge monthly fees for cable customer premise equipment

Programming

We purchase our programming directly from the program networks by entering into affiliation agreements with the programming suppliers We also benefit from our membership with the National Cable Television Cooperative, which enables us to take advantage of volume discounts As of December 31, 2004, approximately 68% of our programming is sourced from the cooperative which also handles our contracting and billing arrangements on this programming

Markets

Current Markets

We currently serve the following markets with our interactive broadband network

Year Added	Source	Market	Total Homes In Franchise Area	Year Services First Offered By Knology		
				Video	Voice	Data
1995	Acquired	Montgomery, AL	94,000	1995	1997	1997
1995	Acquired	Columbus, GA	62,000	1995	1998	1998
1997	Acquired	Panama City, FL	66,000	1997	1998	1998
1998	Acquired	Huntsville, AL	80,000	1998	1999	1999
1998	Built	Charleston, SC	140,000	1998	1998	1998
1998	Built	Augusta, GA	96,000	1998	1998	1998
1999	Acquired	West Point, GA	12,000	1999	1999	1999
2000	Built	Knoxville, TN	95,000	2001	2001	2001
2003	Acquired	Cerritos, CA	15,000	2003	—	—
2003	Acquired	Pinellas, FL	415,000	2003	2004	2003

New Markets

We plan to evaluate expansion of our operations to southeastern or other markets that have the size, market conditions, demographics and geographical location suitable for our business strategy We plan to evaluate target cities that have the following characteristics, among others

- targeted return requirements,
- an average of at least 70 homes per mile,
- competitive dynamics that allow us to be the leading provider of integrated video, voice and data services, and
- conditions that will afford us the opportunity to capture a substantial number of customers

Competition

We compete with a variety of communications companies because of the broad number of video, voice and data services we offer Competition is based on service, content, reliability, bundling, value, and convenience Virtually all markets for video, voice and data services are extremely competitive, and we expect that competition will intensify in the future Our competitors are often larger, better-financed companies with greater access to capital resources These incumbents presently have numerous advantages as a result of their historic monopolistic control of their respective markets, economies of scale and scope, and control of limited conduit relationships

Video services

Cable television providers. Cable television systems are operated under non-exclusive franchises granted by local authorities, which may result in more than one cable operator providing video services in a particular market Other cable television operations exist in each of our current markets, and many of those operations have long-standing customer relationships with the residents in those markets Our competitors currently include Bright House, Charter, Comcast, Mediacom and Time Warner We also encounter competition from direct broadcast satellite systems, including DirecTV and Echostar, that transmit signals to small dish antennas owned by the end-user

According to industry sources, satellite television providers presently serve approximately 19 7% of pay television customers in the United States, however, the satellite provider penetration in our markets is substantially less Competition from direct broadcast satellites could become significant as developments in technology increase satellite transmitter power and decrease the cost and size of equipment Additionally, providers of direct broadcast satellites are not required to obtain local franchises or pay franchise fees The Intellectual Property and Communications Omnibus Reform Act of 1999 permits satellite carriers to carry local television broadcast stations and is expected to enhance satellite carriers' ability to compete with us for customers As a result, we expect competition from these companies to increase

Other television providers. Cable television distributors may, in some markets, compete for customers with other video programming distributors and other providers of entertainment, news and information Alternative methods of distributing the same or similar video programming offered by cable television systems exist Congress and the FCC have encouraged these alternative methods and technologies in order to offer services in direct competition with existing cable systems These competitors include satellite master antenna television systems and local telephone companies

We compete with systems that provide multichannel program services directly to hotel, motel, apartment, condominium and other multiunit complexes through a satellite master antenna—a single satellite dish for an entire building or complex These systems are generally free of any regulation by state and local governmental authorities Pursuant to the Telecommunications Act of 1996, these systems, called satellite master antenna television systems, are not commonly owned or managed and do not cross public rights-of-way and, therefore, do not need a franchise to operate

The Telecommunications Act of 1996 eliminated many restrictions on local telephone companies offering video programming, and we may face increased competition from them Several major local telephone companies, including BellSouth, have announced plans to provide video services to homes

In addition to other factors, we compete with these companies using programming content, including the number of channels and the availability of local programming We obtain our programming by entering into contracts or arrangements with video programming suppliers A programming supplier may enter into an exclusive arrangement with one of our video competitors, creating a competitive disadvantage for us by restricting our access to programming

Voice services

In providing local and long-distance voice services, we compete with the incumbent local phone company, various long-distance providers and VoIP telephone providers in each of our markets BellSouth and Verizon are the incumbent local phone companies in our current markets and are particularly strong competitors We also compete with a number of providers of long-distance telephone services, such as AT&T, BellSouth, MCI, Sprint and Verizon

We expect to continue to face intense competition in providing our telephone and related telecommunications services The Telecommunications Act of 1996 allows service providers to enter markets that were previously closed to them Incumbent local telephone carriers are no longer protected from significant competition in local service markets

We are anticipating an increase in the deployment of VoIP telephone services Following years of development, VoIP has been deployed by a variety of service providers including other Multiple Service Operators ("MSOs") such as Cox Communications and Comcast and independent service providers such as Vonage Holding Corporation Unlike circuit switched technology, this technology does not require ownership of the last mile and eliminates the need to rent the last mile from the Regional Bell operating companies ("RBOCs) VoIP is essentially a data service and can be more feature rich than traditional circuit-switched telephone service The VoIP providers will have differing levels of success based on their brand recognition, financial support, technical abilities, and legal and regulatory decisions

We believe that wireless telephone service, such as cellular and personal communication services, or PCS, currently is viewed by most consumers as a supplement to, not a replacement for, traditional telephone service Wireless service generally is more expensive than traditional local telephone service and is priced on a usage-sensitive basis However, there is evidence to indicate that wireless is gaining consideration as a replacement service, and the rate differential between wireless and traditional telephone service has begun to decrease and is expected to further decrease and lead to more competition between providers of these two types of services

Data services

Providing data services is a rapidly growing business and competition is increasing in each of our markets Some of our competitors benefit from greater experience, resources, marketing capabilities and name recognition Cable television companies have entered the Internet access market The incumbent cable television company in each of our markets currently offers high-speed Internet access services

Other competitive high-speed data providers include:

- incumbent local exchange carriers that provide dial-up and DSL services,
- traditional dial-up Internet service providers,
- competitive local exchange carriers, and
- providers of satellite-based Internet access services

A large number of companies provide businesses and individuals with direct access to the Internet and a variety of supporting services In addition, many companies such as AOL and Microsoft Corporation offer online services consisting of access to closed, proprietary information networks with services similar to those available on the Internet, in addition to direct access to the Internet These companies generally offer data services over telephone lines using computer modems Some of these data service providers also offer high-speed integrated services using digital network connections and DSL connections to the Internet, and the focus on delivering high-speed services is expected to increase

Bundled Services

Several of our competitors have initiated business plans to deploy their own versions of the triple-play bundle in our markets Comcast, Charter, Brighthouse, and other MSOs are in varying stages of launching Voice over Internet Protocol (VoIP) and thereby enabling their third service offering Brighthouse launched VoIP in the Pinellas County market in mid-2004 Comcast and Charter have made numerous announcements about launching voice services and have done so in some of their markets It is inevitable that these providers will launch VoIP in all of their markets in the not too distant future

BellSouth and Verizon have each initiated agreements / partnerships with satellite providers enabling their third service offering (video) The Bell companies each have facilities-based initiatives to construct broadband (last-mile) networks in several markets nationwide None of these networks currently overlap with Knology The RBOCs ability to provide the three services will increase competition for subscribers within Knology's markets

Knology believes that its emphasis on proven technology for deploying telephone service enhances its product offering relative to the MSOs for the near future Additionally, our direct relationship with the programmers and National Cable Television Cooperative (NCTC) for video content and control of our channel line-up provides an advantage for our video offering relative to the RBOCs for the foreseeable future

Legislation and regulation

The cable television industry is regulated by the FCC, some state governments and most local governments Telecommunications carriers are regulated by the FCC and state public utility commissions Providers of Internet services generally are not subject to regulation Federal legislative and regulatory proposals under consideration may materially affect the cable television, telecommunications services, and Internet services industries The following is a summary of federal laws and regulations affecting the growth and operation of the cable television and telecommunications industries and a description of relevant state and local laws

Future federal and state legislative and regulatory changes may affect our operations and the impact of such legislative or regulatory actions on our operations may be beneficial or adverse The following description of certain major regulatory factors does not purport to be a complete summary of all present and proposed legislation and regulations pertaining to our operations

Federal Regulation

Cable Television Consumer Protection and Competition Act of 1992

The Cable Television Consumer Protection and Competition Act of 1992, or the 1992 Cable Act, increased the regulation of the cable industry by imposing rules governing, among other things

- rates for tiers of cable video services,
- access to programming by competitors of cable operators and restrictions on certain exclusivity arrangements by cable operators,

- access to cable channels by unaffiliated programming services,
- terms and conditions for the lease of channel space for commercial use by parties unaffiliated with the cable operator;
- ownership of cable systems,
- customer service requirements,
- mandating carriage of certain local television broadcast stations by cable systems and the right of television broadcast stations to withhold consent for cable systems to carry their stations,
- technical standards, and
- cable equipment compatibility

The legislation also encouraged competition with existing cable television systems by

- allowing municipalities to own and operate their own cable television systems without a franchise,
- preventing franchising authorities from granting exclusive franchises or unreasonably refusing to award additional franchises covering an existing cable system's service area, and
- prohibiting the common ownership of cable systems and other types of multichannel video distribution systems

Telecommunications Act of 1996

The Telecommunications Act of 1996 and the FCC rules implementing this Act radically altered the regulatory structure of telecommunications markets by mandating that states permit competition for local telephone services The Act placed certain requirements on most incumbent local exchange carriers to open their networks to competitors, resell their services at a wholesale discount, and permit other carriers to collocate equipment on incumbent local exchange carrier premises Rural carriers may be exempt from these incumbent local exchange carrier requirements, as currently is the case with our incumbent local exchange carrier subsidiaries, Interstate Telephone and Valley Telephone The following is a summary of the interconnection and other rights granted by this Act that are most important for full local telecommunications competition, and our belief as to the effect of the requirements, assuming vigorous implementation.

- interconnection of competitors with the networks of incumbents and other carriers, which permits customers of competitors to exchange traffic with customers connected to other networks,
- local loop unbundling, which allows competitors to selectively gain access to incumbent carriers' facilities and wires that connect the incumbent carriers' central offices with customer premises, thereby enabling competitors to serve customers on a facilities basis not directly connected to their networks,
- reciprocal compensation, which mandates arrangements for local traffic exchange between both incumbent and competitive carriers and compensation for terminating local traffic originating on other carriers' networks, thereby improving competitors' margins for local service;
- number portability, which allows customers to change local carriers without changing telephone numbers, thereby removing a significant barrier for a potential customer to switch to a different carrier's local voice services, and
- dialing parity, which enables competitors to provide telephone numbers to new customers on the same basis as the incumbent carrier

This Act also permitted regional Bell operating companies under certain conditions to apply to the FCC for authority to provide long–distance services

The Act also included significant changes in the regulation of cable operators For example, the FCC's authority to regulate the rates for "cable programming service" tiers, that is all tiers other than the lowest level "basic service tier," of all cable operators expired on March 31, 1999 The legislation also

- repealed the anti-trafficking provisions of the 1992 Cable Act, which required cable systems to be owned by the same person or company for at least three years before they could be sold to a third party;
- allows cable operators to enter telecommunications markets which historically have been closed to them,
- limits the rights of franchising authorities to require certain technology or to prohibit or condition the provision of telecommunications services by the cable operator,
- adjusts the favorable pole attachment rates afforded cable operators under federal law such that they may be increased, beginning in 2001, if the cable operator also provides telecommunications services over its network, and
- allows some telecommunications providers to begin providing competitive cable service in their local service areas

Regulation of Cable Services

The FCC, the principal federal regulatory agency with jurisdiction over cable television, has promulgated regulations covering many aspects of cable television operations The FCC may enforce its regulations through the imposition of fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses A brief summary of certain key federal regulations follows

Rate regulation The 1992 Cable Act authorized rate regulation for certain cable services and equipment It requires communities to certify with the FCC before regulating basic cable rates Cable service rate regulation does not apply where a cable operator demonstrates to the FCC that it is subject to effective competition in the community To the extent that any municipality attempts to regulate our basic rates or equipment, we believe we could demonstrate to the FCC that our systems all face effective competition and, therefore, are not subject to rate regulation

Program access To promote competition with incumbent cable operators by independent cable programmers, the 1992 Cable Act placed restrictions on dealings between cable programmers and cable operators Satellite video programmers affiliated with cable operators are prohibited from favoring those cable operators over competing distributors of multichannel video programming, such as satellite television operators and competitive cable operators such as us These restrictions are designed to limit the ability of vertically integrated satellite cable programmers from offering exclusive programming arrangements or preferred pricing or non-price terms to cable operators Congress and the FCC have considered, but not adopted, proposals to expand the program access rights of cable competitors such as us, including the possibility of applying all program access requirements to terrestrially delivered video programming and all video programmers The program access rules will "sunset" on October 5, 2007, unless further extended by the FCC If the exclusivity restrictions are allowed to sunset, this could have a materially adverse impact on us if incumbent cable operators use the greater flexibility to deny important programming to our systems

Carriage of broadcast television signals The 1992 Cable Act established broadcast signal carriage requirements that allow local commercial television broadcast stations to elect every three years whether to require the cable system to carry the station (must-carry) or whether to require the cable system to negotiate for consent to carry the station (retransmission consent) Stations are generally considered local to a cable system where the system is located in the station's Nielsen designated market area Cable systems must obtain retransmission consent for the carriage of all distant commercial broadcast stations, except for certain superstations, that are commercial satellite-delivered independent stations such as WGN Pursuant to the Satellite Home Viewer Improvement Act, the FCC enacted rules governing retransmission consent negotiations between broadcasters and all distributors of multichannel video programming (including cable operators) Local non-commercial television stations are also given mandatory carriage rights, subject to certain exceptions, within a certain limited radius Non-commercial stations are not given the option to negotiate for retransmission consent Must-carry requests may decrease the attractiveness of the cable operator's overall programming offerings by including less popular programming on the channel line-up, while retransmission consent elections may involve cable operator payments (or other concessions) to the programmer We carry some stations pursuant to retransmission consent agreements and pay fees for such consents or have agreed to carry additional services We carry other stations pursuant to must-carry elections

The rules the FCC has adopted for the carriage of digital broadcast signals do not require cable systems to carry both the analog and digital signals of television broadcast stations entitled to must-carry rights during those stations' transition to full digital operations The FCC has also ruled that a cable operator need only carry a broadcaster's "primary video" service (rather than all of the digital broadcaster's "multi-cast" services)

Registration procedures and reporting requirements Before beginning operation in a particular community, all cable television systems must file a registration statement with the FCC listing the broadcast signals they will carry and certain other information Additionally, cable operators periodically are required to file various informational reports with the FCC Cable operators that operate in certain frequency bands, including us, are required on an annual basis to file the results of their periodic

cumulative leakage testing measurements Operators that fail to make this filing or who exceed the FCC's allowable cumulative leakage index risk being prohibited from operating in those frequency bands in addition to other sanctions

Customer equipment regulation As noted, cable customer equipment is subject to rate regulation unless the FCC deems the cable system to face effective competition The FCC has also required that cable customers be permitted to purchase cable converters and other navigation device equipment from third parties, such as retailers It developed a multiyear phase-in period during which security functions (which remain in the exclusive control of the cable operator) would be unbundled from non-security functions, which then could be supplied by third-party vendors

The separate security module requirement applies to all digital devices as well as to devices that access both analog and digital services (hybrid devices), although it does not apply to analog-only devices As long as cable operators subject to the rules comply with the separate security module requirement, they may continue to provide their customers with devices that contain both embedded security and nonsecurity functions (integrated devices) until July 1, 2006, at which time they will be prohibited from placing these devices in service

The FCC wants consumers to be able to directly connect their retail equipment, i e , television receivers, digital recorders, video cassette recorders, etc , with cable television systems In order to facilitate this connectivity, the FCC established rules requiring that, beginning April 1, 2004 all cable operators must replace or upgrade subscriber-leased high definition set-top boxes, upon customer request, to ensure that customers are able to access advanced, interactive cable services The set-top boxes must be capable of meeting certain industry-established technical standards which will enable connectivity between customer equipment and cable systems Starting on July 1, 2005, all high definition set-top boxes acquired by cable operators for distribution to subscribers must meet certain advanced industry-established standards

The FCC also recently issued regulations requiring all digital cable systems to separate out from its navigation equipment the security functions which control access to paid subscription programming Unaffiliated manufacturers, retailers and vendors will be allowed to make the equipment commercially available and it will be integrated into or used in conjunction with subscriber-purchased navigation devices to allow access to all cable system features previously available only by using cable system provided-equipment By July 1, 2004, all digital cable systems must maintain an adequate supply of the security equipment and must ensure that subscribers have convenient access to it The FCC restrictions could negatively affect how we develop and market new services and equipment to our customers

Franchise authority Cable television systems operate pursuant to franchises issued by local franchising authorities (which are the cities, counties or political subdivisions in which a cable operator provides cable service) Local franchising authority is premised upon the cable operator's facilities crossing the public rights-of-way Franchises are typically of fixed duration with the prospect for renewal These franchises must be nonexclusive The terms of local franchises vary by community, but typically include requirements concerning service rates, franchise fees, construction timelines, mandated service areas, customer service standards, technical requirements, public, educational and government access channels, and channel capacity Franchises often may be terminated, or penalties may be assessed, if the franchised cable operator fails to adhere to the conditions of the franchise Although largely discretionary, the exercise of local franchise authority is limited by federal law For example, local franchise authorities may not issue exclusive franchises, may not require franchise fees that exceed 5% of gross revenues from the provision of cable services, and may not mandate the use of a particular technology Local franchise authorities are permitted to charge fees other than cable franchise fees, such as fees for a telecommunications providers' use of public rights-of-way We hold cable franchises in all of the franchise areas in which we provide service We believe that the conditions in our franchises are fairly typical for the industry Our franchises generally provide for the payment of fees to the municipality ranging from 3% to 5% of revenues from telephone and cable television service, respectively The Telecommunications Act of 1996 exempted those telecommunications services provided by a cable operator or its affiliate from cable franchise requirements, although municipalities retain authority to regulate the manner in which a cable operator uses the public rights-of-way to provide telecommunications services

Franchise renewal Franchise renewal, or approval for the sale or transfer of a franchise, may involve the imposition of additional requirements not present in the initial franchise (such as facility upgrades or funding for public, educational, and government access channels) Although franchise renewal is not guaranteed, federal law imposes certain standards to prohibit the arbitrary denial of franchise renewal Our franchises generally have 10 to 15 year terms, and we expect our franchises to be renewed by the relevant franchising authority before or upon expiration

Franchise transfer Local franchise authorities are required to act on a cable operator's franchise transfer request within 120 days after receipt of all information required by FCC regulations and the franchising authority Approval is deemed granted if the franchising authority fails to act within such period

Pole attachments Federal law requires utilities, defined to include all local telephone companies and electric utilities except those owned by municipalities and co-operatives, to provide cable operators and telecommunications carriers with nondiscriminatory access to poles, ducts, conduit and rights-of-way at just and reasonable rates The right to access is beneficial to facilities-based providers such as us Federal law also establishes principles to govern the pricing of and terms of such access Utilities may charge

telecommunications carriers (and cable operators providing both cable television service and telecommunications service, such as us) a different (often higher) rate for pole attachments than they charge cable operators providing solely cable service. The FCC has adopted rules implementing the two different statutory formulas for pole attachment rates These regulations became effective on February 8, 2001, and increases in attachment rates relative to rates for providers that exclusively provide cable service resulting from the regulations are being phased-in in equal annual increments over a period of five years beginning on the effective date of the new FCC regulations The federal pole attachment access and rate provisions apply only in those states that have not certified to the FCC that they regulate pole attachment rates Currently, 18 states plus the District of Columbia have certified to the FCC, leaving pole attachment matters to be regulated by those states Of the states in which we operate, none has certified to the FCC The FCC has clarified that the provision of Internet services by a cable operator does not affect the agency's jurisdiction over pole attachments by that cable operator, nor does it affect the rate formula otherwise applicable to the cable operator The U S Court of Appeals for the Eleventh Circuit overturned the FCC's conclusion However, the U S Supreme Court has upheld the FCC's decision by reversing the decision of the U S Court of Appeals for the Eleventh Circuit and confirming the FCC's authority

Inside wiring of multiple dwelling units FCC rules provide generally that, in cases where the cable operator owns the wiring inside a multiple dwelling unit but has no right of access to the premises, the multiple dwelling unit owner may give the cable operator notice that it intends to permit another cable operator to provide service there The cable operator then must elect whether to remove the inside wiring, sell the inside wiring to the multiple dwelling unit owner at a price not to exceed the replacement cost of the wire on a per-foot basis, or abandon the inside wiring The FCC also adopted rules that, among other things, require utilities (including incumbent local exchange carriers and other local exchange carriers) to provide telecommunications carriers and cable operators with reasonable and nondiscriminatory access to utility-owned or controlled conduits and rights-of-way in all "multiple tenant environments" (including, for example, apartment buildings, office buildings, campuses, etc) in those states where the FCC possesses authority to regulate pole attachments, *i e* , in those states where the state government has not certified to the FCC that it regulates utility pole attachments and rights-of-way matters

Access to and competition in multiple dwelling units by and among video operators The FCC has preempted laws and rules that restrict occupants of multiple dwelling units from placing small satellite antennas on their balconies (or areas under the occupant's exclusive use) The FCC's action increases the ability of satellite television operators such as DirecTV to compete with us in certain multiple dwelling units The FCC recently decided not to abrogate or restrict existing or future exclusive video multiple dwelling unit access contracts by multichannel video programming distributors The decision not to abrogate existing exclusive multiple dwelling unit access contracts may restrict us in competing with the incumbent cable operator (or other video competitors) in those multiple dwelling units where another cable operator has obtained an exclusive access arrangement

Privacy. Federal law restricts the manner in which cable operators can collect and disclose data about individual system customers Federal law also requires that the cable operator periodically provide all customers with written information about its policies regarding the collection and handling of data about customers, their privacy rights under federal law and their enforcement rights Cable operators must also take such actions as are necessary to prevent unauthorized access to personally identifiable information Failure to adhere to these requirements subjects the cable operator to payment of damages, attorneys' fees and other costs

Copyright Cable television systems are subject to federal compulsory copyright licensing covering carriage of broadcast signals. In exchange for making semi-annual payments to a federal copyright royalty pool and meeting certain other obligations, cable operators obtain a statutory license to retransmit broadcast signals The amount of the royalty payment varies, depending on the amount of system revenues from certain sources, the number of distant signals carried, and the location of the cable system with respect to over-the-air television stations

Adjustments in copyright royalty rates are made through an arbitration process supervised by the U S Copyright Office The modification or elimination of the compulsory copyright licensing scheme could adversely affect our ability to provide our customers with their desired broadcast programming

Internet service The FCC rejected requests by some Internet service providers to require cable operators to provide unaffiliated Internet service providers with direct access to the operators' broadband facilities A contrary decision may have facilitated greater competition by non-facilities-based Internet service providers with our broadband service offerings In addition, the FCC recently sought comment on the scope of its jurisdiction to regulate cable modem service and the extent to which state and local governments may regulate cable modem service Although the FCC has indicated a clear preference for minimizing regulation of broadband services, future regulation of cable modem service by federal, state or local government entities remains possible The FCC also sought comment on whether it should resolve any disputes that may arise over cable operators' previous collection of franchise fees from their customers based, in part, on cable modem service revenues, or whether the FCC should leave such matters to the courts There remains a risk that we will confront litigation on this issue See also "Regulatory treatment of cable modem service "

Regulatory fees The FCC requires payment of annual regulatory fees by the various industries it regulates, including the cable television industry Regulatory fees may be passed on to customers as external cost adjustments to rates for basic cable service

Fees are also assessed for other FCC licenses, including licenses for business radio, cable television relay systems and earth stations These fees, however, may not be collected directly from customers as long as the FCC's rate regulations remain applicable to the cable system.

Tier buy through Federal law requires cable operators to allow customers to purchase premium services or pay–per–view video programming offered by the cable operator on a per–channel or per program basis without the need to subscribe to any tier of service except the basic service tier unless the cable system's lack of addressable converter boxes or other technological limitations prohibit it from doing so The exemption for cable operators lacking the technological ability to comply expired in October 2002, although the FCC may extend that period on a case–by–case basis as necessary pursuant to an appropriate waiver request Our systems currently comply with these requirements and we do not avail ourselves of the technological exemption

Potential regulatory change The regulation of cable television systems at the federal, state, and local levels is subject to the political process and has seen constant change over the past decade Material changes in the law and regulatory requirements must be anticipated, and our business could be adversely affected by future legislation or new regulations

Regulation of Telecommunications Services

Our telecommunications services are subject to varying degrees of federal, state and local regulation Pursuant to the Communications Act of 1934, as amended by the Telecommunications Act of 1996, the FCC generally exercises jurisdiction over the facilities of, and the services offered by, telecommunications carriers that provide interstate or international communications services. Barring federal preemption, State regulatory authorities retain jurisdiction over the same facilities to the extent that they are used to provide intrastate communications services, as well as facilities solely used to provide intrastate services Local regulation is largely limited to management of the occupation and use of county or municipal public rights–of–way Various international authorities may also seek to regulate the provision of certain services

As explained above, incumbent local exchange carriers are subject to obligations (under Section 251(c) of the federal Communications Act) to open their networks to competitive access, including both unbundling and collocation obligations, as well as heightened interconnection obligations and a duty to make their services available to resellers at a wholesale discount rate The Communications Act includes an exemption from Section 251(c) requirements for rural telephone companies, absent a finding by the appropriate state commission that the request is not unduly economically burdensome Both Interstate Telephone and Valley Telephone are rural telephone companies as defined by the federal Communications Act With respect to Valley Telephone, the Alabama Public Service Commission and, with respect to Interstate Telephone, the Georgia Public Service Commission have determined that these companies should be exempt from the incumbent local exchange carrier interconnection requirements under Section 251(c) of the Communications Act In the event the circumstances upon which these determinations are based change in the future, it is possible these conclusions could be revisited and reversed, exposing either company to the incumbent local exchange carrier interconnection, unbundling, wholesale discount, and/or collocation obligations

Tariffs and detariffing Our subsidiary, Knology Broadband, Inc , or Broadband, is classified by the FCC as a non–dominant carrier with respect to both its domestic interstate and international long–distance carrier services and its competitive local exchange carrier services As a non–dominant carrier, its rates presently are not generally regulated by the FCC, although the rates are still subject to general requirements that they be just, reasonable, and nondiscriminatory The FCC has ordered mandatory detariffing of non–dominant carriers' interstate and international interexchange services, except in very limited circumstances Rather, we must post standard rates, terms, and conditions on the web and negotiate and/or execute individual agreements with each of our customers to cover the rates, terms and conditions for our provision of such services, including limitations on liability The FCC's detariffing regime has no impact on our tariffs for intrastate services, nor does it affect the federal access charge tariff system However, it is uncertain whether we will be able to execute individual agreements with each of our long–distance customers on favorable terms going forward and whether the additional costs of having to comply with the new regime will have an adverse effect on our revenues There is also some uncertainty about whether, in the absence of a tariff, such carrier protections such as strict limitations on liability, can be negotiated with the end users and, if they are, whether they are enforceable

Non–dominant local exchange carriers are not permitted to file tariffs with the FCC for their interstate access services if the charges for such services are higher than FCC benchmarks established in 2001 If a non–dominant carrier's charges for interstate access services are equal to or below the FCC–established benchmark, it is permitted, but not required, to file tariffs with the FCC for such services Our interstate access services fall within the FCC–established benchmark and we have a tariff on file with the FCC for those services Over time, we can be expected to face "downward pressure" on our switched access rates because of the FCC's regulations which require a phase–down to incumbent local exchange carrier access charge level by 2005 and to the extent incumbent local exchange carrier switched access rates are reduced from current levels

Interstate Telephone and Valley Telephone are regulated by the FCC as dominant carriers in the provision of interstate–switched access services As dominant carriers, Interstate Telephone and Valley Telephone must file tariffs with the FCC and must provide the FCC with notice prior to changing their rates, terms or conditions of interstate access services Interstate Telephone has its own tariffs on file with the FCC, while Valley Telephone concurs in tariffs filed by the National Exchange Carrier Association

Interstate Telephone and Valley Telephone are both classified as non-dominant in the provision of interstate and international interexchange services, rendering them subject to mandatory detariffing at the FCC for such services, as described above

Interconnection and compensation for transport and termination The Telecommunications Act of 1996 established a national policy of permitting the development of local telephone competition This Act preempts laws that prohibit competition for local telephone services and establishes requirements and standards for local network interconnection, unbundling of network elements and resale The Telecommunications Act of 1996 also requires incumbent local telephone carriers to enter into mutual compensation arrangements with competitive local telephone companies for transport and termination of local calls on each other's networks. The interconnection, unbundling and resale standards were developed by the FCC through several iterations and have been further implemented by the states and reviewed by the federal courts of appeals The terms of interconnection agreements among the carriers have been, and are likely to continue to be, overseen by the states Although a panel of judges from the U S Court of Appeals for the Eleventh Circuit (the jurisdiction in which many of our markets are located), previously concluded that state public service commissions lack the authority under Section 252 of the federal Communications Act to interpret and enforce interconnection agreements, the court en banc has reversed that conclusion and agreed with at least six other federal circuits that the states do have such authority

We have executed local network interconnection agreements with BellSouth and Verizon for, among other things, the transport and termination of local telephone traffic These agreements have been filed with, and approved by, the applicable regulatory authority in each state in which we conduct our operations and in which the agreements apply These agreements are subject to changes as a result of changes in laws and regulations, and there is no guarantee that the interconnection agreement rates and terms under which we operate today will be available in the future

The FCC has concluded that calls to Internet service providers are jurisdictionally interstate and the exchange of ISP-bound traffic is not subject to the reciprocal compensation requirements of the Communications Act The FCC established an interim scheme, however, whereby traffic below a 3 1 originating-to-terminating ratio is presumed to be reciprocal compensation traffic and traffic above 3 1 is presumed to be ISP-bound While the FCC decision was remanded by the U S Court of Appeals for the D C Circuit to the FCC for further elaboration and as to the legal basis for its decision, the Court let the interim scheme remain in effect Until the FCC addresses the issue again, ISP-bound traffic is generally being exchanged at a lower rate than reciprocal compensation traffic Under our interconnection agreements, we exchange local traffic with incumbent carriers on a bill-and-keep basis (in which no compensation is actually paid)

In March 2005, the FCC issued a further notice of proposed rulemaking requesting comment on various proposals to replace the existing intercarrier compensation regimes with a unified regime designed for the developing marketplace As part of the proceeding, the FCC will review numerous aspects of intercarrier compensation, including transport and termination The FCC's decision will impact the amounts that we both pay and receive from all carriers with whom we are interconnected, both directly and indirectly

Access to unbundled network elements Until March 2005, the FCC's rules had required incumbent local telephone carriers to provide an unbundled network element platform that included all of the network elements required by a competitor to provide a retail local telecommunications service, including mass market circuit switching Competitors using such platforms had the opportunity to provide retail local services entirely through the use of the local telephone carriers' facilities at lower discounts than those available for local resale In the FCC's Triennial Review Order, effective October 2, 2003, the FCC determined that certain network elements would no longer be subject to unbundling, while other elements must continue to be offered subject to further, detailed review by the state public utility commissions On March 2, 2004, the Court vacated and remanded much of the FCC's Triennial Review Order In the FCC's Triennial Review Remand Order, effective March 11, 2005, the agency fundamentally changed its unbundling rules, adopting materially significant limits on the availability of unbundled network elements Although the FCC adopted transition plans for competing carriers to transition away from use of the delisted network elements to alternative facilities or arrangements, the plans apply only to the embedded customer base and do not permit competitive carriers to add new customers or capacity to delisted network elements The rules are subject to further clarification and reconsideration by the FCC, and review on appeal by the D C Circuit In view of the uncertainty surrounding the FCC's rules adopted in the Triennial Review Remand Order, we cannot at this time state with any certainty the impact of that Order upon our business The availability of a wide variety of unbundled network elements could benefit those of our local telecommunications competitors who, unlike us, do not provide service entirely over their own facilities, conversely, the limiting of network elements available on an unbundled basis may discourage potential competitors who cannot, or do not wish to expend the capital required to build out their own facilities, and strengthen the positions of incumbent carriers such as BellSouth and Verizon Any material change in the FCC's regulations upon further review or appeal of the Triennial Review Remand Order could have a significant impact on competition

Unbundled network element pricing In September 2003, the FCC commenced a rulemaking proceeding, which is still pending, to review globally the pricing principles that states must use to set rates for unbundled network elements This proceeding ultimately could lead to significant changes in the pricing of unbundled network elements, which could in turn lead to significant changes in the relative competitive position of our competitors Apart from this proceeding, the FCC, in its Triennial Review Remand Order, effective March 11, 2005, adopted pricing rules that, in the absence of negotiated alternative commercial arrangements, will

apply to the dedicated transport, high-capacity loop, and mass market circuit switching elements of the incumbent local exchange carrier networks during specifically defined transition periods The state commissions have significant responsibility for the implementation of the FCC's rules, including the actual setting of rates for unbundled network elements The availability of a wide variety of available unbundled network elements at attractive prices could benefit those of our local telecommunications competitors who, unlike us, do not provide service entirely over their own facilities, conversely, the limiting of elements available on an unbundled basis or a relative increase in the prices of such elements and platforms may discourage potential competitors who cannot, or do not wish to expend the capital required to build out their own facilities

Number portability All providers of telecommunications services must offer service provider local number portability, which the FCC has defined as the ability to retain, at the same location, existing telephone numbers when switching local telephone companies without impairment of quality, reliability or convenience Number portability is intended to remove one barrier to entry faced by new competitors, which would otherwise have to persuade customers to switch local service providers despite having to change telephone numbers Although number portability benefits our competitive local exchange carrier operations, it represents a burden to Valley Telephone and Interstate Telephone Moreover, wireline-to-wireless number portability is likely to have an adverse impact on all wireline carriers because end users are expected to port more numbers from wireline to wireless carriers for some time, than vice versa

Universal service The FCC has adopted rules implementing the universal service requirements of the Telecommunications Act of 1996 The federal universal service fund is the support mechanism established by the FCC to ensure that high quality, affordable telecommunications service is available to all Americans Pursuant to the FCC's universal service rules, all telecommunications providers must contribute a percentage of their telecommunications revenues to the federal universal service fund As a telecommunications carrier, we are required to contribute to the federal universal service fund on the basis of our projected, collected interstate and international end user telecommunications revenues The FCC devises a quarterly factor for contribution to the federal universal service fund based on the ratio of total projected demand for universal service support as compared to total end user interstate and international revenue for a given quarter The contribution factor for the first quarter of 2005 is 10 7% Accordingly, we presently contribute almost eleven percent of our combined interstate and international end user telecommunications revenues to the federal universal service fund

Carriers may assess a federal universal service surcharge on their customers, either as a flat amount or a percentage of a customer's revenue, however, this amount may not exceed the total amount of the universal service contribution factor currently in effect As a result, we are precluded from assessing a federal universal service-related charge on our end user customers in excess of the relevant interstate and international telecommunications portion of each customer's bill times the relevant contribution factor We remain able to recover legitimate administrative costs relating to our contribution to the federal universal service fund, provided that such cost recovery is made through areas other than our universal service line item surcharge

The FCC currently is conducting a comprehensive review of the rules governing contributions to the federal universal service fund The FCC is considering the adoption of a connection-based universal service contribution methodology in which entities would contribute to the federal universal service fund based on either the number of end user connections, the number of working telephone numbers, or the amount of capacity per connection The FCC is also considering the issue of broadband providers' contribution to universal service and whether and how connections that provide broadband Internet access—including those using cable modem technology—would be assessed for federal universal service fund purposes Although the outcome of this proceeding and its effect on our business cannot be predicted, if any of these proposals are implemented, the amount of our contributions to the federal universal service fund may increase, and could negatively impact our business, prospects, gross profits, cash flows and financial condition Changes to federal universal service funding obligations could adversely affect us by increasing the payments owed to support the fund

Access charge reform The FCC has adopted several orders in recent years having the effect of reducing switched access charges imposed by local telephone companies for origination and termination of interstate long-distance traffic Overall decreases in local telephone carriers' access charges as contemplated by the FCC's access reform policies would likely put downward pricing pressure on our charges to domestic interstate and international long-distance carriers for comparable access Changes to the federal access charge regime could adversely affect us by reducing the revenues that we generate from charges to domestic interstate and international long-distance carriers for originating and terminating interstate traffic over our telecommunications facilities

The FCC has adopted an order, the MAG Plan, to reform interstate access charges and universal service support for rate-of-return incumbent local exchange carriers such as Valley Telephone and Interstate Telephone The MAG Plan is designed to lower access charges toward cost, replace implicit support for universal service with explicit support that is portable to all eligible telecommunications carriers, and provide certainty and stability for the small and mid-sized local telephone companies serving rural and high-cost areas by permitting them to continue to set rates based on a rate-of-return of 11 25%, thereby encouraging rural investment The MAG Plan, as adopted, will reduce switched access fees for small incumbent local exchange carriers and protect universal service in areas served by those incumbent local exchange carriers Although the MAG Plan significantly reduces per-minute access charge revenues to these carriers, it is designed to protect them for at least the term of the plan from potentially much larger revenue reductions On February 12, 2004, the FCC issued an order regarding the MAG Plan designed to streamline the FCC's

rules further and increase rural carriers' flexibility to respond to market conditions Petitions for reconsideration of the MAG Plan are currently pending before the FCC and the FCC has sought further comment on certain proposals related to the MAG Plan

In March 2005, the FCC requested further comment in its intercarrier compensation proceeding on replacing the existing intercarrier compensation regimes with a unified regime designed for the developing marketplace, as previously discussed As part of the proceeding, the FCC will review numerous aspects of intercarrier compensation, including access charges The FCC's decision will impact the amounts that we both pay and receive from all carriers with whom we are interconnected, both directly and indirectly

Regulatory treatment of VoIP telephone services Currently, the FCC and state regulators do not treat most IP-enabled services, including those offering real time voice transmission, as regulated telecommunications services A number of providers are using VoIP to compete with our voice services, and some providers using VoIP may be avoiding certain regulatory obligations or access charges for interexchange services that might otherwise be due if such voice over IP offerings were subject to regulation However, in March 2004, the FCC commenced a rulemaking proceeding to address the regulatory treatment of IP enabled services, including VoIP applications Although we cannot predict when the FCC will issue a decision in this proceeding, the FCC has precluded states from regulating VoIP services by ruling that IP-enabled services are subject to its exclusive jurisdiction In response to individual petitions for declaratory ruling, the FCC has addressed specific VoIP applications For example, the FCC ruled that an AT&T service using VoIP solely as an intermediate routing technology is a telecommunications service By contrast, the FCC ruled that pulver com's Free World Dialup service, which enables customers to make computer-to-computer VoIP calls, is an information service The FCC is currently considering a petition filed by Level 3 Communications LLC requesting the agency to forbear from enforcing the Act and its regulations to the extent they could be interpreted as permitting local exchange carriers to impose access charges on certain IP-enabled services Unless the FCC acts on this petition by March 22, 2005, the petition will be deemed granted These and other similar proceedings could lead to an increase in the costs of VoIP providers if they become subject to additional regulation (in the absence of forbearance from the same), and may change the compensation structure for IP-enabled services At this time, we are unable to predict the impact, if any, that additional regulatory action on this issue will have on our business

Regulatory treatment of cable modem services A decision of the U S Court of Appeals for the Ninth Circuit issued in October 2003 vacated in part an FCC declaratory ruling that cable modem services consisted of information services only, and did not include a separate offering of telecommunications service The U S Court of Appeals for the Ninth Circuit found that cable modem service included, in part, the offering of telecommunications services On December 3, 2004, the United States Supreme Court granted two petitions for writ of certiorari of the Ninth Circuit's 2003 decision, and thus will address the question of whether cable modem service includes a separate, underlying telecommunications service component that is subject to regulation as a common carrier service under Title II of the Communications Act of 1934, as amended The Supreme Court's decision in this matter will impact the industry, as well as future actions by the FCC However, pending a decision by the Supreme Court and further FCC consideration of the matter, providers of cable modem service such as us may be deemed and treated as telecommunications carriers, at least in part, in their provision of such services and subject to common carrier requirements, such as nondiscrimination and authorization obligations under Title II of the Communications Act (see "Additional requirements" below) and universal service contribution obligations, depending upon what the FCC determines in response to the Court's instruction In addition, cable modem service providers may become subject to franchise and right-of-way requirements separately applicable to telecommunications carriers, including franchise fees Results imposing authorization and other telecommunications carrier requirements, obligations to contribute to universal service, franchise fees, or similar burdens would have the effect of increasing the costs of providing cable modem service relative to non-cable-based alternatives, such as providers of Internet access through DSL service Furthermore, the determination by the U S Court of Appeals for the Ninth Circuit may expose providers of cable modem services to potential claims that, because they are offering, in part, telecommunications services, as well as information services (in part), they fall under FCC requirements that facilities-based providers of information services must open their networks to competitive providers of information services However, to date, we have offered—and will continue to offer—access to our network on a wholesale basis, so this aspect of the U S Court of Appeals for the Ninth Circuit decision is not expected to have a material impact on our business or our operations

Advanced services The FCC's Triennial Review Order, effective October 2, 2003, significantly changed many of the regulations governing the telecommunications industry Among the changes adopted, the FCC determined that all-fiber loops to a customer's premises are not subject to the mandatory unbundling provisions of the Telecommunications Act of 1996, and that in the case of "hybrid" loops containing some fiber and some copper, the broadband capabilities of these loops do not need to be unbundled These rulings give the incumbent local exchange carriers greater control over whether, and at what price, broadband access facilities will be made available to third parties Although the U S Court of Appeal for the D C Circuit vacated and remanded several aspects of the Triennial Review Order, the FCC's decisions regarding broadband unbundling were upheld Subsequently, the FCC extended its deregulation of broadband facilities to fiber loops deployed to multi-tenant buildings or campuses where the predominant use is residential and to loops with no more than 500 feet of copper (so-called "fiber-to-the-curb" loops) In October 2004, the FCC exempted the former Bell Telephone Company entities from long distance market entry provisions to the extent those provisions might have imposed a separate obligation to unbundled all fiber or fiber-to-the-curb broadband loops

The FCC is currently reviewing the regulatory treatment of incumbent local exchange carrier provision of stand-alone broadband and broadband sold in combination with Internet access services in several proceedings including the following (1) a pending FCC proceeding that is considering deregulating incumbent local exchange carrier broadband services and facilities where the

incumbent local exchange carrier is classified as non-dominant in the provision of local exchange and exchange access service, (2) a pending FCC proceeding that is considering re-classifying broadband services as information services, meaning that they would no longer be subject to telecommunications service regulations, and (3) the FCC, as noted above, has initiated a proceeding that will consider the regulatory status of IP-based services If the FCC further exempts or substantially reduces incumbent local exchange carriers from regulation of broadband services (for example, by eliminating regulations governing end user prices or collocation of competitive DSL providers' equipment in central offices), broadband offerings by incumbent local exchange carriers may place even greater competitive pressures on our broadband service offerings

Access to, and competition in, multiple dwelling units by and among telecommunications carriers In October 2000, the FCC prohibited telecommunications carriers from entering into future exclusive access agreements with building owners or managers in commercial (but not residential) multi-tenant environments Simultaneously, the FCC adopted rules that require utilities (including incumbent local exchange carriers and other local exchange carriers) to provide telecommunications carriers (and cable operators) with reasonable and non-discriminatory access to utility-owned or controlled conduits and rights-of-way in all multiple tenant environments (e g , apartment buildings, office buildings, campuses, etc) in those states where the state government has not certified to the FCC that it regulates utility pole attachments and rights-of-way matters The FCC has pending before it the question of whether to adopt rules abrogating existing exclusive telecommunications carrier access arrangements in commercial multitenant environments The FCC is also considering whether to extend prohibitions against exclusivity to residential multiple dwelling units Finally, the FCC is considering rules that would require owners of multi-tenant environments to allow telecommunications carriers nondiscriminatory access to their buildings If adopted, these requirements may facilitate our access (as well as the access of competitors) to customers in multi-tenant environments, at least with regard to its provision of telecommunications services These prospective requirements, if adopted, may also increase competition in multiple dwelling units and other multi-tenant environments where we currently provide service

State Regulation

Traditionally, the states have exercised jurisdiction over intrastate telecommunications services The Telecommunications Act of 1996 modifies the dimensions of state authority in relation to federal authority It also prohibits states and localities from adopting or imposing any legal requirement that may prohibit, or have the effect of prohibiting, market entry by new providers of interstate or intrastate telecommunications services The FCC is required to preempt any such state or local requirement to the extent necessary to enforce the Telecommunications Act of 1996's open market entry requirements States and localities may, however, continue to regulate the provision of intrastate telecommunications services (barring federal preemption) and require carriers to obtain certificates or licenses before providing service

Alabama, Georgia, Florida, Kentucky, South Carolina and Tennessee each have adopted statutory and regulatory schemes that require us to comply with telecommunications certification and other regulatory requirements To date, we are authorized to provide intrastate local telephone, long-distance telephone and operator services in Alabama, Georgia, Florida, Kentucky, South Carolina and Tennessee As a condition of providing intrastate telecommunications services, we are required, among other things

- to file and maintain intrastate tariffs or price lists describing the rates, terms and conditions of our services,
- to comply with state regulatory reporting, tax and fee obligations, including contributions to intrastate universal service funds, and
- to comply with, and to submit to, state regulatory jurisdiction over consumer protection policies (including regulations governing customer privacy, changing of service providers, and content of customer bills), complaints, transfers of control and certain financing transactions

Generally, state regulatory authorities can condition, modify, cancel, terminate or revoke certificates of authority to operate in a state for failure to comply with state laws or the rules, regulations and policies of the state regulatory authority Fines and other penalties may also be imposed for such violations As we expand our telecommunications services into new states, we will likely be required to obtain certificates of authority to operate, and be subject to similar ongoing regulatory requirements, in those states as well We are certified in all states where we currently have operations and certification is required We cannot be sure that we will retain such certifications or that we will receive authorization for markets in which we expect to operate in the future

In addition, the states have authority under the Telecommunications Act of 1996 to determine whether we are eligible to receive funds from the federal universal service fund They also possess authority to approve or (in limited circumstances) reject agreements for the interconnection of telecommunications carriers' facilities with those of the local exchange carrier, and to arbitrate disputes arising in negotiations for interconnection, although, as mentioned, the Court of Appeals for the Eleventh Circuit (which governs many of our markets), recently concluded that state public service commissions have the authority under Section 252 of the federal Communications Act to interpret and enforce interconnection agreements The states also have jurisdiction over whether Interstate Telephone and Valley Telephone will continue to be subject to exemptions as rural carriers from the incumbent local exchange carrier obligations under Section 251(c) of the Communications Act

Interstate Telephone and Valley Telephone are subject to additional requirements under state law, including rate regulation and quality of service requirements In Alabama and Georgia, both Interstate Telephone and Valley Telephone are subject to a price cap form of rate regulation Under price caps, the companies have limited ability to raise rates for intrastate telephone services, but the Alabama and Georgia Public Service Commissions do not regulate the rate of return earned by the companies

Local Regulation

In certain locations, we must obtain local franchises, licenses or other operating rights and street opening and construction permits to install, expand and operate our telecommunications facilities in the public rights-of-way In some of the areas where we provide services, we pay license or franchise fees based on a percentage of gross revenues Cities that do not currently impose fees might seek to impose them in the future, and after the expiration of existing franchises, fees could increase Under the Telecom Act, state and local governments retain the right to manage the public rights-of-way and to require fair and reasonable compensation from telecommunications providers, on a competitively neutral and nondiscriminatory basis, for use of public rights-of-way As noted above, these activities must be consistent with the Telecommunications Act, and may not have the effect of prohibiting us from providing telecommunications services in any particular local jurisdiction

If an existing franchise or license agreement were to be terminated prior to its expiration date and we were forced to remove our facilities from the streets or abandon them in place, our operations in that area would cease, which could have a material adverse effect on our business as a whole We believe that the provisions of the Telecommunications Act barring state and local requirements that prohibit or have the effect of prohibiting any entity from providing telecommunications service should be construed to limit any such action, but there is no guarantee that they would be

Environmental Regulation

Our switch site and some customer premise locations are equipped with back-up power sources in the event of an electrical failure Each of our switch site locations has battery and diesel fuel powered backup generators, and we use batteries to back-up some of our customer premise equipment Federal, state and local environmental laws require that we notify certain authorities of the location of hazardous materials and that we implement spill prevention plans We believe that we currently are in compliance with these requirements in all material respects

Franchises

As described above, cable television systems and local telephone systems generally are constructed and operated under the authority of nonexclusive franchises, granted by local and/or state governmental authorities Franchises typically contain many conditions, such as

- time limitations on commencement and completion of system construction,
- customer service standards,
- minimum number of channels, and
- the provision of free service to schools and certain other public institutions

We believe that the conditions in our franchises are fairly typical for the industry Our franchises generally provide for the payment of fees to the municipality ranging from 3% to 5% of revenues from telephone and cable television service, respectively Our franchises generally have ten to 15 year terms, and we expect our franchises to be renewed by the relevant franchising authority before or upon expiration

Prior to the scheduled expiration of most franchises, we initiate renewal proceedings with the relevant franchising authorities The Cable Communications Policy Act of 1984 provides for an orderly franchise renewal process in which the franchising authorities may not unreasonably deny renewals If a renewal is withheld and the franchising authority takes over operation of the affected cable system or awards the franchise to another party, the franchising authority must pay the cable operator the "fair market value" of the system The Cable Communications Policy Act of 1984 also established comprehensive renewal procedures requiring that the renewal application be evaluated on its own merit and not as part of a comparative process with other proposals

The following table lists our existing and pending franchises by market, term and expiration date

Market Area	Term (years)	Expiration Date
Huntsville, AL		
Huntsville, AL	15	3/6/2006
Limestone County, AL	15	5/7/2005
Madison, AL	15	10/22/2006
Madison County, AL	10	11/20/2009
Redstone Arsenal, AL	10	2/8/2011
Montgomery, AL		
Autauga County, AL	15	10/15/2013
Maxwell Air Force Base, AL	5	12/13/2005
Montgomery, AL	15	9/2/2005
Prattville, AL	15	7/7/2013
Cerritos, CA		
Cerritos, CA	15	5/3/2006
Valley, AL; West Point, GA		
Chambers County, AL	15	12/15/2012
Lanett, AL	15	1/20/2013
Valley, AL	15	1/12/2013
West Point, GA	15	1/19/2013
Panama City, FL		
Bay County, FL	15	1/5/2006
Cedar Grove, FL	15	6/9/2013
Callaway, FL	10	9/28/2009
Lynn Haven, FL	20	5/12/2018
Panama City, FL	20	3/10/2018
Parker, FL	10	12/7/2009
Panama City Beach, FL	15	12/3/2012
Pinellas County, FL		
Clearwater, FL	10	6/20/2006
Dunedin, FL	10	3/20/2007
Largo, FL	10	6/9/2008
Oldsmar, FL	10	8/19/2007
Pinellas County, FL	10	1/1/2010
Safety Harbor, FL	10	4/21/2007
Seminole, FL	10	6/9/2008
St Petersburg, FL	10	9/9/2009
Tarpon Springs, FL	10	8/19/2007
Augusta, GA		
Augusta Richmond County, GA	15	1/20/2013
Burnettown, SC	15	6/20/2015
Columbia County, GA	11	11/1/2009
Columbus, GA		
Columbus, GA	10	3/16/2009
Louisville, KY		
Louisville, KY	15	9/12/2015
Charleston, SC		
Berkeley County, SC	15	11/05/2013
Charleston, SC	15	4/28/2013
Charleston County, SC	15	12/15/2013
Dorchester County, SC	15	7/20/2013
Goose Creek, SC	15	11/17/2013
Hanahan, SC	15	9/8/2013

Market Area	Term (years)	Expiration Date
Lincolnville, SC	15	12/2/2013
Mount Pleasant, SC	15	3/9/2014
North Charleston, SC	15	5/28/2013
Summerville, SC	15	8/31/2013
Knoxville, TN		
Knox County, TN	10	6/9/2010
Knoxville, TN	15	5/18/2015
Nashville, TN		
Brentwood, TN	15	4/24/2015
Franklin County, TN	15	5/9/2015
Nashville, TN	15	10/17/2015
Williamson County, TN	15	5/8/2015

The Cable Communications Policy Act of 1984 also prohibits franchising authorities from granting exclusive franchises or unreasonably refusing to award additional franchises covering an existing cable system's service area This simplifies the application process for our obtaining a new franchise This process usually takes about six to nine months While this makes it easier for us to enter new markets, it also makes it easier for competitors to enter the markets in which we currently have franchises

RISK FACTORS

Risks Related to Our Business

We have a history of net losses and may not be profitable in the future.

As of December 31, 2004, we had an accumulated deficit of $473 4 million We expect to incur net losses for the next several years as our business matures Our ability to generate profits and positive cash flow from operating activities will depend in large part on our ability to increase our revenues to offset the costs of operating our network and providing services If we cannot achieve operating profitability or positive cash flow from operating activities, our business, financial condition and operating results will be adversely affected

Failure to obtain additional funding may limit our ability to complete our existing networks or to expand our business.

As of December 31, 2004, we had $3 2 million of working capital and $473 4 million of accumulated deficit We currently expect to spend approximately $33 2 million during 2005 to expand and upgrade our networks in the markets where we currently provide service, including our network in Pinellas County, Florida Planned capital expenditures in 2005 and thereafter to complete the buildout of our network in Pinellas County, Florida will have to be funded by cash flow from operations in that market or from additional equity financings We may not be able to raise proceeds sufficient to complete our buildout in Pinellas County In addition, if financing is available, it may not be obtained on a timely basis and with acceptable terms If we fail to obtain sufficient financing, we may be required to discontinue our buildout of Pinellas County, which could have a material adverse effect on our business See Item 7–"Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources"

Our substantial indebtedness may adversely affect our cash flows, future financing and flexibility.

As of December 31, 2004, we had approximately $286 7 million of outstanding indebtedness, including accrued interest, and our stockholders' equity was $86 3 million. We pay interest in cash on our credit facilities and on our outstanding 12% senior notes due 2009 We may incur additional indebtedness in the future Our level of indebtedness could adversely affect our business in a number of ways, including

- we may have to dedicate a significant amount of our available funding and cash flow from operating activities to the payment of interest and the repayment of principal on outstanding indebtedness,
- depending on the levels of our outstanding debt and the terms of our debt agreements, we may have trouble obtaining future financing for working capital, capital expenditures, general corporate and other purposes,
- high levels of indebtedness may limit our flexibility in planning for or reacting to changes in our business, and
- increases in our outstanding indebtedness and leverage will make us more vulnerable to adverse changes in general economic and industry conditions, as well as to competitive pressure

We may not be able to make future principal and interest payments on our debt.

Our earnings were not sufficient to cover our fixed charges in each year of the seven-year period ended December 31, 2004 We currently generate sufficient cash flow from operating activities to service our debt However, our ability to make future principal and interest payments on our debt depends upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control If we cannot grow and generate sufficient cash flow from operating activities to service our debt payments, we may be required, among other things to

- seek additional financing in the debt or equity markets,
- refinance or restructure all or a portion of our debt,
- sell selected assets, or
- reduce or delay planned capital expenditures

These measures may not be sufficient to enable us to service our debt In addition, any such financing, refinancing or sale of assets may not be available on commercially reasonable terms, or at all

Restrictions on our business imposed by our debt agreements could limit our growth or activities.

Our indenture and our credit agreements place operating and financial restrictions on us and our subsidiaries These restrictions affect, and any restrictions created by future financings, will affect our and our subsidiaries' ability to, among other things

- incur additional debt or issue mandatorily redeemable equity securities,
- create liens on our assets,
- make certain loans, investments and capital expenditures,
- use the proceeds from any sale of assets,
- make distributions on or redeem our stock,
- consolidate, merge or transfer all or substantially all our assets,
- enter into transactions with affiliates,
- utilize revenues except for specified uses, and
- utilize excess liquidity except for specified uses

In addition, our credit facilities require us to maintain specified financial ratios, such as a maximum leverage ratio and a minimum liquidity ratio We are also required to maintain a minimum level of earnings before income, taxes, depreciation and amortization (or EBITDA) These limitations may affect our ability to finance our future operations or to engage in other business activities that may be in our interest If we violate any of these restrictions or any restrictions created by future financings, we could be in default under our agreements and be required to repay our debt immediately rather than at scheduled maturity

We may not be able to sell our cable system in Cerritos, California which may adversely affect our financial condition.

In March 2005, we entered into a definitive asset purchase agreement to sell our cable assets located in Cerritos, California to WaveDivision Holdings, LLC for $10 0 million in cash, subject to customary closing adjustments We expect the sale of the Cerritos system to close in the third quarter of 2005, subject to the satisfaction of closing conditions, including receipt of regulatory approvals with respect to the municipal franchise in Cerritos, California However, there can be no assurance that we will complete the sale of the Cerritos cable system or we may not complete the sale in a timely manner In the event the purchaser does not receive necessary regulatory or other approvals or the other conditions to closing are not satisfied, the sale will not be completed If we are unable to sell the Cerritos assets in a timely manner, or on acceptable terms, our financial condition may be adversely affected

The demand for our bundled broadband communications services may be lower than we expect.

The demand for video, voice and data services, either alone or as part of a bundle, cannot readily be determined Our business could be adversely affected if demand for bundled broadband communications services is materially lower than we expect If the markets for the services we offer, including voice and data services, fail to develop, grow more slowly than anticipated or become saturated with competitors, our ability to generate revenue will suffer

Competition from other providers of video services could adversely affect our results of operations.

To be successful, we will need to retain our existing video customers and attract video customers away from our competitors Some of our competitors have advantages over us, such as long-standing customer relationships, larger networks, and greater experience, resources, marketing capabilities and name recognition In addition, a continuing trend toward business combinations and alliances in the cable television area and in the telecommunications industry as a whole may create significant new competitors for us In providing video service, we currently compete with Bright House Networks, or Bright House, Charter Communications Inc , or Charter, Comcast Corporation, or Comcast, Mediacom Communications Corporation, or Mediacom, and Time Warner Cable Inc , or Time Warner We also compete with satellite television providers, including DirecTV, Inc , or DirecTV, and Echostar Communications Corporation, or Echostar Legislation now allows satellite television providers to offer local broadcast television stations This may reduce our current advantage over satellite television providers and our ability to attract and maintain customers

The providers of video services in our markets have, from time to time, adopted promotional discounts We expect these promotional discounts in our markets to continue into the foreseeable future and additional promotional discounts may be adopted We may need to offer additional promotional discounts to be competitive, which could have an adverse impact on our revenues In addition, incumbent local phone companies may market video services in their service areas to provide a bundle of services BellSouth Corporation, or BellSouth, has entered into a strategic marketing alliance with DirecTV to jointly market voice and video services If telephone service providers offer video services in our markets, it could increase our competition for our video and voice services and for our bundled services

Competition from other providers of voice services could adversely affect our results of operations.

In providing local and long-distance telephone services, we compete with the incumbent local phone company in each of our markets We are not the first provider of telephone services in most of our markets and we therefore must attract customers away from other telephone companies BellSouth and Verizon are the primary incumbent local exchange carriers in our targeted region They offer both local and long-distance services in our markets and are particularly strong competitors We also compete with a number of providers of long-distance telephone services, such as AT&T Corp , or AT&T, Bellsouth, MCI, Inc , or MCI, Sprint Corporation, or Sprint, and Verizon Our other competitors include competitive local exchange carriers, which are local phone companies other than the incumbent phone company that provide local telephone services and access to long-distance services over their own networks or over networks leased from other companies, and wireless telephone carriers In the future, we may face other competitors, such as cable television service operators who have announced their intention to offer telephone services with Internet-based telephony If cable operators offer voice services in our markets, it could increase competition for our bundled services

The past several years have seen the emergence in our markets of carriers relying on the so-called unbundled network element platform obtained from incumbent local exchange carriers under Section 251(c)(3) of the Communications Act of 1934 and the Federal Communications Commission's, or FCC's, implementing regulations Some of these carriers have been successful in capturing market share in a relatively short period of time In the FCC's Triennial Review Order, the framework was established whereby the obligations of incumbent local exchange carriers to continue to make available the unbundled network element platform may be eliminated in the future subject to certain conditions being satisfied and certified by state public service commissions It is difficult at this time to determine the extent to which competition from unbundled network element platform providers in our markets may intensify or diminish and it is impossible to predict, in the event that the unbundled network element platform is no longer available in certain markets in the future, whether and which unbundled network element platform-based carriers will successfully transition to other means of serving their local exchange customers

Competition from other providers of data services could adversely affect our results of operations.

Providing data services is a rapidly growing business and competition is increasing in each of our markets Some of our competitors have advantages over us, such as greater experience, resources, marketing capabilities and name recognition In providing data services, we compete with

- traditional dial-up Internet service providers,
- incumbent local exchange carriers that provide dial-up and digital subscriber line, or DSL, services,
- providers of satellite-based Internet access services,

- competitive local exchange carriers, and
- cable television companies

In addition, some providers of data services have reduced prices and engaged in aggressive promotional activities We expect these price reductions and promotional activities to continue into the foreseeable future and additional price reductions may be adopted We may need to lower our prices for data services to remain competitive

Our programming costs are increasing, which could reduce our gross profit.

Programming has been our largest single operating expense and we expect this to continue In recent years, the cable industry has experienced rapid increases in the cost of programming, particularly sports programming Our relatively small base of subscribers limits our ability to negotiate lower programming costs We expect these increases to continue, and we may not be able to pass our programming cost increases on to our customers In addition, as we increase the channel capacity of our systems and add programming to our expanded basic and digital programming tiers, we may face additional market constraints on our ability to pass programming costs on to our customers Any inability to pass programming cost increases on to our customers would have an adverse impact on our gross profit

Programming exclusivity in favor of our competitors could adversely affect the demand for our video services.

We obtain our programming by entering into contracts or arrangements with programming suppliers A programming supplier could enter into an exclusive arrangement with one of our video competitors that could create a competitive advantage for that competitor by restricting our access to this programming If our ability to offer popular programming on our cable television systems is restricted by exclusive arrangements between our competitors and programming suppliers, the demand for our video services may be adversely affected and our cost to obtain programming may increase

The rates we pay for pole attachments may increase significantly.

The rates we must pay utility companies for space on their utility poles is the subject of frequent disputes If the rates we pay for pole attachments were to increase significantly or unexpectedly, it would cause our network to be more expensive to operate It could also place us in a competitive disadvantage to video and telecommunications service providers who do not require, or who are less dependent upon, pole attachments, such as satellite providers and wireless voice service providers See "Legislation and regulation—Federal Regulation—Regulation of Cable Services—Pole Attachments" for more information

Loss of interconnection arrangements could impair our telephone service.

We rely on other companies to connect our local telephone customers with customers of other local telephone providers We presently have access to BellSouth's telephone network under a nine–state interconnection agreement, which expires in September 2005 We have access to Verizon's telephone network in Florida under an interconnection agreement covering Florida, which expires in [August 2005] If either interconnection agreement is not renewed, we will have to negotiate another interconnection agreement with the respective carrier The renegotiated agreement could be on terms less favorable than our current terms

It is generally expected that the Telecommunications Act of 1996 will continue to undergo considerable interpretation and implementation, which could have a negative impact on our interconnection agreements with BellSouth and Verizon It is also possible that further amendments to the Communications Act of 1934 may be enacted which could have a negative impact on our interconnection agreements with BellSouth and Verizon The contractual arrangements for interconnection and access to unbundled network elements with incumbent carriers generally contain provisions for incorporation of changes in governing law Thus, future FCC, state public service commission and/or court decisions may negatively impact the rates, terms and conditions of the interconnection services we have obtained and may seek to obtain under these agreements, which could adversely affect our business, financial condition or results of operations Our ability to compete successfully in the provision of services will depend on the nature and timing of any such legislative changes, regulations and interpretations and whether they are favorable to us or to our competitors See "Legislation and Regulation" for more information

We could be hurt by future interpretation or implementation of regulations.

The current communications and cable legislation is complex and in many areas sets forth policy objectives to be implemented by regulation, at the federal, state, and local levels It is generally expected that the Communications Act of 1934, as amended, the Telecommunications Act of 1996 and implementing regulations and decisions, as well as applicable state laws and regulations, will continue to undergo considerable interpretation and implementation Regulations that enhance the ability of certain classes of our competitors, or interpretation of existing regulations to the same effect, would adversely affect our competitive position It is also possible that further amendments to the Communications Act of 1934 and state statutes to which we or our competitors are subject may be enacted Our ability to compete successfully will depend on the nature and timing of any such legislative changes,

regulations, and interpretations and whether they are favorable to us or to our competitors See "Legislation and Regulation" for more information

We operate our network under franchises that are subject to non-renewal or termination.

Our network generally operates pursuant to franchises, permits or licenses typically granted by a municipality or other state or local government controlling the public rights-of-way Often, franchises are terminable if the franchisee fails to comply with material terms of the franchise order or the local franchise authority's regulations Although none of our existing franchise or license agreements have been terminated, and we have received no threat of such a termination, one or more local authorities may attempt to take such action We may not prevail in any judicial or regulatory proceeding to resolve such a dispute

Further, franchises generally have fixed terms and must be renewed periodically Local franchising authorities may resist granting a renewal if they consider either past performance or the prospective operating proposal to be inadequate In a number of jurisdictions, local authorities have attempted to impose rights-of-way fees on providers that have been challenged as violating federal law A number of FCC and judicial decisions have addressed the issues posed by the imposition of rights-of-way fees on competitive local exchange carriers and on video distributors To date, the state of the law is uncertain and may remain so for some time We may become subject to future obligations to pay local rights-of-way fees which are excessive or discriminatory

The local franchising authorities can grant franchises to competitors who may build networks in our market areas. Local franchise authorities have the ability to impose regulatory constraints or requirements on our business, including constraints and requirements that could materially increase our expenses In the past, local franchise authorities have imposed regulatory constraints, by local ordinance or as part of the process of granting or renewing a franchise, on the construction of our network They have also imposed requirements on the level of customer service we provide, as well as other requirements The local franchise authorities in our new markets may also impose regulatory constraints or requirements, which could increase our expenses in operating our business

We may not be able to obtain telephone numbers for new voice customers in a timely manner.

In providing voice services, we rely on access to numbering resources in order to provide our customers with telephone numbers A shortage of or a delay in obtaining new numbers from numbering administrators, as has sometimes been the case for local exchange carriers in the recent past, could adversely affect our ability to expand into new markets or enlarge our market share in existing markets

Substantially all of our voice traffic passes through one of our two switches located in West Point, Georgia and nearby Huguley, Alabama, and these switches may fail to operate.

Substantially all of our voice traffic passes through one of our two switches located in West Point, Georgia and nearby Huguley, Alabama If one or both of our switches were to fail to operate, a portion or all of our customers would not be able to access our voice services, which likely would damage our relationship with our customers and could adversely affect our business

We may encounter difficulties in implementing and developing new technologies.

We have invested in advanced technology platforms that support advanced communications services and multiple emerging interactive services, such as video-on-demand, subscriber video-on-demand, digital video recording, interactive television, IP Centrex services and passive optical network services We have also invested in our new enterprise management system However, existing and future technological implementations and developments may allow new competitors to emerge, reduce our network's competitiveness or require expensive and time-consuming upgrades or additional equipment, which may also require the write-down of existing equipment In addition, we may be required to select in advance one technology over another and may not choose the technology that is the most economic, efficient or attractive to customers We may also encounter difficulties in implementing new technologies, products and services and may encounter disruptions in service as a result

We may encounter difficulties expanding into additional markets.

To expand into additional cities we will have to obtain pole attachment agreements, construction permits, telephone numbers, franchises and other regulatory approvals Delays in entering into pole attachment agreements, receiving the necessary construction permits and conducting the construction itself have adversely affected our schedule in the past and could do so again in the future Difficulty in obtaining numbering resources may also adversely affect our ability to expand into new markets Further, as we recently experienced in Louisville, we may face legal or similar resistance from competitors who are already in these markets See "Item 3—Legal Proceedings " For example, a competitor may oppose or delay our franchise application or our request for pole attachment space These difficulties could significantly harm or delay the development of our business in new markets

It may take us longer to construct our network than anticipated, which could adversely affect our growth, financial condition and results of operations.

When we enter new markets or upgrade or expand our network in existing markets, we project the capital expenditures that will be required based in part on the amount of time necessary to complete the construction or upgrade of the network and the difficulty of such construction For example we currently expect to spend approximately $7 5 million in capital expenditures in 2005 to enhance the network assets in Pinellas County Florida acquired from Verizon Media If construction lasts longer than anticipated or is more difficult than anticipated, our capital expenditures could be significantly higher, which could adversely affect our growth, financial condition or results of operations

It may take us longer to increase connections than anticipated.

When we enter new markets or expand existing markets, we project the amount of revenue we will receive in such markets based in part on how quickly we are able to generate new connections If we are not able to generate connections as quickly as anticipated, we will not be able to generate revenue in such markets as quickly as anticipated, which could adversely affect our growth, financial condition or results of operations

Future acquisitions and joint ventures could strain our business and resources.

If we acquire existing companies or networks or enter into joint ventures, we may

- miscalculate the value of the acquired company or joint venture,
- divert resources and management time,
- experience difficulties in integrating the acquired business or joint venture with our operations,
- experience relationship issues, such as with customers, employees and suppliers, as a result of changes in management,
- incur additional liabilities or obligations as a result of the acquisition or joint venture, and
- assume additional financial burdens or dilution in connection with the transaction

Additionally, ongoing consolidation in our industry may be shrinking the number of attractive acquisition targets

We depend on the services of key personnel to implement our strategy. If we lose the services of our key personnel or are unable to attract and retain other qualified management personnel, we may be unable to implement our strategy.

Our business is currently managed by a small number of key management and operating personnel We do not have any employment agreements with, nor do we maintain "key man" life insurance policies on, these or any other employees The loss of members of our key management and certain other members of our operating personnel could adversely affect our business

Our ability to manage our anticipated growth depends on our ability to identify, hire and retain additional qualified management personnel While we are able to offer competitive compensation to prospective employees, we may still be unsuccessful in attracting and retaining personnel which could affect our ability to grow effectively and adversely affect our business

Since our business is concentrated in specific geographic locations, our business could be hurt by a depressed economy and natural disasters in these areas.

We provide our services to areas in Alabama, Florida, Georgia, South Carolina and Tennessee, which are all in the southeastern United States, as well as California A stagnant or depressed economy in the United States and the southeastern United States in particular could affect all of our markets, and adversely affect our business and results of operations

Our success depends on the efficient and uninterrupted operation of our communications services Our network is attached to poles and other structures in our service areas, and our ability to provide service depends on the availability of electric power A tornado, hurricane, flood, mudslide or other natural catastrophe in one of these areas could damage our network, interrupt our service and harm our business in the affected area In addition, many of our markets are close together, and a single natural catastrophe could damage our network in more than one market

Risks Related to Relationships with Stockholders, Affiliates and Related Parties

A small number of stockholders control a significant portion of our stock and could exercise significant influence over matters requiring stockholder approval, regardless of the wishes of other stockholders.

As of January 31, 2005, Silver Point Capital, or Silver Point, our largest stockholder, owned approximately 20% of our outstanding voting stock Additionally, private equity funds affiliated with Whitney & Co , LLC, or Whitney, and The Blackstone Group L P , or Blackstone, owned approximately 6 7% and 5 1% of our outstanding voting stock, respectively Further, approximately 5 8% of our outstanding voting stock was owned by Campbell B Lanier, III, the chairman of our board of directors, and members of Mr Lanier's immediate family As a result, these stockholders have significant voting power with respect to the ability to·

- authorize additional shares of capital stock or otherwise amend our certificate of incorporation or bylaws;
- elect our directors, or
- effect a merger, sale of assets or other corporate transaction

The extent of ownership by these stockholders may also discourage a potential acquirer from making an offer to acquire us This could reduce the value of our stock

Some of our major stockholders own stock in our competitors and may have conflicts of interest.

Some of our major stockholders, including Silver Point, Whitney, Blackstone and Mr Lanier, own or in the future may own interests in companies that may compete with us When the interest of one of our competitors differs from ours, these stockholders may support our competitor or take other actions that could adversely affect our interests

Risks Related to Our Common Stock

If we issue more stock in future offerings, the percentage of our stock that our stockholders own will be diluted.

As of January 31, 2005, we had outstanding 23,697,787 shares of common stock We also had outstanding on that date options to purchase 2,026,285 shares of common stock as well as warrants to purchase 1,090,733 shares of common stock Our authorized capital stock includes 200,000,000 shares of common stock and 199,000,000 shares of preferred stock, which our board of directors has the authority to issue without further stockholder action Future stock issuances also will reduce the percentage ownership of our current stockholders

Our board of directors has the authority to issue, without stockholder approval, shares of preferred stock with rights and preferences senior to the rights and preferences of the common stock As a result our board of directors could issue shares of preferred stock with the right to receive dividends and the assets of the company upon liquidation prior to the holders of the common stock

The value of our stock could be hurt by substantial price fluctuations.

The value of our common stock could be subject to sudden and material increases and decreases The value of our stock could fluctuate in response to·

- our quarterly operating results,
- changes in our business,
- changes in the market's perception of our bundled services,
- changes in the businesses or market perceptions of our competitors, and
- changes in general market or economic conditions

In addition, the stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the value of securities of many companies The changes often appear to occur without regard to specific operating performance The value of our common stock could increase or decrease based on change of this type These fluctuations could materially reduce the value of our stock Fluctuations in the value of our stock will also affect the value of our outstanding warrants and options, which may adversely affect shareholders' equity, net income or both

Forward–looking statements should be read with caution.

This annual report on Form 10–K for the year ended December 31, 2004 contains forward–looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 including, specifically, the information under the captions

"Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," as well as other places in this annual report Statements in this annual report that are not historical facts are "forward-looking statements " Such forward-looking statements include those relating to

- our anticipated capital expenditures,
- our anticipated sources of capital and other funding,
- plans to develop future networks and upgrade facilities,
- the market opportunity presented by markets we have targeted,
- the current and future markets for our services and products,
- the effects of regulatory changes on our business,
- competitive and technological developments,
- possible acquisitions, alliances or dispositions, and
- projected revenues, liquidity, interest costs and income

The words "estimate," "project," "intend," "expect," "believe," "may," "could," "plan" and similar expressions are intended to identify forward-looking statements Wherever they occur in this annual report or in other statements attributable to us, forward-looking statements are necessarily estimates reflecting our best judgment These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements The most significant of these risks, uncertainties and other factors are discussed above We caution you to carefully consider these risks and not to place undue reliance on our forward-looking statements Except as required by law, we assume no responsibility for updating any forward-looking statements

EMPLOYEES

At December 31, 2004 we had 1,448 full-time employees We consider our relations with our employees to be good, and we structure our compensation and benefit plans in order to attract and retain high-caliber personnel We will need to recruit additional employees in order to implement our expansion plan, including general managers for each new city and additional personnel for installation, sales, customer service and network construction We recruit from several major industries for employees with skills in video, voice and data technologies

ITEM 2. PROPERTIES

Our primary assets consist of voice, video and data distribution plant and equipment, including voice switching equipment, data receiving equipment, data decoding equipment, data encoding equipment, headend reception facilities, distribution systems and customer premise equipment

Our plant and related equipment are generally attached to utility poles under pole rental agreements with public electric utilities, electric cooperative utilities, municipal electric utilities and telephone companies In certain locations our plant is buried underground We own or lease real property for signal reception sites Our headend locations are located on owned or leased parcels of land

We own or lease the real property and buildings for our market administrative offices, customer call center, data center, and our corporate offices

The physical components of our broadband systems require maintenance as well as periodic upgrades to support the new services and products we may introduce We believe that our properties are generally in good operating condition and are suitable for our business operations

ITEM 3. LEGAL PROCEEDINGS

In September 2000, the City of Louisville, Kentucky granted Knology of Louisville, Inc , our subsidiary, a cable television franchise On November 2, 2000, Insight filed a complaint against the City of Louisville in Kentucky Circuit Court in Jefferson

County, Kentucky claiming that our franchise was more favorable than Insight's franchise. Insight's complaint suspended our franchise until there is a final, nonappealable order in Insight's Kentucky Circuit Court case In April 2001 the City of Louisville moved for summary judgment in Kentucky Circuit Court against Insight In March 2002, the Kentucky Circuit Court ruled that Insight's complaint had no merit and the Kentucky Circuit Court granted the City of Louisville's motion to dismiss Insight's complaint Insight appealed the Kentucky Circuit Court order dismissing their complaint and in June 2003 the Kentucky Court of Appeals upheld the Kentucky Circuit Court ruling Insight sought discretionary review of the Kentucky Court of Appeals ruling by the Kentucky Supreme Court and that request is pending

On November 8, 2000, we filed an action in the U S District Court for the Western District of Kentucky against Insight seeking monetary damages, declaratory and injunctive relief from Insight and the City arising out of Insight's complaint and the suspension of our franchise In March 2001, the U S District Court issued an order granting our motion for preliminary injunctive relief and denying Insight's motion to dismiss In June 2003 the U S District Court ruled on the parties' cross motions for summary judgment, resolving certain claims and setting others down for trial The U S District Court granted our motion for summary judgment based on causation on certain claims In August 2003, the U S District Court granted Insight's motion for an immediate interlocutory appeal on certain issues, which was accepted in October 2003 by the U S Court of Appeals for the Sixth Circuit

On December 29, 2004, the Sixth Circuit reversed the U S District Court's decision denying Insight's *Noerr–Pennington* immunity and granting summary judgment to Knology on its First Amendment Section 1983 claim The Sixth Circuit remanded to the U S District Court for further proceedings consistent with its Opinion On January 12, 2005, we filed a Petition for Rehearing *En Banc* with the Sixth Circuit On March 2, 2005, the Sixth Circuit denied our Petition for Rehearing The parties dispute what remains, if any, of our case now that the Sixth Circuit has denied our Petition We contend we are entitled to a trial on whether Insight's State Court Action was protected by *Noerr–Pennington* immunity Insight contends the Sixth Circuit's Opinion requires a dismissal with prejudice of all of our claims At this time it is impossible to determine with certainty the ultimate outcome of the litigation

We are also subject to other litigation in the normal course of our business However, in our opinion, there is no legal proceeding pending against us which would have a material adverse effect on our financial position, results of operations or liquidity We are also a party to regulatory proceedings affecting the segments of the communications industry generally in which we engage in business

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

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

Market Information

Our common stock has been traded on the Nasdaq National Market under the symbol "KNOL" since December 18, 2003 The following table sets forth the high and low sales prices as reported on the Nasdaq National Market for the period from January 1, 2003 through December 31, 2004

	High	Low
2004		
Fourth Quarter	$ 4 25	$ 2 63
Third Quarter	$ 5 35	$ 3 24
Second Quarter	$ 8 99	$ 4 91
First Quarter	$ 10 86	$ 6 13
2003		
Fourth Quarter	$ 9 54	$ 8 99
Third Quarter	N/A	N/A
Second Quarter	N/A	N/A
First Quarter	N/A	N/A

Holders

As of January 31, 2005, there were approximately 2,250 shareholders of record of our common stock (excluding beneficial owners of shares registered in nominee or street name)

Dividends

We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends on our common stock in the foreseeable future It is the current policy of our board of directors to retain earnings to finance the expansion of our operations As we are a holding company, our ability to pay cash dividends depends on our receiving cash dividends, advances and other payments from our subsidiaries Future declaration and payment of dividends, if any, will be determined based on the then-current conditions, including our earnings, operations, capital requirements, financial condition, and other factors our board of directors deems relevant In addition, our ability to pay dividends is limited by the terms of the indenture governing our outstanding senior notes and by the terms of our credit facilities

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our financial statements and the related notes, and other financial data included elsewhere in this Annual Report

	Year Ended December 31,				
	2000	2001	2002	2003	2004
			(in thousands)		
Statement of Operations Data:					
Operating revenues	$ 82,573	$ 106,189	$ 141,866	$172,938	$211,458
Operating expenses					
Cost of services	31,010	32,469	41,007	46,525	60,829
Selling, operations and administrative	58,725	73,322	79,837	93,366	117,588
Depreciation and amortization	60,672	78,954	80,533	77,806	74,163
Gain on debt extinguishment	0	(31,875)	0	0	0
Gain on debt reorganization	0	0	(109,804)	0	0
Reorganization professional fees	0	0	3,842	84	0
Capital markets activity	0	0	0	0	880
Asset impairment	0	0	9,946	0	0
Non-cash stock option compensation	0	0	3,266	1,833	3,625
Litigation fees	0	0	1,244	907	377
Total operating expenses	150,407	155,870	109,871	220,571	257,454
Operating (loss) income	(67,834)	(48,681)	31,995	(47,633)	(45,996)
Interest (expense), net	(34,859)	(40,069)	(35,871)	(28,796)	(30,342)
Gain on adjustments of warrants to market	0	0	2,865	929	535
Other income (expense), net	(1,373)	(834)	(321)	(12,288)	133
Loss before minority interest, income taxes, extraordinary item, and cumulative effect of a change in accounting principle	(104,066)	(87,584)	(1,332)	(87,788)	(75,670)
Income from discontinued operations	0	0	0	0	106
Income tax (provision) benefit	3,170	(2,789)	0	0	0
Cumulative effect of a benefit change in accounting principle	0	0	(1,294)	0	0
Net loss	(100,896)	(90,373)	(2,626)	(87,788)	(75,564)
Subsidiary preferred stock dividends	0	0	0	0	0
Non-cash distribution to preferred stockholders	0	(36,579)	0	0	0
Net loss attributable to common stockholders	$ (100,896)	$ (126,952)	$ (2,626)	$ (87,788)	$ (75,564)
Basic and diluted net loss per share attributable to common stockholders	$(3,618 68)	$(2,628 84)	$ (52 20)	$ (5 17)	$ (3 19)
Other Financial Data:					
Capital expenditures	$ 146,706	$ 86,696	$ 44,446	$ 35,533	$ 63,592
Capitalized interest	2,329	2,430	0	0	0
Cash provided by (used in) operating activities	35,884	(13,251)	10,318	29,512	23,869
Cash used in investing activities	(149,986)	(89,117)	(44,847)	(55,121)	(63,711)
Cash provided by financing activities	126,911	119,814	40,368	45,383	4,185

	December 31,				
	2000	2001	2002	2003	2004
			(in thousands)		
Balance Sheet Data:					
Cash and cash equivalents	$ 20,628	$ 38,074	$ 43,913	$ 63,335	$ 27,678
Net working capital	(12,918)	617	24,000	42,935	3,201
Property and equipment, net	377,421	400,851	357,182	336,060	326,499
Total assets	489,406	516,540	471,291	463,712	420,193
Long-term debt, including accrued interest	367,915	370,999	250,916	271,317	286,888

Total liabilities	416,715	423,416	284,899	312,819	333,924
Accumulated deficit	(180,490)	(307,442)	(310,068)	(397,853)	(473,419)
Total stockholders' equity	67,965	88,398	184,531	150,893	86,269

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

Overview

We are a fully integrated provider of video, voice, data and advanced communications services to residential and business customers in nine markets in the southeastern United States We provide a full suite of video, voice and data services in Huntsville and Montgomery, Alabama, Panama City and a portion of Pinellas County, Florida, Augusta, Columbus and West Point, Georgia, Charleston, South Carolina, and Knoxville, Tennessee We provide video services in Cerritos, California Our primary business is the delivery of bundled communication services over our own network In addition to our bundled package offerings, we sell these services on an unbundled basis

We have built our business through

- acquisitions of other cable related assets and subsidiaries, networks and franchises,
- upgrades of acquired networks to introduce expanded broadband services including bundled video, voice and data services,
- construction and expansion of our broadband network to offer integrated video, voice and data services, and
- organic growth of connections through increased penetration of services to new marketable homes and our existing customer base

To date, we have experienced operating losses as a result of the expansion of our service territories and the construction of our network We expect to continue to focus on increasing our customer base and expanding our broadband operations Our ability to generate profits will depend in large part on our ability to increase revenues to offset the costs of construction and operation of our business

Highlights of the year ended December 31, 2004 include the following

- Significant operating efficiencies realized from the completion of the implementation of our single billing platform for video, voice and data services, which is part of an enterprise management system This system, which was developed to our specifications, enables us to send a single bill to our customers for video, voice and data services
- Amendments to our credit facilities with Wachovia Bank, National Association and CoBank, ACB The amended credit facilities defer approximately $24 5 million of principal payments until 2007 which were previously scheduled during 2004, 2005 and 2006, and modify certain financial covenants In addition, the amendments allowed our Telephone Operations Group to make a $7 7 million dividend payment to us, as well as future dividend payments equal to the net income of the Telephone Operations Group These dividends decrease the amount of our cash that is restricted for use for our Telephone Operations Group
- Introduction of voice services to our Pinellas County market In December of 2003 we completed the acquisition, from Verizon Media, of the cable television system and franchise rights in Pinellas County, Florida We began the enhancement of the network to enable that market to offer our full bundle, including voice services We added our first voice connections during the third quarter and expect to complete the enhancements of the network in 2005

The following discussion includes details, highlights and insight into our consolidated financial condition and results of operations including recent business developments, critical accounting policies, estimates used in preparing the financial statements and other factors that are expected to affect our prospective financial condition The following discussion and analysis should be read in conjunction with our "Selected Consolidated Financial Data" and our financial statements and related notes elsewhere in this annual report

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require us to make estimates and assumptions We believe that, of our significant accounting policies described in Note 2 to our audited consolidated financial statements included in Item 8 of this annual report, the following may involve a higher degree of judgment and complexity

Revenue Recognition The Company generates recurring or multi-period operating revenues, as well as nonrecurring revenues We recognize revenue in accordance with SEC Staff Accounting Bulletin, or SAB, No 104, "Revenue Recognition," which requires that the following four basic criteria must be satisfied before revenues can be recognized

- There is persuasive evidence that an arrangement exists,
- Delivery has occurred or services rendered,

- The fee is fixed and determinable, and,
- Collectibility is reasonably assured

We base our determination of the third and fourth criteria above on our judgment regarding the fixed nature of the fee we have charged for the services rendered and products delivered, and the prospect that those fees will be collected If changes in conditions should cause us to determine that these criteria likely will not be met for certain future transactions, revenue recognized for any reporting period could be materially affected

We generate recurring revenues for our broadband offerings of video, voice and data and other services Revenues generated from these services primarily consists of a fixed monthly fee for access to cable programming, local phone services and enhanced services and access to the internet Additional fees are charged for services including pay-per-view movies, events such as boxing matches and concerts, long distance service and cable modem rental Revenues are recognized as services are provided and advance billings or cash payments received in advance of services performed are recorded as deferred revenue

Allowance for Doubtful Accounts We use estimates to determine our allowance for bad debts These estimates are based on historical collection experience, current trends, credit policy and a percentage of our delinquent customer accounts receivable

Capitalization of labor and overhead costs Our business is capital intensive, and a large portion of the capital we have raised to date has been spent on activities associated with building, extending, upgrading and enhancing our network As of December 31, 2004 and 2003, the net carrying amount of our property, plant and equipment was approximately $326 5 million, 78% of total assets, and $336 1 million, 72% of total assets, respectively Total capital expenditures for the years ended December 31, 2004, 2003 and 2002 were approximately $63 6 million, $35 5 million and $44 4 million, respectively

Costs associated with network construction, network enhancements and initial customer installation are capitalized Costs capitalized as part of the initial customer installation includes materials, direct labor, and certain indirect costs These indirect costs are associated with the activities of personnel who assist in connecting and activating the new service and consist of compensation and overhead costs associated with these support functions The costs of disconnecting service at a customer's premise or reconnecting service to a previously installed premise are charged to operating expense in the period incurred. Costs for repairs and maintenance are charged to operating expense as incurred, while equipment replacement and significant enhancements, including replacement of cable drops from the pole to the premise, are capitalized

We make judgments regarding the installation and construction activities to be capitalized We capitalize direct labor and certain indirect costs ("overhead") using standards developed from time costs studies and operational data We calculate standards for items such as the labor rates, overhead rates and the actual amount of time required to perform a capitalizable activity Overhead rates are established based on an analysis of the nature of costs incurred in support of capitalizable activities and a determination of the portion of costs that is directly attributable to capitalizable activities

Judgment is required to determine the extent to which overhead is incurred as a result of specific capital activities, and therefore should be capitalized The primary costs that are included in the determination of the overhead rate are (i) employee benefits and payroll taxes associated with capitalized direct labor, (ii) direct variable costs associated with capitalizable activities, consisting primarily of installation costs, (iii) the cost of support personnel that directly assist with capitalizable installation activities, and (iv) indirect costs directly attributable to capitalizable activities

While we believe our existing capitalization policies are reasonable, a significant change in the nature or extent of our system activities could affect management's judgment about the extent to which we should capitalize direct labor or overhead in the future We monitor the appropriateness of our capitalization policies, and perform updates to our internal studies on an ongoing basis to determine whether facts or circumstances warrant a change to our capitalization policies

Valuation of Long-Lived and Intangible Assets and Goodwill We assess the impairment of identifiable long-lived assets and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with Statement of Financial Accounting Standards, or SFAS No 121, and beginning January 1, 2002 SFAS No 144 Factors we consider important and that could trigger an impairment review include the following

- Significant underperformance of our assets relative to expected historical or projected future operating results,
- Significant changes in the manner in which we use our assets or significant changes in our overall business strategy, and,
- Significant negative industry economic trends

In July 2001, the FASB issued SFAS No 144, "Impairment or Disposal of Long–Lived Assets," which is effective for fiscal years beginning after December 15, 2001 The provisions of this statement provide a single accounting model for impairment of long–lived assets We recognized an asset impairment of approximately $9 9 million during the year ended December 31, 2002 in accordance with SFAS No 144

We adopted SFAS No 142 on January 1, 2002 and have performed a goodwill impairment test annually in accordance with SFAS No 142 Based on the results of the goodwill impairment test, we recorded an impairment loss of $1 3 million in the first quarter of 2002 as a cumulative effect of change in accounting principle There have been no other impairments to our recorded goodwill

Significant and Subjective Estimates The following discussion and analysis of our results of operations and financial condition is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States The preparation of these financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and contingent liabilities In many cases, the accounting treatment of a particular transaction is specifically dictated by accounting principles generally accepted in the United States, with no need for us to judge the application We base our judgments on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates under different assumptions or conditions See our consolidated financial statements and related notes thereto included elsewhere in this annual report, which contain accounting policies and other disclosures required by accounting principles generally accepted in the United States.

Homes Passed and Connections

We report homes passed as the number of residential and business units, such as single residence homes, apartments and condominium units, passed by our broadband network and listed in our database Marketable homes passed are homes passed other than those we believe are covered by exclusive arrangements with other providers of competing services Because we deliver multiple services to our customers, we report the total number of connections for video, voice and data rather than the total number of customers We count each video, voice or data purchase as a separate connection For example, a single customer who purchases cable television, local telephone and Internet access services would count as three connections We do not record the purchase of digital video services by an analog video customer as an additional connection As we continue to sell bundled services, we expect more of our video customers to purchase voice, data and other enhanced services in addition to video services Accordingly, we expect that our number of voice and data connections will grow faster than our video connections and will represent a higher percentage of our total connections in the future

Revenues

Our operating revenues are primarily derived from monthly charges for video, voice and Internet data services and other services to residential and business customers We provide these services over our network Our products and services involve different types of charges and in some cases a different method of accounting for or recording revenues Below is a description of our significant sources of revenue

- *Video revenues* Our video revenues consist of fixed monthly fees for expanded basic, premium and digital cable television services, as well as fees from pay–per–view movies, fees for video–on–demand and events such as boxing matches and concerts that involve a charge for each viewing Video revenues accounted for approximately 42 8%, 41 6% and 46 2% of our consolidated revenues for the years ended December 31, 2002, 2003 and 2004, respectively Video revenues as a percentage of our total revenues increased significantly in 2004 as a result of the acquisition of video–only connections in Cerritos, California and video and data connections in Pinellas County, FL In providing video services, we currently compete with BellSouth, Bright House Networks, Charter, Comcast, Mediacom and Time Warner We also compete with satellite television providers such as DirecTV and Echostar Our other competitors include broadcast television stations and other satellite television companies We expect in the future to face additional competition from telephone companies providing video services within their service areas

- *Voice revenues* Our voice revenues consist primarily of fixed monthly fees for local service and enhanced services, such as call waiting, voice mail and measured and flat rate long–distance service Voice revenues accounted for approximately 41 4%, 40 5% and 34 3% of our consolidated revenues for the years ended December 31, 2002, 2003 and 2004, respectively In providing local and long–distance telephone services, we compete with the incumbent local phone company and various long–distance providers in each of our markets BellSouth and Verizon are the incumbent local phone companies in our markets They offer both local and long–distance services in our markets and are particularly strong competitors We also compete with providers of long–distance telephone services, such as AT&T, MCI and Sprint We also expect to compete in the near future with voice–over–IP providers

- *Data revenues and other revenues* Our data revenues consist primarily of fixed monthly fees for data service and rental of cable modems Other revenues result principally from broadband carrier services These combined revenues accounted for approximately 15 8%, 17 9% and 19 5% of our consolidated revenues for the years ended December 31, 2002, 2003 and 2004, respectively Providing data services is a rapidly growing business and competition is increasing in each of our markets Some of our competitors have competitive advantages such as greater experience, resources, marketing capabilities and stronger name recognition In providing data services, we compete with traditional dial-up Internet service providers, incumbent local exchange carriers that provide dial-up and DSL services, providers of satellite-based Internet access services, cable television companies, and providers of wireless high-speed data services

We experienced a loss of video connections in 2004 While we expect to have positive growth in video connections in 2005, we believe that the historical rate of growth will decline as the video segment matures in our current markets While the number of new video connections may grow at a declining rate, the company believes there is an opportunity to increase revenue and gross profits with the introduction of new products, price increases and new technology New voice and data connections are expected to increase with sales and marketing efforts directed at selling customers a bundle of services, penetrating untapped market segments and offering new services

Costs and Expenses

Our operating expenses include cost of services, selling, operations and administrative expenses and depreciation and amortization

Costs of services includes

- *Video cost of services* Video cost of services consists primarily of monthly fees to the National Cable Television Cooperative and other programming providers Programming costs are our largest single cost and we expect this trend to continue Programming costs as a percentage of video revenue were approximately 48 1%, 46 1% and 49 6% for the years ended December 31, 2002, 2003 and 2004, respectively We have entered into contracts with various entities to provide programming to be aired on our network We pay a monthly fee for these programming services, generally based on the average number of subscribers to the program, although some fees are adjusted based on the total number of subscribers to the system and/or the system penetration percentage Since programming cost is partially based on numbers of subscribers, it will increase as we add more subscribers It will also increase as costs per channel increase over time We paid approximately $47 0 million in programming fees under programming contracts during 2004

- *Voice cost of services* Voice cost of services consists primarily of transport cost and network access fees The voice cost of services as a percentage of voice revenues was approximately 17 3%, 16 2% and 14 7% for the years ended December 31, 2002, 2003 and 2004, respectively

- *Data and other costs of services* Data and other costs of services consist primarily of transport cost and network access fees The data and other costs of services as a percentage of data and other revenue were 7 4%, 6 5% and 4 2% for the years ended December 31, 2002, 2003 and 2004, respectively

Relative to our current product mix, we expect voice and data revenue will become larger percentages of our overall revenue, and potentially will provide higher gross profits Based on the anticipated changes in our revenue mix, we expect that our consolidated cost of services as a percentage of our consolidated revenues will decrease

Selling, operations and administrative expenses include

- *Sales and marketing expenses* Sales and marketing expenses include the cost of sales and marketing personnel and advertising and promotional expenses

- *Network operations and maintenance expenses* Network operations and maintenance expenses include payroll and departmental costs incurred for network design, 24/7 maintenance monitoring and plant maintenance activity

- *Service and installation expenses* Service and installation expenses include payroll and departmental cost incurred for customer installation and service technicians

- *Customer service expenses* Customer service expenses include payroll and departmental costs incurred for customer service representatives and customer service management, primarily at our centralized call center

- *General and administrative expenses* General and administrative expenses consist of corporate and subsidiary management and administrative costs

Depreciation and amortization expenses include depreciation of our interactive broadband networks and equipment and amortization of costs in excess of net assets and other intangible assets related to acquisitions For periods beginning after January 1, 2002, we no longer amortize goodwill related to acquisitions in accordance with SFAS 142

As our sales and marketing efforts continue and our networks expand, we expect to add customer connections resulting in increased revenue We also expect our cost of services and operating expenses to increase as we add connections and grow our business

Results of Operations

The following table sets forth financial data as a percentage of operating revenues for the years ended December 31, 2002, 2003 and 2004

	Year Ended December 31,		
	2002	2003	2004
Operating revenues			
Video	43%	42%	46%
Voice	41	40	34
Data	16	18	20
Total	100	100	100
Operating expenses			
Cost of services	29	27	29
Selling, operating and administrative	56	54	56
Depreciation and amortization	57	45	35
Gain on reorganization	(77)	0	0
Reorganization professional fees	2	0	0
Non-cash stock option compensation	2	1	2
Asset impairment	7	0	0
Litigation fees	1	1	0
Total	77	128	122
Operating (loss) income	23	(28)	(22)
Other income and (expense)	(24)	(23)	(14)
Loss before income taxes, discontinued operations, and cumulative effect of change in accounting principle	(1)	(51)	(36)
Income tax benefit (provision)	0	0	0
Discontinued Operations	0	0	0
Cumulative effect of change in accounting principle	(1)	0	0
Net loss	(2)	(51)	(36)

Quarterly Comparison

The following table presents certain unaudited consolidated statements of operations and other operating data for our eight most recent quarters The information for each of these quarters is unaudited and has been prepared on the same basis as our audited consolidated financial statements appearing elsewhere in this annual report In the opinion of our management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited quarterly results when read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report We believe that results of operations for interim periods should not be relied upon as any indication of the results to be expected or achieved in any future periods or any year as a whole The information presented includes 391,798 homes passed, 287,094 marketable homes passes, 49,717 video connections and 8,705 data connections acquired as part of the Verizon Media acquisition in the quarter ended December 31, 2003

	Quarters ended							
	Mar 31, 2003	June 30, 2003	Sept 30, 2003	Dec 31, 2003	Mar 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004
	(in thousands, except operating data)							
Revenues	$ 40,687	$ 42,869	$ 43,733	$ 45,649	$ 53,794	$ 52,735	$ 52,065	$ 52,864
Cost of services	11,565	11,258	11,868	11,835	15,784	15,104	15,103	14,838

Gross profit	29,122	31,611	31,865	33,814	38,010	37,631	36,962	38,026
Loss before discontinued operation	(20,469)	(19,450)	(31,251)	(16,618)	(18,366)	(18,674)	(20,082)	(18,548)
Net loss	(20,469)	(19,450)	(31,251)	(16,618)	(18,366)	(18,664)	(20,039)	(18,495)
Homes passed	527,511	534,084	540,401	935,640	943,459	950,337	957,731	963,177

	Quarters ended							
	Mar 31, 2003	June 30, 2003	Sept 30, 2003	Dec. 31, 2003	Mar 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004
	(in thousands, except operating data)							
Marketable homes passed	439,025	443,159	446,251	737,145	742,717	746,782	751,821	756,694
Video connections (1)	132,385	132,163	133,267	183,783	178,550	174,957	175,907	177,323
Video penetration (2)	30 2%	29.8%	29 9%	24 9%	24 0%	23 4%	23 4%	23 4%
Digital video connections	33,546	33,037	33,297	57,716	54,332	51,831	53,920	56,838
Digital penetration of video connections	25 3%	25 0%	25 0%	31 4%	30 4%	29 6%	30 7%	32 1%
Voice connections on–net (3)	113,899	115,268	118,038	118,872	121,012	121,819	125,337	128,757
On–net voice penetration (4)	20 6%	20 8%	21 4%	16 1%	16 3%	16 3%	16 7%	17 0%
Data connections	55,000	58,031	62,276	73,482	75,220	77,174	82,152	86,366
Data penetration (2)	12 5%	13 1%	14 0%	10 0%	10 1%	10 3%	10 9%	11 4%
Total connections	306,552	310,794	319,031	381,815	380,684	379,990	389,374	398,433
Average monthly revenue per connection	$ 45 24	$ 46 23	$ 46 43	$ 46 00	$ 46 96	$ 46 95	$ 45 86	$ 45 42

(1) Video connections include customers who receive analog or digital video services

(2) Penetration is measured as a percentage of marketable homes passed

(3) On–net connections are connections provided over our network as opposed to telephone lines leased from third parties

(4) On–net voice penetration is measured as a percentage of marketable homes passed and excludes off–net connections, as well as connections and marketable homes related to our incumbent local exchange carrier subsidiaries

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenues Operating revenues increased 22 3% from $172 9 million for the year ended December 31, 2003, to $211.5 million for the year ended December 31, 2004 Operating revenues from video services increased 35 8% from $71 9 million for the year ended December 31, 2003, to $97 6 million for the same period in 2004 Operating revenues from voice services increased 3 3% from $70 1 million for the year ended December 31, 2003, to $72 4 million for the same period in 2004 Operating revenues from data and other services increased 33 9% from $30 9 million for the year ended December 31, 2003, to $41 4 million for the same period in 2004

The increased revenues from video, voice and data and other services are due primarily to an increase in the number of connections, from 381,815 as of December 31, 2003, which included 58,422 connections acquired from Verizon Media in December of 2003, to 398,433 as of December 31, 2004 For the year ended December 2003, the connections acquired from Verizon Media generated less than $300,000 in revenues Rate increases accounted for approximately 3% of the increased revenues for the twelve months ended December 31, 2004, and the increase in the number of connections accounted for approximately 97% of the increased revenue for the same period The additional connections resulted primarily from

- New service offerings specifically marketed to increase sales and connections penetration
- Sales of voice and data services, which accounted for the positive growth in our connections added from December 31, 2003 through December 31, 2004 We gained these connections by offering competitive plans that focus on bundling services to customers
- The acquisition of certain cable system assets in Cerritos, California and Pinellas County, Florida from Verizon Media

We experienced a loss of video connections in 2004 as we transitioned our acquired Pinellas County customers to new plans and rates We expect to add new video connections in the future, but as our video segment matures in our current markets, we expect to grow at a decreasing rate compared to our historical experience While the number of new video connections may grow at a declining rate, we believe that the opportunity to increase revenue and video gross profits is available through price increases and the introduction of new products and new technology New voice and data connections are expected to increase with sales and marketing efforts directed at selling customers a bundle of services, penetrating untapped market segments and offering new services Relative to our current product mix, we expect voice and data revenue will become larger percentages of our overall revenue, and potentially will provide higher gross profits Based on the anticipated changes in our revenue mix, we expect that our consolidated cost of services as a percentage of consolidated revenues will decrease

Cost of Services Cost of services increased 30 7% from $46 5 million for the year ended December 31, 2003, to $60 8 million for the year ended December 31, 2004 Cost of services for video services increased 46 2% from $33 1 million for the year ended December 31, 2003, to $48 4 million for the same period in 2004 Cost of services for voice services decreased 6 5% from $11 4 million for the year ended December 31, 2003, to $10 6 million for the same period in 2004 Cost of services for data and other

services decreased 12 8% from $2 0 million for the year ended December 31, 2003, to $1 8 million for the same period in 2004 The decrease in voice and data cost of services is primarily due to efficiency gains in our network architecture We expect our cost of services to increase as we add more connections Programming costs, which are one of our largest single expense items, have been increasing over the last several years on an aggregate basis due to an increase in subscribers, as a result of internal growth and the Verizon Media acquisition noted above, and on a per subscriber basis due to an increase in costs per program channel We expect this trend to continue We may not be able to pass these higher costs on to customers because of competitive factors, which could adversely affect our cash flow and gross profit

Gross Profit Gross profit increased 19 2% from $126 4 million for the year ended December 31, 2003, to $150 6 million for the year ended December 31, 2004 Gross profit for video services increased 26 9% from $38 7 million for the year ended December 31, 2003, to $49 2 million for the same period in 2004 Gross profit for voice services increased 5 2% from $58 7 million for the year ended December 31, 2003, to $61 8 million for the same period in 2004 Gross profit for data and other services increased 37 1% from $28 9 million for the year ended December 31, 2003, to $39 7 million for the same period in 2004 The increase in gross profit is primarily a result of the changes in revenues and cost of services as described above

Operating Expenses Our operating expenses, excluding depreciation and amortization, increased 25 9% from $93 4 million for the year ended December 31, 2003, to $117 6 for the year ended December 31, 2004 The increase in our operating expenses is consistent with the growth in revenues and is a result of the expansion of our operations and an increase in the number of employees associated with such expansion and growth During 2004 we incurred certain incremental expenses associated with the unusual storm and hurricane activity Selling, operations and administrative expenses will continue to increase as we continue to grow our business

Our depreciation and amortization decreased from $77 8 million for the year ended December 31, 2003, to $74 2 million for the year ended December 31, 2004 The decrease in depreciation and amortization resulted from a combination of lower spending for additions in property, plant, equipment and intangible assets in 2004, and a portion of our long-lived assets becoming fully depreciated We expect depreciation and amortization expense to continue to decrease as our overall capital expenditures decrease and existing long-lived assets become fully depreciated

Our capital market activities were $84,000 for the year ended December 31, 2003, compared to $880,000 for the year ended December 31, 2004 The increase is primarily a result fees and expenses for our proposed debt offering which was withdrawn during the first quarter of 2004

Our non-cash stock option compensation expense increased from $1 9 million for the year ended December 31, 2003 to $3 6 million for the year ended December 31, 2004 The increase in the non-cash stock option compensation expense was primarily due to a re-pricing of certain stock options during the second quarter of 2004

Our litigation fees decreased from $907,000 for the year ended December 31, 2003, to $377,000 for the year ended December 31, 2004 The decrease in litigation fees is primarily due to less activity related to the Insight litigation

Other Income and Expense, Including Interest Income and Interest Expense Our total other expense decreased from $40 2 million for the year ended December 31, 2003, to $29 7 million for the year ended December 31, 2004 Interest income was $379,000 for the year ended December 31, 2003, compared to $720,000 for the same period in 2004 The increase in interest income primarily reflects a higher average cash and cash equivalent balance for the year ended December 31, 2004 Interest expense increased from $29 2 million for the year ended December 31, 2003, to $31 1 million for the year ended December 31, 2004 The increase in interest expense for 2004 resulted from a higher average debt balance outstanding due to in-kind interest payments associated with our senior notes

In the fourth quarter of 2003, we adjusted the carrying value of the outstanding warrants to purchase our common stock to market value based on the published market per share value of our common stock The published market per share value of our common stock on December 31, 2003 was $9 03 resulting in a $929,000 gain on the adjustment of warrants to market value During 2004, we adjusted the carrying value of the outstanding warrants to purchase our common stock to market value based on the published market per share value of our common stock The published market per share value of our common stock on December 31, 2004 was $3 90 resulting in a $535,000 gain on the adjustment of warrants to market value Other expenses, net decreased from $12 3 million for the year ended December 31, 2003 to $134,000 for the year ended December 31, 2004 We recorded a loss on our investment in Grande Communications, Inc of $12 4 million for the year ended December 31, 2003 after we determined that the adverse conditions at Grande were other than temporary

Income Tax Provision We recorded no income tax benefit for the years ended December 31, 2003 and 2004, respectively, as our net operating losses are fully offset by a valuation allowance

Loss Before Discontinued Operations We incurred a loss before discontinued operations of $87 8 million for the year ended December 31, 2003, compared to a loss before discontinued operations of $75 7 million for the year ended December 31, 2004

Net income from discontinued operations Effective April 30, 2004, following the guidance of SFAS No 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," we deemed the Cerritos, California cable system to be a long-lived asset to be disposed of based on our actions taken to sell the property The amount recorded represents the income from our Cerritos operations

Net Loss Attributable to Common Stockholders We incurred a net loss attributable to common stockholders of $87 8 million and $75 6 million for the years ended December 31, 2003 and 2004, respectively We expect net losses to continue as our business matures

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues Operating revenues increased 21 9% from $141 9 million for the year ended December 31, 2002, to $172 9 million for the year ended December 31, 2003 Operating revenues from video services increased 18 3% from $60 8 million for the year ended December 31, 2002, to $71 9 million for the same period in 2003 Operating revenues from voice services increased 19.4% from $58.7 million for the year ended December 31, 2002, to $70 1 million for the same period in 2003 Operating revenues from data and other services increased 38 3% from $22 4 million for the year ended December 31, 2002, to $30 9 million for the same period in 2003

The increased revenues from video, voice and data and other services are due primarily to an increase in the number of connections, from 293,149 as of December 31, 2002, to 381,815 as of December 31, 2003 Rate increases accounted for approximately 23% of the increased revenues for the twelve months ended December 31, 2003, and the increase in the number of connections accounted for approximately 77% of the increased revenue for the same period The additional connections resulted primarily from

- New service offerings specifically marketed to increase sales and penetration
- Sales of voice and data services, which accounted for approximately 85% of the additional connections added from December 31, 2002 through December 31, 2003 We gained these connections by offering competitive plans that focus on bundling services to customers
- The continued construction of the broadband network in the Knoxville market
- The acquisition of certain cable system assets in Cerritos, California from Verizon Media, with revenue included in the month ended December 31, 2003 (We also acquired the Pinellas County, FL assets prior to year end, but no revenue was included in the operating results for the year ended December 31, 2003)

Cost of Services Cost of services increased 13 5% from $41 0 million for the year ended December 31, 2002, to $46 5 million for the year ended December 31, 2003 Cost of services for video services increased 13 5% from $29 2 million for the year ended December 31, 2002, to $33 1 million for the same period in 2003 Cost of services for voice services increased 12 1% from $10 1 million for the year ended December 31, 2002, to $11 4 million for the same period in 2003 Cost of services for data and other services increased 21 2% from $1 7 million for the year ended December 31, 2002, to $2 0 million for the same period in 2003

Gross Profit. Gross profit increased 25 3% from $100 9 million for the year ended December 31, 2002, to $126 4 million for the year ended December 31, 2003 Gross profit for video services increased 22 8% from $31 6 million for the year ended December 31, 2002, to $38.7 million for the same period in 2003 Gross profit for voice services increased 20 9% from $48 6 million for the year ended December 31, 2002, to $58 7 million for the same period in 2003 Gross profit for data and other services increased 39 7% from $20 7 million for the year ended December 31, 2002, to $28 9 million for the same period in 2003

Operating Expenses Our operating expenses, excluding depreciation and amortization, increased 16 9% from $79 8 million for the year ended December 31, 2002, to $93 4 for the year ended December 31, 2003

Our depreciation and amortization decreased from $80 4 million for the year ended December 31, 2002, to $77 8 million for the year ended December 31, 2003 The decrease in depreciation and amortization is due to lower spending for additions in property, plant, equipment and intangible assets in 2003 compared to 2002

We recognized a gain of $109 8 million with the completion of our financial restructuring and generated related professional fees of $3 8 million for the year ended December 31, 2002

We recognized $9 9 million in asset impairment for the year ended December 31, 2002 in accordance with SFAS No 144

We recorded a non–cash stock option compensation expense of $3 3 million for the year ended December 31, 2002 and $1 9 million for the year ended December 31, 2003

Our litigation fees decreased from $1 2 million for the year ended December 31, 2002, to $907,000 for the year ended December 31, 2004 The decrease in litigation fees is primarily due to less activity related to the Insight litigation

Other Income and Expense, Including Interest Income and Interest Expense Our total other expense increased from $33 3 million for the year ended December 31, 2002, to $40 2 million for the year ended December 31, 2003 Interest income was $395,000 for the year ended December 31, 2002, compared to $379,000 for the same period in 2003 The decrease in interest income primarily reflects a lower average cash balance for the year ended December 31, 2003 Interest expense decreased from $36 3 million for the year ended December 31, 2002, to $29 2 million for the year ended December 31, 2003 The interest expense is principally the in–kind

interest on our 12% senior notes due 2009 The interest expense in 2003 is significantly lower than in prior years as a result of our financial restructuring Although the interest rate payable on the our senior notes is comparable to the rate payable on the canceled Broadband notes, the aggregate amount of notes outstanding is substantially lower

In the fourth quarter of 2003, we adjusted the carrying value of the outstanding warrants to purchase our common stock to market value based on the published market per share value of our common stock The published market per share value of our common stock on December 31, 2003 was $9 03 resulting in a $929,000 gain on the adjustment of warrants to market value Other expenses, net increased from $321,000 for the year ended December 31, 2002 to $12 3 million for the year ended December 31, 2003 We recorded a loss on our investment in Grande Communications, Inc of $12 4 million for the year ended December 31, 2003 after we determined that the adverse conditions at Grande were other than temporary

Income Tax Provision We recorded no income tax benefit for the years ended December 31, 2002 and 2003, respectively, as our net operating losses are fully offset by a valuation allowance

Loss Before Cumulative Effect of Change in Accounting Principle We incurred a loss before cumulative effect of change in accounting principle of $1 3 million for the year ended December 31, 2002, compared to a loss before extraordinary item and cumulative effect of change in accounting principle of $87 8 million for the year ended December 31, 2003

Cumulative Effect of Change in Accounting Principle We adopted SFAS No 142 on January 1, 2002 We have performed a goodwill impairment test in accordance with SFAS 142 and based on the results of this test we recorded an impairment loss of $1 3 million for the year ended December 31, 2002

Net Loss Attributable to Common Stockholders We incurred a net loss attributable to common stockholders of $2 6 million and $87 8 million for the years ended December 31, 2002 and 2003, respectively We expect net losses to continue as our business matures

Liquidity and Capital Resources

Overview

We may need to issue equity or debt and/or sell assets to raise additional cash to fund the future operations of our business and meet our debt service obligations We currently expect to spend approximately $33 2 million during 2005 to expand and upgrade our networks in the markets where we currently provide service, including our network in Pinellas County, Florida Under the terms of the indenture for our existing 12% senior notes due 2009, capital expenditures to complete the buildout of our network in Pinellas County, Florida must be funded by cash flow from operations in that market or from additional equity financings or proceeds from the sale of our Cerritos division Through 2004, the Pinellas operation was funded by the proceeds from our initial public offering In March 2005, we entered into a definitive asset purchase agreement to sell our cable assets located in Cerritos, California to WaveDivision Holdings, LLC for $10 0 million in cash, subject to customary closing adjustments We expect the sale of the Cerritos system to close in the third quarter of 2005, subject to the satisfaction of closing conditions, including receipt of regulatory approvals with respect to the municipal franchise in Cerritos, California However, there can be no assurance that we will complete the sale of the Cerritos cable system or we may not complete the sale in a timely manner In the event the purchaser does not receive necessary regulatory or other approvals or the other conditions to closing are not satisfied, the sale will not be completed If the Cerritos sale or an equity offering is not completed, we expect the cash available to fund the Pinellas operation under our indenture to be exhausted before the end of the third quarter 2005 If we are unable to sell the Cerritos assets in a timely manner, or on acceptable terms, or an equity offering is not completed, we may not be able to complete our buildout in Pinellas County and grow our Pinellas County operations in accordance with our business plan, which may have any adverse impact on our financial condition

Operating, Investing and Financing activities

As of December 31, 2004, we had net working capital of $3 2 million, compared to net working capital of $42 9 million as of December 31, 2003 The decrease in working capital from December 31, 2003 to December 31, 2004 is primarily due to the use of the cash proceeds from our initial public offering to enhance the network and fund operations in the Pinellas County market

Net cash provided by operating activities from continuing operations totaled $10 3 million, $29 5 million and $22 4 million for the years ended December 31, 2002, 2003 and 2004, respectively, and operating activities from discontinued operations used $0 1 million for the year ended December 31, 2004 The net cash flow activity related to operations consists primarily of changes in operating assets and liabilities and adjustments to net income for non-cash transactions including

- depreciation and amortization,
- non-cash stock option compensation,

- asset impairment,
- litigation fees,
- write off of investments;
- accretion of discounted debt;
- non–cash bond interest expense,
- provision for bad debt,
- gain on reorganization,
- loss (gain) on disposition of assets,
- cumulative effect of change in accounting principle, and
- gain on adjustment of warrants to market,

Net cash used for investing activities was $44 8 million, $95 5 million and $36 3 million for the years ended December 31, 2002, 2003 and 2004, respectively Our investing activities for the year ended December 31, 2002, consisted of $44 4 million of capital expenditures and $1 4 million of organizational and franchise expenditures partially offset by $1 0 million of proceeds from the sale of property Investing activities in 2003 consisted of $35 5 million of capital expenditures, $50 0 million for the purchase of short term investments, $0 4 million in organizational and franchise expenditures, $18 8 million for the acquisition of Verizon Media, an additional investment of $1 1 million Grande partially offset by $10 0 million from the sale of short term investments and $0 4 million of proceeds from the sale of property Investing activities in 2004 consisted of $63 6 million of capital expenditures, $210 1 million for the purchase of short term investments, $0 3 million in organizational and franchise expenditures, partially offset by $237 4 million from the sale of short term investments and $0 2 million of proceeds from the sale of property

We received net cash flow from financing activities of $39 4 million and $43 9 million for the years ended December 31, 2002 and 2003, respectively, and used $0 4 million in financing activities for the year ended December 31, 2004 Financing activities in 2002 consisted primarily of $39 0 million of proceeds from an equity private placement offering of our Series C preferred stock and $5 5 million of proceeds from our long–term debt facility partially offset by $1 0 million of cash pledged as security and $4 1 million in expenditures related to the prepackaged plan of reorganization In 2003 financing activities consisted primarily of $48 8 million of net proceeds from our initial public offering of common stock partially offset by $3 4 million in principal payments on debt and $1 5 million of cash pledged as security In 2004 financing activities consisted primarily of $7 3 million of net proceeds from the fulfillment of the over allotment option of our initial public offering of common stock partially offset by $2 7 million in principal payments on debt, $0 4 million of expenditures related to issuance of debt and $4 6 million of cash pledged as security

Verizon Media Acquisition and Related Planned Expenditures

In December 2003, we completed our acquisitions of the cable system and franchise rights in Cerritos, California, and Pinellas County, Florida, for which we paid Verizon Media approximately $17 0 million in cash, which we funded with the proceeds of our initial public offering of common stock In connection with the completion of the Verizon Media acquisition, we issued to a prior prospective purchaser and certain of its employees warrants to purchase one million shares of our common stock with an exercise price of $9 00 per share as compensation for the release of an agreement with Verizon Media granting exclusive rights to negotiate with respect to the purchase of the Verizon Media businesses

We currently expect to spend approximately $7 5 million in capital expenditures during 2005 to complete the enhancement of the network assets in Pinellas County, Florida Under the terms of the indenture for our existing 12% senior notes due 2009, substantially all of our capital expenditures in the Verizon Media markets will have to be funded with the net cash proceeds from issuances of our capital stock or the sale of our Cerritos division and cash flow provided by the Pinellas operations

Capital Expenditures

We spent approximately $63 6 million in capital expenditures during 2004, of which approximately $36 8 million related to network construction and enhancement and the remainder related to the purchase of customer premise equipment, such as cable set–top boxes and cable modems, network equipment, including switching and transport equipment, and billing and information systems

We expect to spend approximately $33 2 million in capital expenditures during 2005 We believe if we complete the sale of our Cerritos, California operations we will have sufficient cash on hand and cash from internally generated cash flow to cover our planned operating expenses and capital expenditures during 2005 If the Cerritos sale or an equity offering is not completed, however, we expect the cash available to fund the Pinellas operation under our indenture to be exhausted before the end of the third quarter 2005 There can be no assurance that we will successfully complete a timely sale of our Cerritos cable assets If we are unable to sell the Cerritos assets in a timely manner, or on acceptable terms, the financial condition of the company may be adversely affected

We do not intend to expand into other markets until the required funding is available We estimate the cost of constructing our network and funding initial customer premise equipment in new markets to be approximately $750 to $1,000 per home passed The actual costs of each new market may vary significantly from this range and will depend on the number of miles of network to be constructed, the geographic and demographic characteristics of the city, population density, costs associated with the cable franchise in each city, the number of customers in each city, the mix of services purchased, the cost of customer premise equipment we pay for or finance, utility requirements and other factors

Contractual Obligations

The following table sets forth, as of December 31, 2004, our long-term debt, capital leases and operating lease obligations for 2005, the following five years and thereafter The long-term debt obligations are our cash debt service obligations, including both principal and interest The capital lease obligations are our future rental payments under one lease with a 10-year term and network fiber leasing aggreements Operating lease obligations are the future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2004

		Payment due by period			
Contractual obligations	Total	January 1, 2005 through December 31, 2005	January 1, 2006 through December 31, 2007	January 1, 2008 through December 31, 2009	After December 31, 2009
			(in thousands)		
Long-term debt obligations	$284,456	$ 0	$ 16,465	$ 267,991	$ 0
Interest	151,184	31,507	62,605	56,612	460
Capital lease obligation	2,257	179	543	653	882
Operating lease obligations	14,804	3,076	4,229	2,304	5,195
Programming contracts[1]	151,779	50,296	101,483	0	0
Pole attachment obligations[2]	12,098	2,971	6,020	3,107	0
Total	$616,578	$ 88,029	$ 191,345	$ 330,667	$ 6,537

[1] The Company has entered into contracts with various entities to provide programming to be aired by the Company The Company pays a monthly fee for the programming services, generally based on the number of average video subscribers to the program, although some fees are adjusted based on the total number of video subscribers to the system and/or the system penetration percentage The amounts presented are based on the estimated number of connections we will have in future periods through the completion of the current contracts

[2] Federal law requires utilities, defined to include all local telephone companies and electric utilities except those owned by municipalities and co-operatives, to provide cable operators and telecommunications carriers with nondiscriminatory access to poles, ducts, conduit and rights-of-way at just and reasonable rates Utilities may charge telecommunications carriers a different rate for pole attachments than they charge cable operators providing solely cable service The amounts presented are based on the estimated number of poles we will attach to in future periods through the completion of the current contracts

As discussed above, we currently expect to spend $33 2 million in capital expenditures in 2005, including capital expenditures related to the Pinellas County, Florida market We expect to fund these contractual obligations, programming costs and expected capital expenditures using a portion of the $18 7 million of cash and cash equivalents and short term investments on hand as of December 31, 2004, with the remainder funded by cash flow generated by operations In particular, we believe we can satisfy all of our anticipated funding requirements, including capital expenditures, through 2005 using a combination of cash flow from operations, our cash on hand and proceeds from the sale of our Cerritos, California operations In order to satisfy funding requirements, including capital expenditures, beyond 2005, we may need to raise additional capital through equity offerings, asset sales or debt financing

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No 123 (revised 2004), "Share-Based Payment" ("SFAS No 123R"), which replaces SFAS No 123, "Accounting for Stock-Based Compensation" ("SFAS No 123") and supercedes APB Opinion No 25, "Accounting for Stock Issued to Employees " SFAS No 123R requires all share-based payments to employees, including grants of employee stock

options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged In addition, SFAS No 123R will cause unrecognized expense related to options vesting after the date of initial adoption to be recognized as a charge to results of operations over the remaining vesting period In December 2002, we elected to adopt the recognition provisions of SFAS No 123 which is considered the preferable

accounting method for stock-based employee compensation. We also elected to report the change in accounting principle using the prospective method in accordance with SFAS No 148 Under the prospective method, the recognition of compensation costs is applied to all employee awards granted, modified or settled after the beginning of the fiscal year in which the recognition provisions are first applied Because we adopted the fair value recognition provisions of SFAS No 123 on January 1, 2003, we do not expect this revised standard to have a material impact on our financial statements

At the March 2004 Emerging Issues Task Force ("EITF") meeting, the Task Force reached a consensus on the Issue No 03-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments Issue 03-1 defines the terms other-than-temporary and other-than-temporary impairment and establishes a three-step impairment model applicable to debt and equity securities that are within the scope of SFAS 115 At the November 2003 EITF meeting, the Task Force reached a consensus effective for fiscal years ending after December 15, 2003 on quantitative disclosures Except for disclosure requirements already in place, the Issue 03-1 consensus will be effective prospectively for all relevant current and future investments in reporting periods beginning after June 15, 2004 We adopted EITF Issue No 03-1 disclosure requirements for the fiscal year ended December 31, 2003 and do not expect the adoption of future requirements of EITF Issue No 03-1 to have material impact on our results of operations or financial position

In May 2003, the FASB issued SFAS No 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity It requires that an issuer classify a financial instrument that is within its scope as a liability or an asset in some circumstances SFAS No 150 is effective for the first interim period beginning after June 15, 2003 We adopted SFAS No 150 effective July 1, 2003, which resulted in no material impact our financial position or results of operations

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates We manage our exposure to this market risk through our regular operating and financing activities Derivative instruments are not currently used and, if used, are employed as risk management tools and not for trading purposes

We have no derivative financial instruments outstanding to hedge interest rate risk Our only borrowings subject to market conditions are our borrowings under our credit facilities which are based on either a prime or federal funds rate plus applicable margin or LIBOR plus applicable margin Any changes in these rates would affect the rate at which we could borrow funds under our credit facilities A hypothetical 10% increase in interest rates on our variable rate bank debt for a duration of one year would increase interest expense by an immaterial amount

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Item 8 is incorporated by reference to pages F-1 through F-21

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2004 Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2004, the Company's disclosure controls and procedures are effective

Changes in Internal Control over Financial Reporting There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

A portion of the information required by this Item 10 will be contained in the sections entitled "Information About Our Executive Officers, Directors and Nominees," "Meetings and Committees of the Board" and "Section 16(a) Beneficial Ownership Reporting Compliance" of our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC, and such information is incorporated in this Annual Report on Form 10-K by this reference

We have adopted a code of ethics that applies to our employees, officers and directors, including our chief executive officer, chief financial officer, principal accounting officer and controller This code of ethics is posted on our website located at www knology com The code of ethics may be found as follows From our main web page, first click on "About Us" at the bottom of the page and then on "Investor Relations " Next, click on "Corporate Governance " Finally, click on "Standards of Conduct " We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will be contained in the section entitled "Executive Compensation" and "Meetings and Committees of the Board" of our definitive proxy statement for our 2005 Annual Meeting of Stockholders to be filed with the SEC, and such information is incorporated in this Annual Report on Form 10-K by this reference

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

A portion of the information required by this Item 12 will be contained in the section entitled "Principal Stockholders" of our definitive proxy statement for its 2005 Annual Meeting of Stockholders to be filed with the SEC, and such information is incorporated in this Annual Report on Form 10-K by this reference

Securities Authorized for Issuance Under Equity Compensation Plans

The following table gives information about the common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2004

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Stockholders	1,784,855(1)	$ 7 96	1,215,145(3)
	241,430(2)	$ 16 22	0
Equity Compensation Plans Not Approved by Stockholders	0	0	0
Total	2,026,285	$ 8 94	1,215,145

(1) Options to purchase common stock pursuant to the Knology, Inc Amended and Restated 2002 Long-Term Incentive Plan

(2) Options to purchase common stock pursuant to the Knology, Inc Spin-Off Plan

(3) Shares reserved for issuance under the Amended and Restated 2002 Long-Term Incentive Plan are available for issuance pursuant to the exercise of options or other rights to acquire common stock, or may be granted as awards of restricted stock,

performance shares or unrestricted stock

Sales of Unregistered Securities

During the year ended December 31, 2004, we had no sales of unregistered securities

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 will be contained in the section entitled "Certain Relationships and Related Transactions" of our definitive proxy statement for its 2005 Annual Meeting of Stockholders to be filed with the SEC, and such information is incorporated in this Annual Report on Form 10-K by this reference

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item 14 will be contained in the section entitled "Independent Registered Public Accounting Firm" of our definitive proxy statement for its 2005 Annual Meeting of Stockholders to be filed with the SEC, and such information is incorporated in this Annual Report on Form 10-K by this reference

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following Consolidated Financial Statements of the Company and independent auditor's report are included in Item 8 of this Form 10-K

Independent Auditors' Report

Report of Independent Public Accountants

Consolidated Balance Sheets as of December 31, 2003 and 2004

Consolidated Statements of Operations for the Years Ended December 31, 2002, 2003 and 2004

Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2003 and 2004

Consolidated Statements of Stockholders' (Deficit) Equity for the Years Ended December 31, 2002, 2003 and 2004

Notes to Consolidated Financial Statements

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission either have been included in the Consolidated Financial Statements of the Company or the notes thereto, are not required under the related instructions or are inapplicable, and therefore have been omitted

(a)(3) The following exhibits are either provided with this Form 10-K or are incorporated herein by reference

Exhibit No.	Exhibit Description
2 1	Asset Purchase Agreement, dated as of July 15, 2003, by and between Verizon Media Ventures Inc and Knology New Media, Inc (Incorporated herein by reference to Exhibit 2 2 to Knology, Inc 's Registration Statement on Form S-2 (File No 333-109366))
2 2	Side Letter Agreement, dated as of July 15, 2003, by and between Verizon Media Ventures Inc and Knology New Media, Inc (Incorporated herein by reference to Exhibit 2 3 to Knology, Inc 's Registration Statement on Form S-2 (File No 333-109366))
2 3	Agreement, dated as of July 15, 2003, between GLA New Ventures, LLC and Knology, Inc (Incorporated herein by reference to Exhibit 2 4 to Knology, Inc 's Registration Statement on Form S-2 (File No 333-109366))
3 1	Amended and Restated Certificate of Incorporation of Knology, Inc (Incorporated herein by reference to Exhibit 3 1 to Knology, Inc 's Quarterly Report Form 10-Q for the period ended June 30, 2004 (File No 000-32647))
3 2	Bylaws of Knology, Inc (Incorporated herein by reference to Exhibit 3 2 to Knology Inc Registration Statement on Form S-1 (File No 333-89179))
4 1	Indenture, dated as of November 6, 2002, by and between Knology Inc and Wilmington Trust Company, as Trustee, relating to the 12% Senior Notes Due 2009 of Knology, Inc (Incorporated herein by reference to Exhibit 4 1 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
4 2	Form of Senior Note (contained in Exhibit 4 1)

Exhibit No.	Exhibit Description
10 1 1	Stockholders Agreement dated February 7, 2000 among Knology, Inc , Certain holders of the Series A preferred stock, the holders of Series B Preferred stock, certain management holders and certain additional stockholders (Incorporated herein by reference to Exhibit 10 84 to Knology, Inc 's Post-Effective Amendment No 2 to Form S-1 (File No 333-89179))
10 1 2	Amendment No 1 to Stockholders Agreement, dated as of February 7, 2000, by and among Knology, Inc and the other signatories thereto, dated as of January 12, 2001, by and among Knology, Inc and the other signatories thereto (Incorporated herein by reference to Exhibit 10 2 to Knology, Inc 's Current Report on Form 8-K filed January 26, 2001 (File No 000-32647))
10 1 3	Amendment No 2 to Stockholders Agreement, dated as of February 7, 2000, by and among Knology, Inc and the other signatories thereto, as amended as of January 12, 2001, dated as of October 18, 2002, by and among Knology, Inc and the other signatories thereto (Incorporated herein by reference to Exhibit 10 1 3 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 2	Lease, dated June 1, 2003 by and between D L Jordan, L L P Family Partnership and Knology, Inc (Incorporated herein by reference from Exhibit 10 62 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 3	Pole Attachment Agreement dated January 1, 1998 by and between Gulf Power Company and Beach Cable, Inc (Incorporated herein by reference to Exhibit 10 7 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339)).
10 4	Telecommunications Facility Lease and Capacity Agreement, dated September 10, 1996, by and between Troup EMC Communications, Inc and Cybernet Holding, Inc (Incorporated herein by reference to Exhibit 10 16 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))
10 5	Master Pole Attachment agreement dated January 12, 1998 by and between South Carolina Electric and Gas and Knology Holdings, Inc d/b/a/ Knology of Charleston (Incorporated herein by reference to Exhibit 10 17 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))
10 6	Lease Agreement, dated December 5, 1997 by and between The Hilton Company and Knology of Panama City, Inc (Incorporated herein by reference to Exhibit 10 25 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))
10 7	Certificate of Membership with National Cable Television Cooperative, dated January 29, 1996, of Cybernet Holding, Inc (Incorporated herein by reference to Exhibit 10 34 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))
10 8	Ordinance No 99-16 effective March 16, 1999 between Columbus consolidated Government and Knology of Columbus Inc (Incorporated herein by reference to Exhibit 10 18 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 9	Ordinance No 16-90 (Montgomery, Alabama) dated March 6, 1990 (Incorporated herein by reference to Exhibit 10 44 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))
10 10	Ordinance No 50-76 (Montgomery, Alabama) (Incorporated herein by reference to Exhibit 10 45 to Knology Broadband, Inc 's Registration Statement on Form S-4 (File No 333-43339))

Exhibit No.	Exhibit Description
10 11	Ordinance No 9–90 (Montgomery, Alabama) dated January 16, 1990 (Incorporated herein by reference to Exhibit 10 45 1 to Knology Broadband, Inc 's Registration Statement on Form S–4 (File No 333–43339))
10 12	Resolution No 58–95 (Montgomery, Alabama) dated April 6, 1995 (Incorporated herein by reference to Exhibit 10 46 to Knology Broadband, Inc 's Registration Statement on Form S–4 (File No 333–43339))
10 13	Resolution No 97–22 (Panama City Beach, Florida) dated December 3, 1997 (Incorporated herein by reference to Exhibit 10 49 to Knology Broadband, Inc 's Registration Statement on Form S–4 (File No 333–43339))
10 14	Ordinance No 5999 (Augusta, Georgia) dated January 20, 1998 (Incorporated herein by reference to Exhibit 10 53 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1997 (File No 333–43339))
10 15	Ordinance No 1723 (Panama City, Florida) dated March 10, 1998 (Incorporated herein by reference to Exhibit 10 54 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1997 (File No 333–43339))
10 16	Franchise Agreement (Charleston County, South Carolina) dated December 15, 1998 (Incorporated herein by reference to Exhibit 10 31 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 17	Ordinance No 1998–47 (North Charleston, South Carolina) dated May 28, 1998 (Incorporated herein by reference to Exhibit 10 32 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 18	Ordinance No 1998–77 (Charleston, South Carolina) dated April 28, 1998 (Incorporated herein by reference to Exhibit 10 33 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 19	Ordinance No 98–5 (Columbia County, Georgia) dated August 18, 1998 (Incorporated herein by reference to Exhibit 10 34 to Knology Broadband Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 20	Network Access Agreement dated July 1, 1998 between SCANA Communications, Inc , f/k/a MPX Systems, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 36 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 21*	Master Agreement for Internet Access Services dated January 2, 2002, by and between ITC^DeltaCom, Inc and Knology, Inc (Incorporated herein by reference to Exhibit 10 21 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2001 (File No 000–32647))
10 22*	Collocation Agreement for Multiple Sites dated on or about June 1998 between Interstate FiberNet, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 38 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))
10 23*	Lease Agreement dated October 12, 1998 between Southern Company Services, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 39 to Knology Broadband, Inc 's Annual Report on Form 10–K for the year ended December 31, 1998 (File No 333–43339))

Exhibit No.	Exhibit Description
10 24	Facilities Transfer Agreement dated February 11, 1998 between South Carolina Electric and Gas Company and Knology Holdings, Inc , d/b/a Knology of Charleston (Incorporated herein by reference to Exhibit 10.40 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 25	License Agreement dated March 3, 1998 between BellSouth Telecommunications, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 41 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 26	Pole Attachment Agreement dated February 18, 1998 between Knology Holdings, Inc and Georgia Power Company (Incorporated herein by reference to Exhibit 10 44 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 27	Assignment Agreement dated March 4, 1998 between Gulf Power Company and Knology of Panama City, Inc. (Incorporated herein by reference to Exhibit 10 46 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 333-43339))
10 28	Registration Rights Agreement, dated November 6, 2002, by and between Knology, Inc and SCANA Communications Holdings, Inc (Incorporated herein by reference to Exhibit 10 53 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 29	Carrier Services Agreement dated July 16, 2001, between Business Telecom, Inc and Knology, Inc (Incorporated herein by reference to Exhibit 10 2 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 30*	Reseller Services Agreement dated September 9, 1998 between Business Telecom, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 51 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 31*	Private Line Services Agreement dated September 10, 1998 between BTI Communications Corporation and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 52 to Knology Broadband, Inc 's Annual Report on Form 10-K for the year ended December 31, 1998 (File No 333-43339))
10 32 1	Amended and Restated Credit Agreement, between certain subsidiaries of Knology Broadband, Inc and Wachovia Bank, National Association, dated October 22, 2002 (Incorporated herein by reference to Exhibit 10 32 1 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 32 2	Note Payable to Wachovia, dated October 22, 2002 (Incorporated herein by reference to Exhibit 10 32 2 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 32 3	Reaffirmation Agreement, dated October 22, 2002 (Incorporated herein by reference to Exhibit 10 32 3 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 32 4	Collateral Agreement, dated October 22, 2002 (Incorporated herein by reference to Exhibit 10 32 4 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2002 (File No 000-32647))
10 32 5	First Amendment, dated as of September 10, 2004, by and among Knology Broadband, Inc , certain subsidiaries of Knology Broadband, Inc identified on the signature pages thereto, the Lenders referred to in the Amended and Restated Credit Agreement, dated as of October 22, 2002 and effective as of November 6, 2002, and Wachovia Bank, National Association, as administrative agent for the Lenders (Incorporated herein by reference

Exhibit No.	Exhibit Description
	to Exhibit 10 1 to Knology, Inc 's Current Report on Form 8–K filed on September 15, 2004 (File No 000–32647))
10 34	Right of First Refusal and Option Agreement, Dated November 19, 1999 by and between Knology of Columbus, Inc and ITC Service Company, Inc (Incorporated herein by reference to Exhibit 10 60 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 35	Services Agreement dated November 2, 1999 between Knology, Inc and ITC Service Company, Inc (Incorporated herein by reference to Exhibit 10 61 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 36	Support Agreement, dated November 2, 1999 between Interstate Telephone Company, Inc and ITC Service Company, Inc (Incorporated herein by reference to Exhibit 10 62 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 37**	Knology, Inc Amended and Restated 2002 Long Term Incentive Plan (Incorporated by reference to Exhibit B to Knology, Inc 's Proxy Statement for the 2004 Annual Meeting of Shareholders (File No 000–32647))
10 38	Warrant Agreement, dated as of December 3, 1999, between Knology, Inc and United States Trust Company of New York (including form of Warrant Certificate) (Incorporated herein by reference to Exhibit 10 65 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 39	Warrant Registration Rights Agreement, dated as of December 3, 1999, between Knology, Inc and United States Trust Company of New York (Incorporated herein by reference to Exhibit 10 66 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 40	Knology, Inc Spin–Off Plan (Incorporated herein by reference to Exhibit 10 71 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 41	Residual Note from Knology, Inc to ITC Holding Company, Inc (Incorporated herein by reference to Exhibit 10 74 to Knology, Inc 's Registration Statement on Form S–1 (File No 333–89179))
10 42	Joint Ownership Agreement dated as of December 8, 1998, among ITC Service Company, Powertel, Inc , ITC^DeltaCom Communications, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 48 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 1999 (File No 000–32647))
10 43*	On/Line Operating and License Agreement dated March 18, 1998 between Knology Holdings, Inc and CableData, Inc (Incorporated herein by reference to Exhibit 10 49 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 1999 (File No 000–32647))
10 44*	Dedicated Capacity Agreement between DeltaCom and Knology Holdings, Inc dated August 22, 1997 (Incorporated herein by reference to Exhibit 10 50 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 1999 (File No 000–32647))
10 45*	Agreement for Telecommunications Services dated April 28, 1999 between ITC^DeltaCom Communications, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 51 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 1999 (File No 000–32647))
10 46*	Amendment to Master Capacity Lease dated November 1, 1999 between Interstate Fibernet, Inc and Knology Holdings, Inc (Incorporated herein by reference to Exhibit 10 52 to Knology, Inc 's Annual Report on Form 10–

Exhibit No.	Exhibit Description
	K for the year ended December 31, 1999 (File No. 000-32647))
10 47	Duct Sharing Agreement dated July 27, 1999 between Knology Holdings, Inc and Interstate Fiber Network (Incorporated herein by reference to Exhibit 10 53 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 1999 (File No 000-32647))
10 48	Assumption of Lease Agreement dated November 9, 1999 between Knology Holdings, Inc ITC Holding Company, Inc and J Smith Lanier II (Incorporated herein by reference to Exhibit 10 54 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 1999 (File No 000-32647))
10 49	Assumption of Lease Agreement dated November 9, 1999 among Knology Holdings, Inc ITC Holding Company, Inc and Midtown Realty, Inc (Incorporated herein by reference to Exhibit 10 55 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 1999 (File No 000-32647))
10.50*	Contract for Centrex Switching Services dated January 4, 1999 between Interstate Telephone Company and InterCall, Inc. (Incorporated herein by reference to Exhibit 10 56 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 1999 (File No 000-32647))
10 51 1	Master Loan Agreement, dated as of June 29, 2001, by and between CoBank, ACB and Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone Co , Inc (Incorporated herein by reference to Exhibit 10 1 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 2	First Supplement to the Master Loan Agreement, dated as of June 29, 2001, by and between CoBank, ACB and Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone Co , Inc (Incorporated herein by reference to Exhibit 10 1 1 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 3	Promissory Note, dated June 29, 2001, made by Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone Co , Inc in favor of CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 2 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 4	Stock Pledge Agreement, dated as of June 29, 2001, by and between Globe Telecommunications, Inc and CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 3 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 5	Security Agreement, dated as of June 29, 2001, made by Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone Co , Inc in favor of CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 4 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 6	Security Agreement, dated as of June 29, 2001, made by ITC Globe, Inc in favor of CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 5 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 7	Continuing Guaranty, dated as of June 29, 2001 by ITC Globe, Inc for the benefit of CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 6 to Knology, Inc 's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 (File No 000-32647))
10 51 8	Stock Pledge Agreement, dated as of June 29, 2001, by and between Knology, Inc and CoBank, ACB (Incorporated herein by reference to Exhibit 10 1 7 to Knology, Inc 's Quarterly Report on Form 10-Q for the

Exhibit No.	Exhibit Description
	quarter ended September 30, 2001 (File No. 000–32647))
10 51 9	Letter from CoBank to Globe Telecommunications, Inc , Interstate Telephone Co. and Valley regarding Consent, Waiver and Amendments to Master Loan Agreement, dated June 6, 2002 (Incorporated herein by reference to Exhibit 10 52 9 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 10	Letter from CoBank to Globe Telecommunications, Inc , Interstate Telephone Co and Valley regarding Amendments to Master Loan Agreement, dated July 3, 2002 (Incorporated herein by reference to Exhibit 10 52 9 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 11	Amended and Restated First Supplement to Master Loan Agreement, dated June 6, 2002 (Incorporated herein by reference to Exhibit 10 52 11 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 12	Continuing Guaranty by Knology of Knoxville, Inc , dated November 6, 2002 (Incorporated herein by reference to Exhibit 10 52 12 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 13	Security Agreement by Knology of Knoxville, Inc , dated November 6, 2002 (Incorporated herein by reference to Exhibit 10 52 13 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 14	Continuing Guaranty by Knology, Inc , dated November 6, 2002 (Incorporated herein by reference to Exhibit 10 52 14 to Knology, Inc 's Annual Report on Form 10–K for the year ended December 31, 2002 (File No 000–32647))
10 51 15	First Amendment, dated as of September 10, 2004, by and among Knology Broadband, Inc , certain subsidiaries of Knology Broadband, Inc identified on the signature pages thereto, the Lenders referred to in the Amended and Restated Credit Agreement, dated as of October 22, 2002 and effective as of November 6, 2002, and Wachovia Bank, National Association, as administrative agent for the Lenders (Incorporated herein by reference to Exhibit 10 1 to Knology, Inc 's Current Report on Form 8–K filed on September 15, 2004 (File No 000–32647))
10 51 16	First Amendment to Master Loan Agreement and Amended and Restated First Supplement, dated as of September 10, 2004, by and among CoBank, ACB and Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone LLC (Incorporated herein by reference to Exhibit 10 2 to Knology, Inc 's Current Report on Form 8–K filed on September 15, 2004 (File No 000–32647))
10 51 17	Continuing Guaranty made as of September 10, 2004, by Knology Broadband, Inc for the benefit of the CoBank, ACB (Incorporated herein by reference to Exhibit 10 3 to Knology, Inc 's Current Report on Form 8–K filed on September 15, 2004 (File No 000–32647))
10 52 1	$6,700,000 Purchase Money Financing Line of Credit Promissory Note, dated December 1, 2003, made by Knology Broadband of California, Inc in favor of Campbell B Lanier, III, as also executed by Knology, Inc with respect to the potential issuance of the stock of Knology, Inc upon conversion of the note (Incorporated herein by reference to Exhibit 10 53 1 to Knology, Inc 's Registration Statement on Form S–2 (File No 333–109366))
10 52 2	Purchase–Money Security Agreement, dated December 1, 2003, made by Knology Broadband of California, Inc in favor of Campbell B Lanier, III (Incorporated herein by reference to Exhibit 10 53 2 to Knology, Inc 's Registration Statement on Form S–2 (File No 333–109366))

Exhibit No.	Exhibit Description
10 52 3	Cancellation of $5,000,000 Promissory Note and Security Agreement, dated December 1, 2003, by and among Knology New Media, Inc , SCANA Communications Holdings, Inc and Campbell B Lanier, III (Incorporated herein by reference to Exhibit 10 53.3 to Knology, Inc 's Registration Statement on Form S-2 (File No 333-109366))
10 53	Sublease Agreement, dated as of December 30, 2003, by and between Verizon Media Ventures, Inc and Knology Broadband of Florida, Inc (Incorporated herein by reference from Exhibit 10 53 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 54	Lease, dated April 10, 2003, by and between CalWest Industrial Properties, LLC and Verizon Media Ventures Inc , as assigned to Knology Broadband of California, Inc on December 1, 2003 (Incorporated herein by reference from Exhibit 10 54 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 55	City of Cerritos Resolution No 2003-24, dated October 23, 2003, Approving the Transfer of the Cable Television Franchise from Verizon Media Ventures Inc to Knology Broadband of California, Inc (Incorporated herein by reference from Exhibit 10 55 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 56	Transfer Agreement, dated January 7, 2004, by and between Pinellas County, Florida, Verizon Media Ventures Inc , Knology Broadband of Florida, Inc and Knology New Media, Inc (Incorporated herein by reference from Exhibit 10 56 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 57	City of St Petersburg Ordinance No 643-G, dated November 20, 2003, Approving an Extension of the Knology Broadband of Florida, Inc Cable Television Franchise from September 9, 2006 to September 9, 2009 (Incorporated herein by reference from Exhibit 10 57 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 58	Transfer Agreement, dated December 16, 2003, by and between the City of Clearwater and Verizon Media Ventures Inc , Knology, Inc , Knology Broadband of Florida, Inc and Knology New Media, Inc (Incorporated herein by reference from Exhibit 10 58 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 59	MCI Internet Dedicated OC12 Burstable Agreement, dated June 11, 2003, by and between Knology, Inc and MCI WORLDCOM Communications, Inc (Incorporated herein by reference from Exhibit 10 59 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 60	Consent to Assignment and Assumption, dated December 17, 2003, among Verizon Media Ventures Inc , Progress Energy Florida, Inc and Knology Broadband of Florida, Inc (Incorporated herein by reference from Exhibit 10 60 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 61	Lease, dated March 5, 2004, by and between Ted Alford and Knology, Inc (Incorporated herein by reference from Exhibit 10 61 to Knology, Inc 's Annual Report on Form 10-K for the year ended December 31, 2003 (File No 000-32647))
10 62**	Form of Stock Option Agreement
21 1	Subsidiaries of Knology, Inc
23 1	Consent of Deloitte & Touche LLP

Exhibit No.	Exhibit Description
31 1	Certification of the Chief Executive Officer of Knology, Inc pursuant to Securities Exchange Act Rule 13a–14
31 2	Certification of the Chief Financial Officer of Knology, Inc pursuant to Securities Exchange Act Rule 13a–14
32 1	Statement of the Chief Executive Officer of Knology, Inc pursuant to §18 U S C S 1350
32 2	Statement of the Chief Financial Officer of Knology, Inc. pursuant to §18 U S C S 1350

* Confidential treatment has been requested pursuant to Rule 24b–2 of the Securities Exchange Act of 1934, as amended The copy on file as an exhibit omits the information subject to the confidentiality request Such omitted information has been filed separately with the Commission

** Compensatory plan or arrangement

(b) REPORTS ON FORM 8–K

On October 27, 2004, Knology furnished a current report on Form 8–K, under item 12, announcing its 2004 third quarter results

On November 3, 2004, Knology furnished a current report on Form 8–K, under item 9, providing the transcripts from its third quarter earnings conference call held on October 28, 2004

(c) EXHIBITS

We hereby file as part of this Form 10–K the Exhibits listed in the Index to Exhibits

(d) FINANCIAL STATEMENT SCHEDULE

Financial statement schedules required to be included in this report are either shown in the financial statements and notes thereto, included in Item 8 of this report, or have been omitted because they are not applicable

SIGNATURES

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

KNOLOGY, INC.

By /s/ Rodger L. Johnson
Rodger L Johnson
President and Chief Executive Officer

March 31, 2005

(Date)

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

SIGNATURE	TITLE	DATE
/s/ Campbell B. Lanier, III Campbell B Lanier, III	Chairman of the Board and Director	March 31, 2005
/s/ Rodger L. Johnson Rodger L Johnson	President, Chief Executive Officer and Director (Principal executive officer)	March 31, 2005
/s/ Robert K. Mills Robert K Mills	Chief Financial Officer, Vice President and Treasurer (Principal financial officer)	March 31, 2005
/s/ M. Todd Holt M Todd Holt	Vice President and Corporate Controller (Principal accounting officer)	March 31, 2005
/s/ Richard S. Bodman Richard S Bodman	Director	March 31, 2005
/s/ Alan A. Burgess Alan A Burgess	Director	March 31, 2005
_____ Donald W Burton	Director	March , 2005
/s/ Eugene I. Davis Eugene I Davis	Director	March 31, 2005
/s/ O. Gene Gabbard O Gene Gabbard	Director	March 31, 2005
/s/ William Laverack, Jr. William Laverack, Jr	Director	March 31, 2005
/s/ William H. Scott III William H Scott III	Director	March 31, 2005

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Knology, Inc.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Knology, Inc ·

We have audited the accompanying consolidated balance sheets of Knology, Inc (a Delaware corporation) and subsidiaries ("the Company") as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended December 31, 2004 These consolidated 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 the standards of the Public Company Accounting Oversight Board (United States) Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 the Company as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America

Deloitte & Touche LLP

Atlanta, GA

March 28, 2005

KNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	DECEMBER 31, 2003	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	$ 20,575	$ 6,082
Restricted cash (Note 2)	2,760	7,365
Short term investments (Note 2)	40,000	12,625
Accounts receivable, net of allowance for doubtful accounts of $1,449 and $724 as of December 31, 2003 and 2004, respectively	19,284	18,924
Prepaid expenses	1,818	2,735
Assets of business held for sale (Note 11)	0	887
Total current assets	84,437	48,618
PROPERTY, PLANT AND EQUIPMENT:		
System and installation equipment	557,088	602,731
Test and office equipment	52,326	59,369
Automobiles and trucks	9,620	9,766
Production equipment	724	781
Land	3,738	4,006
Buildings	17,377	17,332
Construction and premise inventory	12,780	15,694
Leasehold improvements	1,768	2,565
	655,421	712,244
Less accumulated depreciation and amortization	(319,361)	(385,745)
Property, plant, and equipment, net	336,060	326,499
OTHER LONG-TERM ASSETS:		
Goodwill and intangible assets	41,150	41,142
Deferred issuance costs	365	634
Investments	1,243	1,243
Other	457	451
Total assets	$ 463,712	$ 418,587
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of notes payable	$ 5,213	$ 179
Accounts payable	15,520	20,428
Accrued liabilities	9,136	12,199
Unearned revenue	11,633	11,841
Liabilities of business held for sale (Note 11)	0	770
Total current liabilities	41,502	45,417
NONCURRENT LIABILITIES:		
Notes payable	45,309	49,438
Unamortized investment tax credits	39	13
Senior unsecured notes, net of discount	225,037	237,096
Warrants (Note 4)	932	354
Total noncurrent liabilities	271,317	286,901
Total liabilities	312,819	332,318

COMMITMENTS AND CONTINGENCIES (NOTE 6)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $ 01 par value per share, 199,000,000 shares authorized, 0 and 0 shares issued and outstanding at December 31, 2003 and 2004, respectively	0	0
Common stock, $ 01 par value per share; 200,000,000 shares authorized, 20,605,430 and 23,697,787 shares issued and outstanding at December 31, 2003 and 2004, respectively	207	237
Non-voting common stock, $ 01 par value per share; 25,000,000 shares authorized, 2,170,127 and 0 shares issued and outstanding at December 31, 2003 and 2004, respectively	21	0
Additional paid-in capital	548,518	559,451
Other Comprehensive Income	3	1
Accumulated deficit	(397,856)	(473,420)
Total stockholders' equity	150,893	86,269
Total liabilities and stockholders' equity	$ 463,712	$ 418,587

See notes to consolidated financial statements

KNOLOGY, INC: AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
OPERATING REVENUES:			
Video	$ 60,752	$ 71,879	$ 97,590
Voice	58,742	70,117	72,438
Data services and other	22,372	30,942	41,430
Total operating revenues	141,866	172,938	211,458
OPERATING EXPENSES:			
Costs of services (excluding depreciation and amortization)	41,007	46,525	60,829
Selling, general and administrative expenses	79,837	93,366	117,580
Depreciation and amortization	80,533	77,806	74,163
Gain on reorganization (Note 4)	(109,804)	0	0
Reorganization professional fees	3,842	84	0
Capital markets activity	0	0	880
Asset impairment (Note 2)	9,946	0	0
Non-cash stock option compensation	3,266	1,883	3,625
Litigation fees (Note 6)	1,244	907	377
Total operating expenses	109,871	220,571	257,454
OPERATING INCOME (LOSS)	31,995	(47,633)	(45,996)
OTHER INCOME (EXPENSE):			
Interest income	395	379	720
Interest expense (contractual interest of $41,619 for the twelve months ended December 31, 2002)	(36,266)	(29,175)	(31,062)
Gain on adjustment of warrants to market	2,865	929	535
Other (expense) income, net	(321)	(12,288)	133
Total other expense	(33,327)	(40,155)	(29,674)
LOSS FROM CONTINUING OPERATIONS BEFORE DISCONTINUED OPERATIONS AND CUMULATIVE EFFECT OF CHANGE IN IN ACCOUNTING PRINCIPLE	(1,332)	(87,788)	(75,670)
INCOME FROM DISCONTINUED OPERATIONS (NOTE 11)	0	0	106
LOSS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,332)	(87,788)	(75,564)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(1,294)	0	0
NET LOSS	$ (2,626)	$ (87,788)	$ (75,564)
BASIC AND DILUTED NET LOSS PER SHARE	$ (52.20)	$ (5.17)	$ (3.19)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	50,304	16,995,092	23,655,733

See notes to consolidated financial statements

KNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

(DOLLARS IN THOUSANDS)

	SERIES A PREFERRED STOCK		SERIES B PREFERRED STOCK		SERIES C PREFERRED STOCK		SERIES D PREFERRED STOCK		SERIES E PREFERRED STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, December 31, 2001	50,990,888	$ 510	21,180,131	$ 212	37,219,562	$ 372	0	$ 0	0	$ 0
Comprehensive Loss.										
Net loss attributable to common stockholders										
Comprehensive Loss										
Exercise of stock options	49,569	0								
Private Placement					13,000,000	130				
Non-cash stock option compensation										
Reorganization, net of fees of $3,842 (Note 8)							10,684,751	107	21,701,279	217
BALANCE, December 31, 2002	51,040,457	$ 510	21,180,131	$ 212	50,219,562	$ 502	10,684,751	$ 107	21,701,279	$ 217
Comprehensive Loss										
Net loss attributable to common stockholders										
Comprehensive Loss										
Exercise of stock options	209,404	2								
Unrealized gain										
Non-cash stock option compensation										
Reorganization fees (Note 8)										
Initial public offering of common stock	(51,249,861)	(512)	(21,180,131)	(212)	(50,219,562)	(502)	(10,684,751)	(107)	(21,701,279)	(217)
BALANCE, December 31, 2003	0	$ 0	0	$ 0	0	$ 0	0	$ 0	0	$ 0
Comprehensive Loss										
Net loss attributable to common stockholders										
Comprehensive Loss										
Exercise of stock options										
Unrealized loss										

Non-cash stock option compensation										
Initial public offering of common stock										
Exercise of warrants										
Conversion of non-voting stock										
BALANCE, December 31, 2004	0	$ 0	0	$ 0	0	$ 0	0	$ 0	0	$ 0

See notes to consolidated financial statements

	COMMON STOCK SHARES		COMMON STOCK SHARES		ADDITIONAL PAID-IN	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL			
BALANCE, December 31, 2001	502,194	$ 5	0	$ 0	$ 394,741	$ (307,442)	($ 0)	$ 88,398
Comprehensive Loss								
Net loss attributable to common stockholders						(2,626)		(2,626)
Comprehensive Loss								(2,626)
Exercise of stock options	1,003	0			2			2
Private Placement					38,870			39,000
Non-cash stock option compensation					3,266			3,266
Reorganization, net of fees of $3,842 (Note 8)					56,167			56,491
BALANCE, December 31, 2002	503,197	$ 5	0	$ 0	$ 493,046	($ 310,068)	($ 0)	$ 184,531
Comprehensive Loss								
Net loss attributable to common stockholders						(87,788)		(87,788)
Comprehensive Loss								(87,788)
Exercise of stock options	9,356	1			15			18
Unrealized gain							3	3
Non-cash stock option compensation					1,883			1,883
Reorganization fees (Note 8)					(50)			(50)
Initial public offering of common stock	20,092,877	201	2,170,127	21	53,624			52,296
BALANCE, December 31, 2003	20,605,430	$ 207	2,170,127	$ 21	$ 548,518	$ (397,856)	$ 3	$ 150,893
Comprehensive Loss								
Net loss attributable to common stockholders						(75,564)		(75,564)
Comprehensive Loss								(75,564)
Exercise of stock options	9,776							0
Unrealized loss							(2)	(2)
Non-cash stock option compensation					3,625			3,625
Initial public offering of common stock	900,000	9			7,264			7,273
Exercise of warrants	12,454				44			44
Conversion of non-voting stock	2,170,127	21	(2,170,127)	(21)				0
BALANCE, December 31, 2004	23,697,787	$ 237	0	$ 0	$ 559,451	$ (473,420)	$ 1	$ 86,269

KNOLOGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (2,626)	$ (87,788)	$ (75,564)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation and amortization	80,533	77,806	74,163
Non-cash stock option compensation	3,266	1,883	3,625
Asset impairment	9,946	0	0
Litigation fees	1,244	0	0
Write off of investment	45	12,406	0
Accretion of discounted debt	29,411	0	0
Non-cash bond interest expense	3,796	26,582	12,059
Provision for bad debt	3,595	4,714	4,479
Gain on reorganization	(109,804)	0	0
(Gain) loss on disposition of assets	(88)	(14)	32
Cumulative effect of change in accounting principle	1,294	0	0
Gain on adjustment of warrants to market	(2,865)	(929)	(535)
Changes in operating assets and liabilities			
Accounts receivable	(4,964)	(9,135)	(4,120)
Accounts receivable—affiliate	465	72	0
Prepaid expenses and other	(30)	64	(895)
Accounts payable	(2,390)	(209)	4,908
Accrued liabilities	(2,142)	695	4,043
Unearned revenue	1,632	3,365	207
Total adjustments	12,944	117,300	97,966
Net cash provided by operating activities from continuing operations	10,318	29,512	22,402
Net cash used in operating activities from discontinued operations	0	0	(139)
Net cash provided by operating activities	10,318	29,512	22,263
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(44,446)	(35,533)	(63,592)
Purchase of short term investments	0	(50,000)	(210,051)
Proceeds from sale of short term investments	0	10,000	237,426
Franchise and other intangible expenditures	(1,448)	(407)	(288)
Proceeds from sale of property	1,047	378	169
Acquisition of Verizon Media	0	(18,841)	0
Investment in Grande	0	(1,070)	0
Net cash used in investing activities	(44,847)	(95,473)	(36,336)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt and short-term borrowings	(2)	(3,373)	(2,719)
Expenditures related to issuance of debt	0	0	(370)
Proceeds from private placement, net of offering expenses	39,000	0	0
Net proceeds from public offering	0	48,788	7,273
Cash pledged as security	(990)	(1,520)	(4,605)
Proceeds from long-term debt facility	5,470	0	0
Stock options exercised	2	18	0
Warrants exercised	0	0	1
Expenditures related to reorganization	(4,102)	(50)	0
Net cash provided by (used in) financing activities	39,378	43,863	(420)

NET INCREASE IN CASH AND CASH EQUIVALENTS	4,849	(22,098)	(14,493)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37,824	42,673	20,575
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 42,673	$ 20,575	$ 6,082
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest	$ 1,550	$ 2,589	$ 16,664
Cash paid (received) during period for income taxes	$ 296	$ 0	$ 0
Detail of investments and acquisitions			
Property, plant and equipment	0	21,149	0
Intangible assets & other	0	1,201	0
Warrants issued	0	(3,509)	0
Net cash paid for acquisitions	$ 0	$ 18,841	$ 0
Non–cash financing activities Debt acquired in capital lease transactions	$ 0	$ 0	$ 1,812

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

December 31, 2002, 2003 and 2004

(dollars in thousands, except share data)

1. Organization, Nature of Business, and Basis of Presentation

Organization

Knology, Inc ("Knology" or the "Company") is a publicly traded company incorporated under the laws of the State of Delaware in September 1998 The purpose of incorporating the Company was to enable ITC Holding Company, Inc to complete a reorganization of certain of its wholly owned and majority-owned subsidiaries on November 23, 1999 (the "Reorganization")

Financial Condition

The Company is subject to various risks in connection with the operation of its business, including, among other things, (1) the Company's lack of liquidity and its ability to raise additional capital, (2) inability to satisfy debt service requirements, working capital or other cash requirements, (3) failure to be competitive with existing and new competitors, and (4) changes in the Company's business strategy or an inability to execute its strategy due to unanticipated changes in the market The Company has $3,201 of working capital, $473,419 of accumulated deficit and $286,534 of long-term debt as of December 31, 2004 Although management believes it can meet its operating, debt service and capital requirements through the next fiscal year using available cash and cash flows from operations, management is currently evaluating transactions to improve the Company's capital structure and liquidity position, including the sale of its Cerritos, CA assets (see Note 11) and debt and/or equity financing transactions However, there can be no assurance that the sale of the Cerritos assets will occur or that debt or equity funding will be available in the future or that it will be available on terms acceptable to the Company

Prepackaged Plan of Reorganization Under Chapter 11

Knology Broadband, Inc , or Broadband, a wholly owned subsidiary of Valley Telephone Co , LLC, which is a wholly owned subsidiary of Knology, on September 18, 2002 filed a bankruptcy petition under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the Northern District of Georgia On that same date, Knology and Broadband filed a prepackaged plan of reorganization of Broadband under Chapter 11

Broadband received approval from the Bankruptcy Court to pay all trade claims and employee wages in the ordinary course of business, including pre-petition claims

On October 22, 2002, the Bankruptcy Court confirmed the prepackaged plan of reorganization of Broadband without modification

Nature of business

Knology, Broadband and their respective subsidiaries own and operate an advanced interactive broadband network and provide residential and business customers broadband communications services, including analog and digital cable television, local and long-distance telephone, high-speed Internet access, and broadband carrier services to various markets in the southeastern United States

Our telephone operations group, consisting of Interstate Telephone Company, Globe Telecommunications, Inc , ITC Globe, Inc , and Valley Telephone Co , Inc (our "Telephone Operations Group") is wholly owned and provides a full line of local telephone and related services and broadband services Certain of the Telephone Operations Group subsidiaries are subject to regulation by state public service commissions of applicable states for intrastate telecommunications services For applicable interstate matters related to telephone service, certain Telephone Operations Group subsidiaries are subject to regulation by the Federal Communications Commission

Basis of presentation

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of the Company and its wholly owned subsidiaries Investments in which the Company does not exercise significant control are accounted for using the cost method of accounting All significant intercompany balances have been eliminated

2. Summary of Significant Accounting Policies

Accounting estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the U S requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period Financial

statement line items that include significant estimates consist of property plant and equipment, certain accrued liabilities and the allowance for doubtful accounts Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from those estimates These changes in estimates are recognized in the period they are realized

Cash and cash equivalents

Cash and cash equivalents are highly liquid investments with a maturity of three months or less at the date of purchase and consist of time deposits, investment in money market funds with commercial banks and financial institutions, commercial paper and high-quality corporate and municipal bonds

As of December 31, 2003, the Company had $2,760 of cash that is restricted in use, all of which is pledged as collateral for amounts potentially payable under certain insurance, lease and surety bond agreements

As of December 31, 2004, the Company has $7,365 of cash that is restricted in use Of this amount, $2,000 and $2,000, respectively is held at Broadband and the Telephone Operations Group in accordance with certain debt covenants Also, the Company has pledged $3,365 of cash as collateral for amounts potentially payable under certain insurance, lease and surety bond agreements

Short term investments

The Company follows Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No 115) SFAS No 115 mandates that a determination he made of the appropriate classification for equity securities with a readily determinable fair value and all debt securities at the time of purchase and a re-evaluation of such designation as of each balance sheet date

Short term investments consist of adjustable rate securities and are classified as available-for-sale These investments are carried at fair value and any unrealized gains and losses are reported as a separate component of stockholders' equity Realized gains and losses are included in interest income The cost of securities sold is based on the specific identification method

The available-for-sale securities at December 31, 2003 and 2004 included the following

	Amortized Cost	Fair Value	Unrealized Gain (Loss)
Marketable securities-current			
Adjustable rate securities	$39,997	$ 40,000	$ 3
2003 Total	$39,997	$ 40,000	$ 3
Marketable securities-current			
Adjustable rate securities	$12,624	$ 12,625	$ 1
2004 Total	$12,624	$ 12,625	$ 1

Allowance for doubtful accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses in the accounts receivable balance The allowance is based on known troubled accounts, historical experience and other currently available evidence Activity in the allowance for doubtful accounts is as follows

Year ended December 31	Balance at beginning of period	Charged to operating expenses	Write-offs, net of recoveries	Balance at end of period
2002	$ 811	$ 3,595	$ 2,212	$ 2,194
2003	$ 2,194	$ 4,714	$ 5,459	$ 1,449
2004	$ 1,449	$ 4,479	$ 5,204	$ 724

Property, plant, and equipment

Property, plant, and equipment are stated at cost Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, commencing when the asset is installed or placed in service Maintenance, repairs, and renewals are charged to expense as incurred The cost and accumulated depreciation of property and equipment disposed of are removed from the related accounts, and any gain or loss is included in or deducted from income Depreciation and amortization (excluding telephone plant) are provided over the estimated useful lives as follows

	Years
Buildings	25
System and installation equipment	3-10
Production equipment	9
Test and office equipment	3-7
Automobiles and trucks	5
Leasehold improvements	5-25

Depreciation expense for the years ended December 31, 2002, 2003 and 2004 was $78,623, $77,438 and $73,809, respectively

Inventories are valued at the lower of cost or market (determined on a weighted average basis) and include customer premise equipment and certain plant construction materials These items are transferred to system and installation equipment when installed

Goodwill and intangible assets

The Company constructs and operates its cable systems under non-exclusive cable franchises that are granted by state or local governmental authorities for varying lengths of time As of December 31, 2004, the Company has obtained these franchises through acquisitions of cable systems accounted for as purchase business combinations and construction of new cable systems

Summarized below are the carrying values and accumulated amortization of intangible assets that will continue to be amortized under SFAS 142, as well as the carrying value of goodwill which is no longer amortized

	2003	2004	Amortization Period (Years)
Customer base	326	441	3
Other	225	356	1-3
Gross carrying value of intangible assets subject to amortization	551	797	
Less accumulated amortization	235	489	
Net carrying value	316	308	
Goodwill	40,834	40,834	
Total goodwill and intangibles	41,150	41,142	

Goodwill represents the excess of the cost of businesses acquired over fair value or net identifiable assets at the date of acquisition and has historically been amortized using the straight-line method over various lives up to forty years Goodwill is subject to a periodic impairment assessment by applying a fair value based test based upon a two-step method The first step of the process compares the fair value of each reporting unit with the carrying value of the reporting unit, including any goodwill Each geographic operating unit is deemed to be a reporting unit for testing purposes The Company utilizes a discounted cash flow valuation methodology to determine the fair value of each reporting unit If the fair value of each reporting unit exceeds the carrying amount of the reporting unit, goodwill is deemed not to be impaired in which case the second step in the process is unnecessary If the carrying amount exceeds fair value, the Company performs the second step to measure the amount of impairment loss Any impairment loss is measured by comparing the implied fair value of goodwill, calculated per SFAS No 142, with the carrying amount of goodwill at the reporting unit, with the excess of the carrying amount over the fair value recognized as an impairment loss The Company has adopted January 1 as the calculation date and has evaluated these assets as of January 1, 2003, 2004 and 2005, and no impairment was identified

The Company accounts for the impairment of amortizable intangible assets in accordance with SFAS No 144 as described under Long-lived assets Based on the results of the goodwill impairment test, the Company recorded an impairment loss of $1,294 in the

first quarter of 2002 as a cumulative effect of change in accounting principle

Amortization expense related to intangible assets was $278, $358 and $791 for the years ended December 31, 2004, 2003 and 2002, respectively

Scheduled amortization of intangible assets for the next five years is as follows

2005	$ 249
2006	50
2007	9
	$ 308

Deferred issuance costs

Deferred issuance costs include costs associated with the issuance of debt and the consummation of credit facilities (Note 4) Deferred issuance costs and the related useful lives and accumulated amortization at December 31, 2003 and 2004 are as follows

	2003	2004	Amortization Period (Years)
Deferred issuance costs	$ 501	$ 871	8
Accumulated amortization	(136)	(237)	
Deferred issuance costs, net	$ 365	$ 634	

Valuation of long-lived assets

On January 1, 2002, the Company adopted FASB Statement No 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No 144") Under SFAS No 144, the Company reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded The effects of adopting SFAS No 144 were not material to the Company's results of operations

In connection with the restructuring of capitalization pursuant to the prepackaged plan of reorganization, the Company issued new 12% senior notes due 2009, which include covenants limiting the ability to fund expansion into new markets, including Nashville and Louisville Due to the restrictive nature of the new covenants as they relate to the use of operating cash flows or new borrowings for expansion, the Company evaluated certain long-lived assets for impairment The asset impairment charge was measured in accordance with SFAS No 144, "Accounting for the Impairment or Disposal of Long-lived Assets "

Based on this evaluation of the impact the new covenants will have on our business plan, the Company recognized an asset impairment of approximately $9,946 during the year ended December 31, 2002 The total asset impairment is comprised of the following

	2002
Abandoned construction in progress	$ 6,094
Franchise costs	1,398
Construction inventory	2,454
Total asset impairment	$ 9,946

Cost of services

Cost of services related to video consists primarily of monthly fees to the National Cable Television Cooperative and other programming providers and is generally based on the average number of subscribers to each program Cost of services related to voice and data services and other consists primarily of transport cost and network access fees specifically associated with each of these revenue streams

Stock based compensation

In December 2002, the FASB issued SFAS No 148 "Accounting for Stock-Based Compensation-Transition and Disclosure," which amends FASB Statement No 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based

employee compensation and the effect of the method used on reported results Finally, this Statement amends APB Opinion No 28, Interim Financial Reporting, to require disclosure about those effects in interim financial information SFAS No 148 is to be applied for financial statements for fiscal years ending after December 15, 2002 In December 2002, the Company elected to adopt the recognition provisions of SFAS No 123 which is considered the preferable accounting method for stock-based employee compensation The Company also elected to report the change in accounting principle using the prospective method in accordance with SFAS No 148 Under the prospective method, the recognition of compensation costs is applied to all employee awards granted, modified or settled after the beginning of the fiscal year in which the recognition provisions are first applied As a result, the Company recorded $3,266, $1,833 and $3,625 of non-cash stock option compensation expense for the years ended December 31, 2002, 2003 and 2004, respectively We will continue to provide pro forma net income and earnings per share information related to prior awards

The following table illustrates the effect on net loss if Knology had applied the fair value recognition provisions of SFAS No 123 to stock-based employee compensation

	Year ended December 31,		
	2002	2003	2004
Net loss, as reported	$ (2,626)	(87,788)	(75,564)
Add Stock-based compensation, as reported	3,266	1,883	3,625
Deduct Total stock-based compensation determined under fair value based method for all awards, net of tax	(3,299)	(1,913)	(3,625)
Pro forma net loss	$ (2,659)	(87,818)	(75,564)
Basic and diluted net loss per share attributed to common shareholders	$ (52 86)	(5 17)	(3 19)
Basic and diluted weighted average number of common shares outstanding	50,304	16,995,092	23,655,733

Investments

Investments and equity ownership in associated companies consisted of the following at December 31, 2003 and 2004·

	2003	2004
Nonmarketable investments, at cost·		
Grande Communications common stock, 10,946,556 shares in 2003 and 2004	$ 1,243	$ 1,243

At December 31, 2004, the Company, through its wholly owned subsidiaries, owned approximately 2 4% of Grande The Company's investment in Grande is accounted for under the cost method of accounting The Company determined that the adverse changes in business conditions at Grande Communication, Inc were other than temporary and recorded a loss of $12,406 during the third quarter of 2003 on the investment in Grande In the fourth quarter of 2003 the Company invested an additional $1,069 in Grande

Accrued liabilities

Accrued liabilities at December 31, 2003 and 2004 consist of the following

	2003	2004
Accrued trade expenses	$ 4,073	$ 4,811
Accrued property taxes	1,888	2,297
Accrued compensation	2,738	2,315
Accrued interest	437	2,776
Total	$ 9,136	$12,199

Revenue recognition

The Company generates recurring revenues for broadband offerings of video, voice and data and other services The revenues generated from these services primarily consists of a fixed monthly fee for access to cable programming, local phone services and

enhanced services and access to the internet. Additional fees are charged for services including pay-per-view movies, events such as boxing matches and concerts, long distance service and cable modem rental Revenues are recognized as services are provided and advance billings or cash payments received in advance of services performed are recorded as deferred revenue

Advertising costs

The Company expenses all advertising costs as incurred Approximately $4,226, $5,143 and $6,370 of advertising expense are recorded in the Company's consolidated statements of operations for the years ended December 31, 2002, 2003, and 2004, respectively

Installation

The Company recognizes broadband installation revenue when the customer is initially billed for the connection of services as the direct selling costs exceed installation revenue on a per customer basis The direct selling costs are expensed in the period incurred

Sources of supplies

The Company purchases customer premise equipment and plant materials from outside vendors Although numerous suppliers market and sell customer premise equipment and plant materials, the Company currently purchases each customer premise component from a single vendor and has several suppliers for plant materials If the suppliers are unable to meet the Company's needs as it continues to build out its network infrastructure, then delays and increased costs in the expansion of the Company's network could result, which would adversely affect operating results

Credit risk

The Company's accounts receivable potentially subject the Company to credit risk, as collateral is generally not required The Company's risk of loss is limited due to advance billings to customers for services and the ability to terminate access on delinquent accounts. The potential for material credit loss is mitigated by the large number of customers with relatively small receivable balances The carrying amount of the Company's receivables approximates their fair values

Income taxes

The Company utilizes the liability method of accounting for income taxes, as set forth in SFAS No 109, "Accounting for Income Taxes " Under the liability method, deferred taxes are determined based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse Deferred tax benefit represents the change in the deferred tax asset and liability balances (Note 8) As of February 10, 2004, Valley Telephone Company was converted from a corporation to a limited liability company in order to distribute all of its shares of common stock of Knology Broadband, Inc to Knology, Inc in a tax free distribution

Comprehensive loss

The Company follows SFAS No 130, "Reporting Comprehensive Income " This statement establishes standards for reporting and display of comprehensive loss and its components in a full set of general purpose financial statements The Company has chosen to disclose comprehensive loss, which consists of net loss and unrealized gains (losses) on marketable securities, in the consolidated statements of stockholders' equity and comprehensive loss

Net loss per share

The Company follows SFAS No 128, "Earnings Per Share " That statement requires the disclosure of basic net loss per share and diluted net loss per share Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period Diluted net loss per share gives effect to all potentially dilutive securities The effect of the Company's warrants (1,103,187 and 1,090,733 in 2003 and 2004, respectively) and stock options (1,810,254 and 2,026,285 shares in 2003 and 2004, respectively using the treasury stock method) were not included in the computation of diluted EPS as their effect was antidilutive

New accounting pronouncements

In December 2004, the FASB issued SFAS No 123 (revised 2004), "Share-Based Payment" ("SFAS No 123R"), which replaces SFAS No 123, "Accounting for Stock-Based Compensation" ("SFAS No 123") and supercedes APB Opinion No 25, "Accounting for Stock Issued to Employees " SFAS No 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values, beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged In addition, SFAS No 123R will cause unrecognized expense related to options vesting after the date of initial adoption to be recognized as a charge to results of operations over the remaining vesting period In December 2002 the Company elected to adopt the recognition provisions of SFAS No 123 which is considered the preferable

accounting method for stock-based employee compensation The Company also elected to report the change in accounting principle using the prospective method in accordance with SFAS No 148 Under the prospective method, the recognition of compensation costs is applied to all employee awards granted, modified or settled after the beginning of the fiscal year in which the recognition provisions are first applied Because the fair value recognition provisions of SFAS No 123 were adopted on January 1, 2003, the Company does not expect this revised standard to have a material impact on its financial statements

At the March 2004 Emerging Issues Task Force ("EITF") meeting, the Task Force reached a consensus on the Issue No 03-1, The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments Issue 03-1 defines the terms other-than-temporary and other-than-temporary impairment and establishes a three-step impairment model applicable to debt and equity securities that are within the scope of SFAS 115 At the November 2003 EITF meeting, the Task Force reached a consensus effective for fiscal years ending after December 15, 2003 on quantitative disclosures Except for disclosure requirements already in place, the Issue 03-1 consensus will be effective prospectively for all relevant current and future investments in reporting periods beginning after June 15, 2004 The Company adopted EITF Issue No 03-1 disclosure requirements for the fiscal year ended December 31, 2003 and does not expect the adoption of future requirements of EITF Issue No 03-1 to have material impact on the Company's results of operations or financial position

In May 2003, the FASB issued SFAS No 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity It requires that an issuer classify a financial instrument that is within its scope as a liability or an asset in some circumstances SFAS No 150 is effective for the first interim period beginning after June 15, 2003 The Company adopted SFAS No 150 effective July 1, 2003, which resulted in no material impact to its financial position or results of operations

Prior Year Amounts

Certain prior year amounts have been reclassified to conform to current year presentation In the current year, the Company has determined that its investments in variable rate demand notes, which have interest rates that reset daily or weekly but have maturity dates in excess of 90 days from the date of acquisition, are more appropriately classified as marketable securities The Company had previously classified these notes as cash equivalents Therefore, a total of $0 and $40 has been reclassified from cash equivalents to marketable securities as of December 31, 2002 and 2003, respectively Corresponding changes have been made to the Company's Consolidated Balance Sheets, Consolidated Statements of Cash Flows, and related Notes to Consolidated Financial Statements as appropriate

3. Employee Benefit Plan

The Company has a 401(k) Profit Sharing Plan (the "Plan") for the benefit of eligible employees and their beneficiaries All employees are eligible to participate in the Plan on the first full month following the date of employment The Plan provides for a matching contribution at the discretion of the board up to 8% of eligible contributions The Company contributions for the years ended December 31, 2002, 2003 and 2004 were $728, $735 and $887, respectively

4. Long-Term Debt

Long-term debt at December 31, 2003 and 2004 consists of the following

	2003	2004
Senior Unsecured Notes including accrued interest, with a face value of $194,659 bearing interest in-kind at 13% beginning November 6, 2002, interest payable semiannually at 12% beginning November 30, 2004, with principal and unpaid interest due November 30, 2009	$225,037	$237,096
Senior secured Wachovia credit facility, at a rate of LIBOR plus 3 75%, interest payable quarterly with principal and any unpaid interest due September 10, 2007	15,465	15,465
Senior secured CoBank term credit facility, at a rate of LIBOR plus 3 5%, interest payable quarterly, principal payments due quarterly beginning Jan 2007 with final principal and any unpaid interest due June 30, 2009	34,588	31,895
Capitalized lease obligations, at rates between 7% and 8%, with monthly principal and interest payments through November 2011	470	2,257
	275,560	286,713
Less current maturities	5,213	179
	$270,347	$286,534

Following are maturities of long-term debt for each of the next five years as of December 31, 2004.

2005	$ 179
2006	256
2007	16,751
2008	7,812
2009	260,832
Thereafter	883
Total	$286,713

Knology's first interest payment on the senior unsecured notes was paid in November 2004 (Knology paid interest incurred for the first 18 months in kind through the issuance of additional notes) The senior unsecured notes increased to $237,096 for the year ended December 31, 2004, due to in kind interest payments of $14,226

The indenture governing the new Knology notes places certain restrictions on the ability of Knology and its subsidiaries to take certain actions including the following

- pay dividends or make other restricted payments,
- incur additional debt or issue mandatorily redeemable equity,
- create or permit to exist certain liens,
- incur restrictions on the ability of its subsidiaries to pay dividends or other payments,
- consolidate, merge or transfer all or substantially all its assets,
- enter into transactions with affiliates,
- utilize revenues except for specified uses,
- utilize excess liquidity except for specified uses,
- make capital expenditures for Knology of Knoxville, Inc , and
- permit the executive officers of Knology to serve as executive officers or employees of other entities in competition with Knology

These covenants will be subject to a number of exceptions and qualifications

The Company had outstanding warrants of $932 and $354 at December 31, 2003 and 2004, respectively Knology adjusts the carrying value of the warrants based on the closing price of the Company's common stock at the end of each reporting period For the year ended December 31, 2002, 2003 and 2004 the company recorded a gain of $2,865, $929 and $535, respectively

On December 22, 1998, Broadband entered into a $50,000 four-year senior secured credit facility with Wachovia Bank, National Association The Wachovia credit facility, as amended and restated effective November 6, 2002 and as amended as of September 10, 2004, allows Broadband to borrow approximately $15,500 The Wachovia credit facility may be used for working capital and other general corporate purposes, including capital expenditures and permitted acquisitions Interest accrues at the option of Broadband at LIBOR rate plus 3 75% or at Base Rate plus 2 75% The Wachovia credit facility contains a number of covenants that restrict the ability of Broadband and its subsidiaries to take certain actions, including, but not limited to, the ability to:

- incur debt,
- create liens,
- pay dividends,
- make distributions or stock repurchases,
- make investments,

- engage in transactions with affiliates, and
- sell assets and engage in mergers and acquisitions

The Wachovia credit facility also includes covenants requiring compliance with operating and financial covenants, including that Broadband and its subsidiaries are required to maintain an unrestricted cash balance of $2,000, and maintain a leverage ratio of not more than 1 0 times (total debt to EBITDA (earnings before interest, taxes, depreciation and amortization, as calculated pursuant to the Wachovia credit agreement)) As of December 31, 2004 Broadband is in compliance with these covenants Should Broadband not be in compliance with the covenants, Broadband would be in default and would require a waiver from the lender In the event the lender would not provide a waiver, amounts outstanding under the Wachovia credit facility could be accelerated and be payable to the lender on demand A change of control of Broadband, as defined in the Wachovia credit facility, would constitute a default under the covenants The amendment to the Wachovia credit facility included, among other things, an extension of the maturity date from November 6, 2006 until September 10, 2007, substantial revision of the financial covenants and elimination of the mandatory quarterly commitment reductions The maximum amount available under the Wachovia credit facility as of December 31, 2003 and 2004 was approximately $15,500 As of December 31, 2003 and 2004, approximately $15,465 had been drawn against the facility

On June 29, 2001, the Company, through its wholly owned subsidiaries, Globe Telecommunications, Inc , Interstate Telephone Company and Valley Telephone Co , Inc (the "Borrowers"), entered into a $40,000 secured master loan agreement with CoBank, ACB This master loan agreement, as amended as of June 6, 2002, as further amended as of November 6, 2002 and as further amended as of September 10, 2004, allows the Borrowers to make one or more advances in an amount not to exceed $38,000 Obligations under the loan agreement are secured by substantially all tangible and intangible assets of the Borrowers The master loan agreement contains a number of covenants that restrict the ability of the Borrowers to take certain actions, including, but not limited to, the ability to

- incur indebtedness,
- create liens,
- merge or consolidate with any other entity,
- make distributions or stock repurchases;
- make investments,
- engage in transactions with affiliates, and
- sell or transfer assets

The CoBank credit facility also includes covenants requiring compliance with certain operating and financial covenants of the Borrowers on a consolidated basis, including a minimum annual EBITDA measurement (as calculated in accordance with the CoBank loan agreement) and a maximum leverage ratio of 3 5 times (total debt to operating cash flow (as calculated in accordance with the CoBank loan agreement)) As of December 31, 2004 the Borrowers are in compliance with these covenants, but there can be no assurances that the Borrowers will remain in compliance Should the Borrowers not be in compliance with the covenants, the Borrowers would be in default and would require a waiver from CoBank In the event CoBank would not provide a waiver, amounts outstanding under CoBank credit facility could be accelerated and payable on demand The September 2004 amendment to the CoBank loan agreement, among other things, deferred the initial quarterly principal installment payment under the facility, in the amount of $250, until March 31, 2007 Beginning March 31, 2008, the quarterly installment payment increases to $1,875 with the remaining outstanding principal balance due on June 30, 2009

5. Operating and Capital Leases

The Company leases office space, utility poles, and other assets for varying periods Leases that expire are generally expected to be renewed or replaced by other leases Total rental expense for all operating and capital leases was approximately $1,173, $2,608 and $3,205 for the years ended December 31, 2002, 2003, and 2004, respectively Future minimum rental payments required under the operating and capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2004 are as follows

	Capitalized Leases	Operating Leases
2005	$ 349	$ 3,076
2006	409	2,635
2007	418	1,594

	Capitalized Leases	Operating Leases
2008	420	1,331
2009	422	973
Thereafter	1341	5,195
Total minimum lease payments	$ 3,359	$ 14,804
Less imputed interest	1,102	
Present value of minimum capitalized lease payments	2,257	
Current portion	179	
Long-term capitalized lease obligations	2,078	

During the year ended December 31, 2004, the Company entered into capital lease transactions related to the buildout of various multiple dwelling units and recorded $1,812 as property, plant and equipment The base rentals recorded to the capital leases are contingent upon the Company acquiring subscribers The Company has agreed to pay various amounts per subscriber to the lessors as the base monthly rentals The lease terms are seven years In accordance with FASB No 13, "Accounting for Leases", the Company has projected the number of subscribers to record the capital asset and liability and will update the projections to actual subscribers on a quarterly basis

6. Commitments and Contingencies

Purchase commitments

The Company has entered into contracts with various entities to provide programming to be aired by the Company The Company pays a monthly fee for the programming services, generally based on the number of average video subscribers to the program, although some fees are adjusted based on the total number of video subscribers to the system and/or the system penetration percentage Total programming fees were approximately $27,497, $31,120 and 47,018 for the years ended December 31, 2002, 2003, and 2004, respectively The Company estimates that it will pay approximately $50,296 in programming fees under these contracts during 2005

Legal proceedings

In September 2000, the City of Louisville, Kentucky granted Knology of Louisville, Inc , our subsidiary, a cable television franchise On November 2, 2000, Insight filed a complaint against the City of Louisville in Kentucky Circuit Court in Jefferson County, Kentucky claiming that our franchise was more favorable than Insight's franchise Insight's complaint suspended our franchise until there is a final, nonappealable order in Insight's Kentucky Circuit Court case In April 2001 the City of Louisville moved for summary judgment in Kentucky Circuit Court against Insight In March 2002, the Kentucky Circuit Court ruled that Insight's complaint had no merit and the Kentucky Circuit Court granted the City of Louisville's motion to dismiss Insight's complaint Insight appealed the Kentucky Circuit Court order dismissing their complaint and in June 2003 the Kentucky Court of Appeals upheld the Kentucky Circuit Court ruling Insight sought discretionary review of the Kentucky Court of Appeals ruling by the Kentucky Supreme Court and that request is pending

On November 8, 2000, we filed an action in the U S District Court for the Western District of Kentucky against Insight seeking monetary damages, declaratory and injunctive relief from Insight and the City arising out of Insight's complaint and the suspension of our franchise In March 2001, the U S District Court issued an order granting our motion for preliminary injunctive relief and denying Insight's motion to dismiss In June 2003 the U S District Court ruled on the parties' cross motions for summary judgment, resolving certain claims and setting others down for trial The U S District Court granted our motion for summary judgment based on causation on certain claims In August 2003, the U S District Court granted Insight's motion for an immediate interlocutory appeal on certain issues, which was accepted in October 2003 by the U S Court of Appeals for the Sixth Circuit

On December 29, 2004, the Sixth Circuit reversed the U S District Court's decision denying Insight's *Noerr-Pennington* immunity and granting summary judgment to Knology on its First Amendment Section 1983 claim The Sixth Circuit remanded to the U S District Court for further proceedings consistent with its Opinion On January 12, 2005, we filed a Petition for Rehearing En Banc with the Sixth Circuit On March 2, 2005, the Sixth Circuit denied our Petition for Rehearing The parties dispute what remains, if any, of our case now that the Sixth Circuit has denied our Petition We contend we are entitled to a trial on whether Insight's State Court Action was protected by *Noerr-Pennington* immunity Insight contends the Sixth Circuit's Opinion requires a dismissal with prejudice of all of our claims At this time it is impossible to determine with certainty the ultimate outcome of the litigation

We are also subject to other litigation in the normal course of our business However, in our opinion, there is no legal proceeding pending against us which would have a material adverse effect on our financial position, results of operations or liquidity We are also a party to regulatory proceedings affecting the segments of the communications industry generally in which we engage in business

7. Income Taxes

The benefit/(provision) for income taxes from continuing operations consisted of the following for the years ended December 31, 2002, 2003, and 2004

	2002	2003	2004
Current	$ 0	$ 0	$ 0
Deferred	(7,840)	34,882	25,180
(Increase) decrease in valuation allowance	7,840	(34,882)	(25,180)
Income tax benefit (provision)	$ 0	$ 0	$ 0

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes The significant components of deferred tax assets and liabilities as of December 31, 2003 and 2004 are as follows

	2003	2004
Current deferred tax assets		
Inventory reserve	$ 231	$ 587
Allowance for doubtful accounts	482	227
Other	985	980
Valuation allowance	(1,698)	(1,794)
Total current deferred taxes	0	0
Non-current deferred tax assets		
Net operating loss & other attributes carryforwards	115,726	138,143
Deferred bond interest	24,779	28,798
Deferred revenues	179	170
Alternative minimum tax credit carryforward	2,334	2,334
Debt issuance costs	1,466	1,216
Other	7,367	8,055
Depreciation and amortization	(32,076)	(33,857)
Valuation allowance	(119,775)	(144,859)
Total non-current deferred tax assets	0	0
Net deferred income taxes	$ 0	$ 0

At December 31, 2004, the Company had available federal net operating loss carryforwards of approximately $364 million that expire from 2007 to 2024 The utilization of $115 million of these loss carryforwards and $2 3 million AMT carryforwards is subject to an annual limitation as a result of a change in ownership of the Company, as defined in the Internal Revenue Code The limitation does not reduce the total amount of net operating losses that may be taken, but rather substantially limits the amount that may be used during a particular year The Company also had various state net operating loss carryforwards totaling approximately $333 million Unless utilized, the state net operating loss carryforwards expire from 2007 to 2024 Management has recorded a total valuation allowance of $147 million against its deferred tax assets including the operating loss carryforwards The increase in the valuation allowance of approximately $25 2 million is related to the increase in the net operating loss carryforward In addition, as a result of recent changes in stockholders, the Company expects that any future change in its ownership will result in significant additional limitations of current net operating losses The Company has not quantified any future limitations of net operating losses as of December 31, 2004

A reconciliation of the income tax provision computed at statutory tax rates to the income tax provision for the years ended December 31, 2002, 2003, and 2004 is as follows

	2002	2003	2004
Income tax benefit at statutory rate	34%	34%	34%
State income taxes, net of federal benefit	4%	4%	4%
Non taxable book gain on early extinguishment	1,587%	0%	0%
Reduction in deferred interest on senior discount notes	(1,883)%	0%	0%
Interest—high yield debt	(13)%	(3)%	(4)%

	2002	2003	2004
Other	(28)%	1%	0%
(Increase) decrease in valuation allowance	299%	(36)%	(34)%
Income tax benefit (provision)	0%	0%	0%

Investment tax credits related to telephone plant have been deferred and are being amortized as a reduction of federal income tax expense over the estimated useful lives of the assets giving rise to the credits

8. Equity Interests

Capital transactions

The Company has authorized 200,000,000 shares of $ 01 par value common stock, 199,000,000 shares of $ 01 par value preferred stock, and 25,000,000 shares of $ 01 par value non-voting common stock

On November 28, 2003, a one-for-10 reverse stock split of shares of the Company's common stock and non-voting common stock became effective As a result, each of the outstanding shares of common stock was reclassified as one-tenth (1/10) of a share of common stock and each of the outstanding shares of non-voting common stock was reclassified as one-tenth (1/10) of a share of non-voting common stock

On December 23, 2003, the Company completed a public offering of 6,000,000 common shares for $9 00 per share On January 13, 2004, the Company's underwriters exercised in full their over-allotment option to purchase an additional 900,000 shares of common stock Including the over-allotment, the Company sold 6,900,000 shares for net proceeds of approximately $56,300 Concurrent with the completion of the of the public offering on December 23, 2003, the outstanding Series A preferred stock converted to common stock and were reclassified as 10371 of a share of common stock, the Series B preferred stock converted to common stock and were reclassified as 14865 of a share of common stock, and, all remaining classes of preferred stock converted to common stock and were reclassified as one-tenth (1/10) of a share of common stock Additionally the options to purchase Series A preferred stock and the warrants to purchase Series A preferred stock converted to options and warrants to purchase common stock and were reclassified as options to and warrants to purchase 10371 of a share of common stock

On May 7, 2004, pursuant to a proposal ratified by a shareholder vote, all outstanding options to purchase common stock granted prior to December 18, 2003 under the 2002 Long-Term Incentive Plan with an exercise price of $16 33 per share were cancelled and replaced with new options with an exercise price of $6 87 per share In accordance with SFAS 123, "Accounting for Stock-Based Compensation", the Company has computed the value of the new options granted using the Black-Sholes model

During the fourth quarter of 2004, a significant shareholder liquidated their equity position in the Company, including 2,170,127 shares of non-voting stock As a result of the transaction, the non-voting stock converted into common stock As of December 31, 2004, the Company has no shares of non-voting stock outstanding

Knology, Inc. stock option plans

In December 2002, the board of directors and stockholders approved the Knology, Inc 2002 Long-Term Incentive Plan (the "2002 Plan") Effective December 31, 2002 all outstanding awards previously granted under the Broadband 1995 stock option plan (the "1995 Plan") and the Knology 1999 Long-Term Incentive Plan (the "1999 Plan") were canceled Also effective December 31, 2002, an equal number of the awards canceled under these plans were granted, along with additional awards, under the 2002 Plan The 1995 Plan and the 1999 Plan are no longer maintained by the Company

In 2004, the board of directors and stockholders approved the amendment and restatement of the 2002 Plan (the "Amended 2002 Plan") The Amended 2002 Plan authorizes the issuance of up to 3 million shares of common stock pursuant to stock option awards The Amended 2002 Plan is administered by the compensation and stock option committee of the board of directors Options granted under the plans are intended to qualify as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986, as amended All options are granted at an exercise price equal to the estimated fair value of the common stock at the dates of grant as determined by the board of directors based on private equity transactions and other analyses The options expire 10 years from the date of grant, with the exception of options that were granted to replace canceled options The expiration date of replacement options is the same as the expiration date of the related canceled options

On May 7, 2004, pursuant to a proposal ratified by a shareholder vote, all outstanding options to purchase common stock granted prior to December 18, 2003 under the 2002 Plan with an exercise price of $16 33 per share were canceled and replaced with new options granted under the Amended 2002 Plan with an exercise price of $6 87 per share

Statement of Financial Accounting Standards No. 123

The Company follows SFAS No 123, "Accounting for Stock-Based Compensation," which defines a fair value-based method of

accounting for an employee stock option or similar equity instrument and encourages all entities to adopt that method of accounting for all of their employee stock compensation plans. However, it also allows an entity to continue to measure compensation cost for those plans using the method of accounting prescribed by Accounting Principles Board ("APB") Opinion No 25, "Accounting for Stock Issued to Employees " Entities electing to remain with the accounting methodology required by APB Opinion No 25 must make pro forma disclosures of net income and, if presented, earnings per share as if the fair value–based method of accounting defined in SFAS No 123 had been applied

In 2002, the Company elected to adopt the fair value recognition of compensation cost provisions of SFAS No 123 The Company also elected to report the change in accounting principle from APB No 25 using the prospective method in accordance with SFAS No 148, "Accounting for Stock–Based Compensation—Transition and Disclosure Under the prospective method, the recognition of compensation cost is applied to all employee awards granted, modified, or settled after the beginning of the fiscal year in which the recognition provisions are first applied In December 2002, the Company canceled all outstanding awards for common stock as of December 31, 2002 and granted an equal number of replacement options at the current fair market value with the same expiration date as the related canceled option The replacement options, as well as all other awards granted and settled during 2002, were included in the calculation of compensation cost in accordance with SFAS No 123 and SFAS No 148 The Company recorded a non–cash stock option compensation charge of $3,266 related to the replacement and the adoption of the provisions of SFAS No 123 and SFAS no 148 The following represent the expected stock option compensation expense for the next five years assuming no additional grants

2005	$ 1,304
2006	990
2007	603
2008	56
2009	0
	$ 2,953

The fair value of stock options was estimated at the date of grant using a Black–Scholes option pricing model and the following weighted average assumptions in 2002, 2003, and 2004

Common	2002	2003	2004
Risk–free interest rate	2 79%	2 82%	2 80–3 94%
Expected dividend yield	0%	0%	0%
Expected lives	Four years	Four years	Four years
Expected volatility	38%	28%	28%

A summary of the status of the Company's stock options at December 31, 2004 is presented in the following table

	Common shares	Weighted average exercise price per share	Series A preferred shares	Weighted average exercise price per share
Outstanding at December 31, 2001	705,805	29 90	3,026,324	1 59
Granted	895,886	19 90	0	0
Forfeited	(796,366)	29 90	(68,220)	2 36
Exercised	(100)	26 30	(49,567)	45
Outstanding at December 31, 2002	805,227	$ 18 70	2,908,537	$ 1 60
Granted	784,209	10 64	0	0
Forfeited	(48,896)	18 92	(89,340)	3 26
Exercised	(946)	18 70	(209,420)	1 03
Converted as a result of the public offering	270,660	15 41	(2,609,777)	$ 1 60
Outstanding at December 31, 2003	1,810,254	$ 14 79	0	0
Granted	1,387,291	7 48	0	0
Forfeited	(1,161,484)	16 33	0	0

Exercised	(9,776)		2 89	0	0
Outstanding at December 31, 2004	2,026,285	$	8 94	0	0
Exercisable shares at December 31, 2004	1,421,487	$	9 27	0	0

The following table sets forth the exercise price range, number of shares, weighted average exercise price, and remaining contractual lives by groups of similar price and grant date·

Common shares

Range of exercise prices	Outstanding as of 12/31/2004	Weighted average remaining contractual life	Weighted average exercise price	Exercisable as of 12/31/2004	Average exercise price
$2 89–$6 76	267,969	6 31	$ 5 43	110,489	$ 5 42
$6 87–$6 87	749,008	5 50	$ 6 87	636,948	$ 6 87
$7 30–$8 85	22,130	9 29	$ 7 99	0	$ 0
$9 00–$9 00	561,687	8 96	$ 9 00	543,109	$ 9 00
$9 02–$18 80	338,087	8 35	$ 10 82	43,487	$ 15 80
$20 54–$35 68	87,454	4 43	$ 30 05	87,454	$ 30 05

At December 31, 2004, 1,421,487 options for the Company's common shares with a weighted average price of $9 27 per share were exercisable by employees of the Company At December 31, 2003, 909,451 options for the Company's common shares with a weighted average of $18 70 per share were exercisable by employees of the Company At December 31, 2002, 443,314 options for the Company's common shares with a weighted average price of $18 70 per share were exercisable by employees of the Company At December 31, 2002, 257,643 options for the Company's Series A preferred shares with a weighted average price of $12 50 per share were exercisable by employees of the Company

9. Related Party Transactions

Relatives of the chairman of our board are stockholders and employees of one of the Company's insurance provider The costs charged to the Company for insurance services were approximately $141, $927, and $1,962 for the years ended December 31, 2002, 2003, and 2004, respectively

10. Quarter–by–Quarter Comparison (Unaudited)

Summarized quarterly financial data for the years ended December 31, 2003 and 2004 are as follows

Quarters:	First	Second	Third	Fourth
2003				
Operating revenues	40,687	42,869	43,733	45,649
Operating (loss) income	(13,688)	(12,222)	(11,670)	(10,053)
Net (loss) income	(20,469)	(19,450)	(31,251)	(16,618)
Basic and diluted net loss per share	(1 22)	(1 16)	(1 86)	(94)
Basic and diluted weighted average shares outstanding	16,753,231	16,763,156	16,767,700	17,688,503
2004				
Operating revenues	53,794	52,735	52,065	52,864
Operating (loss) income	(11,115)	(11,323)	(12,678)	(10,880)
Net (loss) income	(18,366)	(18,664)	(20,039)	(18,495)
Basic and diluted net loss per share	(78)	(79)	(85)	(78)
Basic and diluted weighted average shares outstanding	23,552,210	23,685,080	23,685,333	23,688,472

11. Business Held for Sale

During the second quarter 2004, the Company announced its intention to sell its cable assets in Cerritos, California The Company acquired the Cerritos cable system in December 2003 from Verizon Media Ventures Inc in conjunction with its acquisition of Verizon Media's Pinellas County, Florida operations In March 2005, the Company entered into a definitive asset purchase agreement to sell its cable assets located in Cerritos, California to WaveDivision Holdings, LLC for $10 0 million in cash, subject to customary closing adjustments The Company expects the sale of the Cerritos system to close in the third quarter of 2005, subject to the satisfaction of closing conditions, including receipt of regulatory approvals with respect to the municipal franchise in Cerritos, California However, there can be no assurance that the Company will complete the sale of the Cerritos cable system or that it completes the sale in a timely manner In the event the purchaser does not receive necessary regulatory or other approvals or the other conditions to closing are not satisfied, the sale will not be completed

Following the guidance of SFAS No 144 "Accounting for the Impairment or Disposal of Long–Lived Assets," effective April 30, 2004, the Cerritos cable system was deemed to be a long–lived asset to be disposed of based on management's commitment, plan, and actions taken to sell the property Therefore, no depreciation expense related to the Cerritos assets will be recorded subsequent to April

30, 2004 The assets and liabilities related to the Cerritos system are separately stated on the Company's balance sheet The table below summarizes the major classes of assets and liabilities classified as held for sale

	December 31, 2004
Assets	
Cash	$ 53
Accounts Receivable	216
Net Property, Plant, and Equipment	594
Prepayments and Other	24
Total Assets	$ 887
Liabilities	
Accounts Payable	215
Accrued Liabilities	48
Unearned Revenue	191
Advance from Affiliate	316
Total Liabilities	$ 770

The net income associated with the Cerritos cable system since April 30, 2004 is presented separately in the statement of operations as income from discontinued operations The Cerritos cable system generated approximately $2,288 of revenue for the period that the assets have been classified as held for sale

INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
10 62**	Form of Stock Option Agreement
21 1	Subsidiaries of Knology, Inc.
23 1	Consent of Deloitte & Touche LLP
31 1	Certification of the Chief Executive Officer of Knology, Inc pursuant to Securities Exchange Act Rule 13a–14
31 2	Certification of the Chief Financial Officer of Knology, Inc pursuant to Securities Exchange Act Rule 13a–14
32 1	Statement of the Chief Executive Officer of Knology, Inc pursuant to §18 U S C S 1350
32 2	Statement of the Chief Financial Officer of Knology, Inc pursuant to §18 U S C S 1350

** Compensatory plan or arrangement

Exhibit 10 62**

INCENTIVE STOCK OPTION

Non−transferable

GRANT TO

NAME
(the "Optionee")

the right to purchase from Knology, Inc (the "Company")

# of Options

shares of its common stock, $0 01 par value, at the price of $1 87 per share

pursuant to and subject to the provisions of the Knology, Inc 2002 Long−Term Incentive Plan (the "Plan") and to the terms and conditions set forth on the following page

Unless vesting is accelerated in accordance with the Plan or in the discretion of the Committee, the remaining Option Shares shall vest in accordance with the Optionee Statement attached, provided that Optionee has maintained Continuous Status as a Participant as of the vesting dates

IN WITNESS WHEREOF, Knology, Inc , acting by and through its duly authorized officers, has caused this Agreement to be executed as of the Grant Date

KNOLOGY, INC

By Rodger L Johnson

Grant Date

Accepted by Optionee

Name

TERMS AND CONDITIONS

1 Grant of Option Knology, Inc (the "Company") hereby grants to the Optionee named on Page 1 hereof ("Optionee"), under the Knology, Inc 2002 Long−Term Incentive Plan (the "Plan"), stock options to purchase from the Company (the "Options"), on the terms and on conditions set forth in this agreement (this "Agreement"), the number of shares indicated on Page 1 of the Company's $0 01 par value common stock, at the exercise price per share set forth on Page 1 Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan

2 Vesting of Options The Option shall vest (become exercisable) in accordance with the Optionee Statement included with this Agreement Notwithstanding the foregoing vesting schedule, upon Optionee's death, Disability or Retirement during his or her Continuous Status as a Participant, or upon the effective date of a Change of Control, all Options shall become fully vested and exercisable

For purposes of computing the number of Option Shares that Optionee has a right to acquire by exercise of these Options, fractional Shares shall be disregarded and the next higher whole number of Shares shall be used, rounding all fractions upward

3 Period of Options and Limitations on Right to Exercise The Options will, to the extent not previously exercised, lapse upon the earliest to occur of the following circumstances

(a) 5 00 p m , Eastern Time, on the Expiration Date indicated on the Optionee Statement included with this Agreement

(b) Three months after the termination of Optionee's Continuous Status as a Participant for any reason other than (i) for Cause or

(ii) by reason of Optionee's death or Disability

(c) Twelve months after the date of the termination of Optionee's Continuous Status as a Participant by reason of Disability

(d) Twelve months after the date of Optionee's death, if Optionee dies while employed, or during the three-month period described in subsection (b) above or during the twelve-month period described in subsection (c) above and before the Options otherwise lapse Upon Optionee's death, the Options may be exercised by Optionee's beneficiary designated pursuant to the Plan

(e) 5 00 p m , Eastern Time, on the date of the termination of Optionee's Continuous Status as a Participant if such termination is for Cause

The Committee may, prior to the lapse of the Options under the circumstances described in paragraphs (b), (c), (d) or (e) above, extend the time to exercise the Options as determined by the Committee in writing, but if the Options are so extended, then to the extent that they are exercised more than three months after the termination of Optionee's employment other than by death or Disability, or more than one year after Optionee's Disability, the Options will automatically become Non-Qualified Stock Options If Optionee returns to employment with the Company during the designated post-termination exercise period, then Optionee shall be restored to the status Optionee held prior to such termination but no vesting credit will be earned for any period Optionee was not in Continuous Status as a Participant If Optionee or his or her beneficiary exercises an Option after termination of service, the Options may be exercised only with respect to the Shares that were otherwise vested on Optionee's termination of service

4 Exercise of Option The Options shall be exercised by (a) written notice directed to the Secretary of the Company or his or her designee at the address and in the form specified by the Secretary from time to time and (b) payment to the Company in full for the Shares subject to such exercise (unless the exercise is a broker-assisted cashless exercise, as described below) If the person exercising an Option is not Optionee, such person shall also deliver with the notice of exercise appropriate proof of his or her right to exercise the Option Payment for such Shares shall be in (a) cash, (b) Shares previously acquired by the purchaser, which have been held by the purchaser for at least six months, or (c) any combination thereof, for the number of Shares specified in such written notice The value of surrendered Shares for this purpose shall be the Fair Market Value, calculated as provided in the Plan, as of the last trading day immediately prior to the exercise date To the extent permitted under Regulation T of the Federal Reserve Board, and subject to applicable securities laws and any limitations as may be applied from time to time by the Committee (which need not be uniform), the Options may be exercised through a broker in a so-called "cashless exercise" whereby the broker sells the Option Shares on behalf of Optionee and delivers cash sales proceeds to the Company in payment of the exercise price In such case, the date of exercise shall be deemed to be the date on which notice of exercise is received by the Company, legal title to the Option Shares shall be deemed to have passed to Optionee on the exercise date, and the exercise price shall be delivered to the Company by the settlement date

5 Beneficiary Designation Optionee may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of Optionee hereunder and to receive any distribution with respect to the Options upon Optionee's death A beneficiary, legal guardian, legal representative, or other person claiming any rights hereunder is subject to all terms and conditions of this Agreement and the Plan, and to any additional restrictions deemed necessary or appropriate by the Committee If no beneficiary has been designated or survives Optionee, the Options may be exercised by the legal representative of Optionee's estate, and payment shall be made to Optionee's estate Subject to the foregoing, a beneficiary designation may be changed or revoked by Optionee at any time provided the change or revocation is filed with the Company

6 Limitation of Rights The Options do not confer to Optionee or Optionee's beneficiary designated pursuant to Paragraph 5 any rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with the exercise of the Options Nothing in this Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Optionee's service at any time, nor confer upon Optionee any right to continue in the service of the Company or any Affiliate

7 Stock Reserve The Company shall at all times during the term of this Agreement reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement

8 Restrictions on Transfer and Pledge No right or interest of Optionee in the Options may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of Optionee to any other party other than the Company or an Affiliate The Options are not assignable or transferable by Optionee other than by will or the laws of descent and distribution The Options may be exercised during the lifetime of Optionee only by Optionee

9 Restrictions on Issuance of Shares If at any time the Committee shall determine in its discretion, that registration, listing or qualification of the Shares covered by the Options upon any Exchange or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the exercise of the Options, the Options may not be exercised in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee

10 Notification of Disposition Optionee agrees to notify the Company in writing within 30 days of any disposition of Shares acquired by Optionee pursuant to the exercise of the Options, if such disposition occurs within two years of the Grant Date, or one year of the date of exercise, of the Options The Company has the authority and the right to deduct or withhold, or require Optionee to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes required by law to be withheld with respect to any disposition of Shares prior to the expiration of two years of the Grant Date, or one year of the date of exercise, of the Options

11 Interpretation It is the intent of the parties hereto that the Options qualify for incentive stock option treatment pursuant to, and to the extent permitted by, Section 422 of the Code All provisions hereof are intended to have, and shall be construed to have, such meanings as are set forth in applicable provisions of the Code and Treasury Regulations to allow the Options to so qualify To the extent that such any portion of the Options fail to qualify for incentive stock option treatment pursuant to Section 422 of the Code, such nonqualifying portion of the Options shall be Non-Qualified Stock Options, governed under Section 83 of the Code

12 Plan Controls The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative

13 Successors This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan

14 Severability If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included

15 Notice Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid Notices to the Company must be addressed to

Knology, Inc
1241 O G Skinner Drive
West Point, Georgia 31833
Attn General Counsel

or any other address designated by the Company in a written notice to Optionee Notices to Optionee will be directed to the address of Optionee then currently on file with the Company, or at any other address given by Optionee in a written notice to the Company

Exhibit 21.1

Subsidiaries of Knology, Inc.:

Interstate Telephone Company (Georgia)
Valley Telephone Co , LLC (Alabama)
Globe Telecommunications, Inc (Georgia)
ITC Globe, Inc (Delaware)
Knology of Knoxville, Inc (Delaware)
Knology of Lexington, Inc (Delaware)
Knology of Louisville, Inc (Delaware)
Knology of Nashville, Inc (Delaware)
Knology of Kentucky, Inc (Delaware)
Knology New Media, Inc (Delaware)
Knology Broadband of Florida, Inc (Delaware)
Knology Broadband of California, Inc (Delaware)
Knology Broadband, Inc (Delaware)
Knology of Augusta, Inc (Delaware)
Knology of Charleston, Inc (Delaware)
Knology of Columbus, Inc (Delaware)
Knology of Huntsville, Inc (Delaware)
Knology of Montgomery, Inc (Alabama)
Knology of Alabama, Inc (Delaware)
Knology of Florida, Inc (Delaware)
Knology of Georgia, Inc (Delaware)
Knology of South Carolina, Inc (Delaware)
Knology of Tennessee, Inc (Delaware)

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Knology, Inc ("Knology") No 333-103248 on Form S-8 and Nos 333-120745 and 333-117675 on Form S-3 of our report dated March 28, 2005, relating to the consolidated financial statements of Knology for the years ended December 31, 2004, 2003 and 2002 appearing in this Annual Report on Form 10-K of Knology for the year ended December 31, 2004

Deloitte & Touche LLP

Atlanta, Georgia
March 28, 2005

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Rodger L Johnson, President and Chief Executive Officer of Knology, Inc , certify that

1 I have reviewed this Annual Report on Form 10-K of Knology, Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date March 31, 2005

/s/ Rodger L. Johnson

Rodger L Johnson
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert K Mills, Chief Financial Officer of Knology, Inc , certify that

1 I have reviewed this Annual Report on Form 10-K of Knology, Inc ,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation, and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5 The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date March 31, 2005

/s/ Robert K. Mills

Robert K Mills
Chief Financial Officer

EXHIBIT 32.1

STATEMENT OF THE CHIEF EXECUTIVE OFFICER
OF KNOLOGY, INC.
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies in his capacity as an officer of Knology, Inc (the "Company") that, to his knowledge, this annual report on Form 10-K for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company

Dated March 31, 2005

/s/ Rodger L. Johnson

Rodger L Johnson
President and Chief Executive Officer

EXHIBIT 32.2

STATEMENT OF THE CHIEF FINANCIAL OFFICER
OF KNOLOGY, INC.
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies in his capacity as an officer of Knology, Inc (the "Company") that, to his knowledge, this annual report on Form 10-K for the period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company

Dated March 31, 2005

/s/ Robert K. Mills

Robert K Mills
Chief Financial Officer

Created by 10KWizard Technology www.10KWizard.com

EXHIBIT "C"

CHARTERS

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "KNOLOGY, INC.", FILED IN THIS OFFICE ON THE NINETEENTH DAY OF JUNE, A.D. 2001, AT 1 O'CLOCK P.M.

Harriet Smith Windsor

Harriet Smith Windsor, Secretary of State

2947185 8100

010295683

AUTHENTICATION: 1199808

DATE: 06-20-01

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 01:00 PM 06/19/2001
010293698 – 2947185

CERTIFICATE OF AMENDMENT OF AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF KNOLOGY, INC.

Knology, Inc. (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), does hereby certify as follows:

FIRST: That in accordance with the requirements of Section 141 and 242 of the DGCL, the Board of Directors of the Corporation, acting at a meeting duly called and convened on May 16, 2001, duly adopted resolutions. (1) proposing and declaring advisable the amendment to the Amended and Restated Certificate of Incorporation of the Corporation to change the definition of "Second Closing Deadline" in Section 4.4.5 of the Amended and Restated Certificate of Incorporation of the Corporation and (2) recommending that such amendment be submitted to the stockholders of the Corporation for their consideration and approval by written consent.

SECOND: That the amendment to the Amended and Restated Certificate of Incorporation of the Corporation is as follows:

The definition of "Second Closing Deadline" in Section 4.4.5 of the Amended and Restated Certificate of Incorporation is hereby deleted in it is entirety and replaced with the following:

"Second Closing Deadline" means June 30, 2001.

THIRD: That thereafter, pursuant to resolutions of the Board of Directors, the stockholders of the Corporation, acting by written consent in accordance with Sections 228 and 229 of the DGCL, duly approved the aforesaid amendment to the Amended and Restated Certificate of Incorporation of the Corporation.

FOURTH: That the aforesaid amendment to the Amended and Restated Certificate of Incorporation of the Corporation was duly adopted in accordance with the provisions of Sections 141, 228, 229 and 242 of the DGCL.

FIFTH: That said amendment is to become effective upon the filing of this Certificate of Amendment.

IN WITNESS WHEREOF, Knology, Inc has caused this certificate to be signed by its authorized officer, this 19th day of June, 2001

Chad S. Wachter

By: Chad S. Wachter
Title: Secretary

State of Delaware

Office of the Secretary of State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE RESTATED CERTIFICATE OF "KNOLOGY, INC.", FILED IN THIS OFFICE ON THE TWELFTH DAY OF JANUARY, A.D. 2001, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Harriet Smith Windsor

Secretary of State

2947185 8100

010020452

AUTHENTICATION: 0913974

DATE: 01-12-01

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF KNOLOGY, INC.

The undersigned, being the President and Chief Executive Officer and the Corporate Secretary, respectively, of KNOLOGY, Inc., a corporation organized and existing under the laws of the State of Delaware, on behalf of said corporation, hereby certify as follows:

FIRST: The name of the corporation (hereinafter the "Corporation") is KNOLOGY, Inc.

SECOND: The Amended and Restated Certificate of Incorporation of the Corporation as in effect on the date hereof is hereby amended to read in its entirety as set forth on Exhibit A hereto.

THIRD: That said Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, we have executed this Certificate this 12 day of January, 2001.

Rodger L. Johnson
President and Chief Executive Officer

Attest: _____
Corporate Secretary

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 01/12/2001
010020452 – 2947185

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "KNOLOGY, INC.", FILED IN THIS OFFICE ON THE TWENTY-THIRD DAY OF SEPTEMBER, A.D. 1998, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Edward J. Freel, Secretary of State

2947185 8100

981368147

AUTHENTICATION 9317208

DATE 09-23-98

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09 00 AM 09/23/1998
981368147 - 2947185

CERTIFICATE OF INCORPORATION
OF
KNOLOGY, INC.

1. NAME

The name of the corporation is KNOLOGY, Inc. (the "**Corporation**").

2. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be located at 1013 Centre Road, Wilmington, Delaware 19805 in the County of New Castle. The registered agent of the Corporation at such address shall be Corporation Service Company.

3. PURPOSE AND POWERS

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware as from time to time amended (the "**Delaware General Corporation Law**"). The Corporation shall have all power necessary or helpful to engage in such acts and activities.

4. CAPITAL STOCK

4.1. Authorized Shares; Increase in Authorized Shares

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is 55,000,000 shares, of which 50,000,000 shares shall be classified as shares of Common Stock, with a par value of $0.01 per share ("**Common Stock**"), and 5,000,000 shares shall be classified as shares of Preferred Stock, with a par value of $0.01 per share ("**Preferred Stock**"). The Board of Directors expressly is authorized to provide for the issuance of shares of Preferred Stock in one or more series without the approval of the stockholders of the Corporation. The number of authorized shares of any class of stock of the Corporation may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the capital stock of the Corporation entitled to vote (irrespective of the right to vote thereupon as a class that the holders of the shares of any such class would otherwise be entitled to under Section 242(b)(2) of the Delaware General Corporation Law).

4.2. Common Stock

4.2.1 Relative Rights

The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in the certificates of designations filed to establish the respective series of Preferred Stock. Each share of Common Stock shall have the same relative rights as, and be identical in all respects to, all the other shares of Common Stock.

4.2.2 Voting Rights

Each holder of record of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation and, share for share and without regard to class, together with the holders of all other classes of stock entitled to attend such meetings and to vote (except any class or series of stock having special voting rights), to cast one vote in person or by proxy for each outstanding share of Common Stock so held upon any matter or thing (including, without limitation, the election of one or more directors) properly considered and acted upon by the stockholders.

4.2.3 Dividends

Subject to the rights, if any, of the holders of shares of Preferred Stock, the holders of record of the Common Stock, and any class or series of stock entitled to participate therewith as to dividends, shall be entitled to receive dividends, when, as and if declared by the Board of Directors, out of any assets legally available for the payment of dividends thereon.

4.2.4 Dissolution, Liquidation, Winding Up

In the event of any dissolution, liquidation or winding up of the Corporation (whether voluntary or involuntary), the holders of record of the Common Stock then outstanding, and all holders of any class or series of stock entitled to participate (in whole or in part) therewith as to distribution of assets, shall become entitled to participate equally on a per-share basis in the distribution of any assets of the Corporation remaining after the Corporation shall have paid or provided for payment of all debts and liabilities of the Corporation, and shall have paid (or set aside for payment) to the holders of any class or series of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up, the full preferential amounts (if any) to which they are entitled.

4.3. Preferred Stock

4.3.1 Issuance, Designations, Powers, Etc.

The Board of Directors expressly is authorized, subject to limitations prescribed by the Delaware General Corporation Law and the provisions of this Certificate of Incorporation, to provide (by resolution and by filing a certificate of designations pursuant to the Delaware General Corporation Law) for the issuance from time to time of the shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and other rights of the shares of each such series and to fix the qualifications, limitations and restrictions thereon, including, but without limiting the generality of the foregoing, the following:

(i) the number of shares constituting that series and the distinctive designation of that series;

(ii) the dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(iii) whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(iv) whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(v) whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(vi) whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(vii) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(viii) any other relative powers, preferences, and rights of that series, and qualifications, limitations or restrictions on that series.

4.3.2 Dissolution, Liquidation, Winding Up

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Preferred Stock of each series shall be entitled to receive only such amount or amounts as shall have been fixed by the certificate of designations or by the resolution or resolutions of the Board of Directors providing for the issuance of such series.

4.4. Redemption.

Notwithstanding any other provision of this Certificate of Incorporation to the contrary, outstanding shares of stock of the Corporation shall always be subject to redemption by the Corporation, by action of the Board of Directors, if in the judgment of the Board of Directors such action should be taken, pursuant to Section 151(b) of the Delaware General Corporation Law or any other applicable provision of law, to the extent necessary to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency held by the Corporation or any of its subsidiaries to conduct any portion of the business of the Corporation or any of its subsidiaries, which license or franchise is conditioned upon some or all of the holders of the Corporation's stock possessing prescribed qualifications. The terms and conditions of such redemption shall be as follows:

(a) The redemption price of the shares to be redeemed pursuant to this **Section 4.4** shall be determined by the Board of Directors and shall be equal to the Fair Market Value (as defined herein) of such shares or, if such shares were purchased by one or more Disqualified Holders (as defined herein) within one year of the Redemption Date (as defined herein), the lesser of (i) the Fair Market Value of such shares and (ii) the purchase price paid by such Disqualified Holder for such shares.

(b) At the election of the Corporation, the redemption price of such shares may be paid in cash, Redemption Securities (as defined herein) or any combination thereof.

(c) If fewer than all shares held by Disqualified Holders are to be redeemed, the shares to be redeemed shall be selected in such manner as shall be determined by the Board of Directors, which may include selection first of the most recently purchased shares thereof, selection by lot or selection in any other manner determined by the Board of Directors.

(d) At least 30 days' prior written notice of the Redemption Date shall be given to any Disqualified Holder of shares selected to be redeemed (unless waived in writing by any such holder), provided that the Redemption Date may be the date on which written notice shall be given to such holder if the cash or Redemption Securities necessary to effect the redemption shall have been deposited

in trust for the benefit of such holder and subject to immediate withdrawal by it upon surrender of the stock certificates formerly representing the shares redeemed.

(e) From and after the Redemption Date, any and all rights of whatever nature that any Disqualified Holder may have with respect to any shares selected for redemption (including, without limitation, any rights to vote or participate in dividends declared on stock of the same class or series as such shares) shall cease and terminate, and such Disqualified Holder shall thenceforth be entitled only to receive, with respect to such shares, the cash or Redemption Securities payable upon redemption.

(f) The Board of Directors may also impose additional terms and conditions.

(g) For purposes of this Section 4.4:

(i) **"Disqualified Holder"** shall mean any holder of shares of stock of the Corporation whose holding of such stock, either individually or when taken together with the holding of shares of stock of the Corporation by any other holders, may result, in the judgment of the Board of Directors, in the loss of, or the failure to secure the reinstatement of, any license or franchise from any governmental agency held by the Corporation or any of its subsidiaries to conduct any portion of the business of the Corporation or any of its subsidiaries.

(ii) **"Fair Market Value"** of a share of the Corporation's stock of any class or series shall mean the average Closing Price (as defined herein) for such a share for each of the 45 most recent days on which shares of stock of such class or series shall have been traded preceding the day on which notice of redemption shall be given pursuant to paragraph (d) of this Section 4.4; provided, however, that if shares of stock of such class or series are not traded on any securities exchange or in the over-the-counter market, "Fair Market Value" shall be determined by the Board of Directors in good faith. **"Closing Price"** on any day means the reported closing sales price or, in case no such sale takes place, the average of the reported closing bid and asked prices on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation for such stock on the Nasdaq National Market of The Nasdaq Stock Market, Inc. or any system then in use, or if no such prices or quotations are available, the fair market value on the day in

question as determined by the Board of Directors in good faith.

(iii) **"Redemption Date"** shall mean the date fixed by the Board of Directors for the redemption of any shares of stock of the Corporation pursuant to this **Section 4.4**.

(iv) **"Redemption Securities"** shall mean any debt or equity securities of the Corporation, any of its subsidiaries or any other corporations, or any combination thereof, having such terms and conditions as shall be approved by the Board of Directors and which, together with any cash to be paid as part of the redemption price, in the opinion of any investment banking firm selected by the Board of Directors (which may be a firm which provides other investment banking, brokerage or other services to the Corporation), has a value, at the time notice of redemption is given pursuant to paragraph (d) of this **Section 4.4**, at least equal to the price required to be paid pursuant to paragraph (a) of this **Section 4.4** (assuming for purposes of such valuation, in the case of Redemption Securities to be publicly traded, such Redemption Securities were fully distributed and trading under normal conditions).

5. INCORPORATOR; BOARD OF DIRECTORS

5.1. Incorporator

The name and mailing address of the incorporator (the "**Incorporator**") is Kimberley E. Thompson, c/o ITC Holding Company, Inc., 1239 O. G. Skinner Drive, West Point, Georgia 31833. The powers of the Incorporator shall terminate upon the filing of this Certificate of Incorporation.

5.2. Classification

Except as otherwise provided in this Certificate of Incorporation or a certificate of designations relating to the rights of the holders of any series of Preferred Stock, voting separately by series, to elect additional directors under specified circumstances, the number of directors of the Corporation shall be as fixed from time to time by the Board of Directors of the Corporation. The directors, other than those who may be elected by the holders of any series of Preferred Stock voting separately by series, shall be classified, with respect to the time for which they severally hold office, into three classes, Class I, Class II and Class III, which shall be as nearly equal in number as possible, and shall be adjusted from time to time by the Board of Directors to maintain such proportionality. Each initial director in

Class I shall hold office for a term expiring at the 2001 annual meeting of stockholders, each initial director in Class II shall hold office for a term expiring at the 2000 annual meeting of stockholders, and each initial director in Class III shall hold office for a term expiring at the 1999 annual meeting of stockholders. Elections of directors need not be by written ballot.

Notwithstanding the foregoing provisions of this **Section 5.2**, each director shall serve until such director's successor is duly elected and qualified or until such director's earlier death, resignation or removal. At each annual meeting of stockholders, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors have been duly elected and qualified or until any such director's earlier death, resignation or removal. Except as set forth below with respect to vacancies and newly created directorships, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

5.3. Initial Directors

The following persons, having the following mailing addresses, shall serve as the directors of the Corporation until the first annual meeting of the stockholders of the Corporation or until their successors are elected and qualified:

NAME	*CLASS*	*MAILING ADDRESS*
Campbell B. Lanier, III	I	ITC Holding Company, Inc. 1239 O. G. Skinner Drive West Point, Georgia 31833
William H. Scott, III	II	ITC Holding Company, Inc. 1239 O. G. Skinner Drive West Point, Georgia 31833
William E. Morrow	III	Knology Holdings, Inc. 1241 O. G. Skinner Drive West Point, Georgia, 31833

5.4. Removal

Except as otherwise provided pursuant to the provisions of this Certificate of Incorporation or a certificate of designations relating to the rights of the holders of any series of Preferred Stock, voting separately by series, to elect directors under specified circumstances, any director or directors may be removed

from office at any time, but only for cause and only by the affirmative vote of not less than 66-2/3% of the total number of votes of the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, and only if notice of such proposal was contained in the notice of such meeting. At least 30 days prior to any meeting of stockholders where the removal of directors prior to expiration of their term in office will be considered, written notice shall be sent to the director or directors whose removal will be considered at such meeting. Any vacancy in the Board of Directors resulting from any such removal or otherwise shall be filled in accordance with **Section 5.5** hereof.

5.5. Vacancies and Change of Authorized Number

Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may only be filled by a vote of the majority of the directors then in office, although fewer than a quorum, or by a sole remaining director. In the event that one or more directors resign from the board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective. Notwithstanding the foregoing, whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of this Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may only be filled by a majority of the directors elected by such class or classes or series thereof in office, or by a sole remaining director so elected. Each director chosen in accordance with this **Section 5.5** shall hold office until the next election of the class for which such director shall have been chosen, and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

5.6. Directors Elected by Holders of Preferred Stock

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the certificate of designations applicable thereto, and such directors so elected shall not be divided into classes pursuant to **Section 5.2** unless expressly provided by the certificate of designations.

5.7. Limitation of Liability

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director;

provided, however, that this provision shall not eliminate or limit the liability of a director: (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (b) for acts or omissions that are not in good faith or that involve intentional misconduct or a knowing violation of law; (c) for liability under Section 174 of the Delaware General Corporation Law; or (d) for any transaction from which the director received any improper personal benefit. Any repeal or modification of this **Section 5.7** shall be prospective only, and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

6. SPECIAL MEETINGS OF STOCKHOLDERS

Special meetings of the stockholders may be called at any time but only by (a) the chairman of the board of the Corporation or (b) a majority of the directors in office, although less than a quorum.

7. AMENDMENT OF CERTIFICATE OF INCORPORATION

Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), the affirmative vote of 66-2/3% of the total number of votes of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or to adopt any provision inconsistent with the purpose or intent of, **Section 5** or **Section 6** hereof, and this **Section 7**. Notice of any such proposed amendment, repeal or adoption shall be contained in the notice of the meeting at which it is to be considered. Subject to the provisions set forth herein, the Corporation reserves the right to amend, alter, repeal or rescind any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed by law.

8. AMENDMENT OF BYLAWS

In furtherance and not in limitation of the powers conferred by the Delaware General Corporation Law, the Board of Directors is expressly authorized and empowered to adopt, amend and repeal the Bylaws of the Corporation. Notwithstanding any other provisions of this Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the Bylaws of the Corporation), in order for the stockholders of the Corporation to amend or repeal the Bylaws of the Corporation, the affirmative vote of 66-2/3% of the total number of votes of the then outstanding shares of capital stock of the Corporation entitled to

vote generally in the election of directors, voting together as a single class, shall be required.

* * * * *

IN WITNESS WHEREOF, the Incorporator has executed this Certificate of Incorporation as of this 22nd day of September, 1998

Kimberley E. Thompson
Incorporator

Secretary of State

Corporations Division
315 West Tower
#2 Martin Luther King, Jr. Dr.
Atlanta, Georgia 30334-1530

CONTROL NUMBER. 0115176
EFFECTIVE DATE· 03/28/2001
JURISDICTION · DELAWARE
REFERENCE 0045
PRINT DATE 03/30/2001
FORM NUMBER · 316

ORIGIN INFORMATION AND SERVICES, INC
233 MITCHELL STREET, S.W.
SUITE 550
ATLANTA, GA 30303

CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS

I, Cathy Cox, the Secretary of State and the Corporations Commissioner of the State of Georgia, do hereby certify under the seal of my office that

KNOLOGY, INC.
A FOREIGN PROFIT CORPORATION

has been duly incorporated under the laws of the jurisdiction set forth above and has filed an application meeting the requirements of Georgia law to transact business as a foreign corporation in this state.

WHEREFORE, by the authority vested in me as Corporations Commissioner, the above named corporation is hereby granted, on the effective date stated above, a certificate of authority to transact business in the State of Georgia as provided by Title 14 of the Official Code of Georgia Annotated.

WITNESS my hand and official seal in the City of Atlanta and the State of Georgia on the date set forth above

Cathy Cox
Secretary of State

CATHY COX
Secretary of State

OFFICE OF SECRETARY OF STATE
CORPORATIONS DIVISION
315 West Tower, #2 Martin Luther King, Jr Drive
Atlanta, Georgia 30334-1530
(404) 656-2817
Registered agent, officer, entity status information via the Internet
http //www sos state ga us/corporations

WARREN RARY
Director

QUINTILIS B ROBINSON
Deputy Director

APPLICATION FOR CERTIFICATE OF AUTHORITY FOR FOREIGN CORPORATION

DO NOT WRITE IN SHADED AREA

DOCKET #	PENDING #	CONTROL #	
DOCKET CODE	DATE FILED	AMOUNT	CHECK #
TYPE CODE	EXAMINER	JURISDICTION CODE	

NOTICE TO APPLICANT. PRINT PLAINLY OR TYPE REMAINDER OF THIS FORM

1 Knology, Inc.
Corporate Name — Name Reservation Number (Optional)

12/01/1999
Date business commenced (or proposed) in Georgia (NOTE In the filing of "Profit" corporations, if the date provided here is more than 30 days prior to the date the application is received by the Secretary of State, a $500 penalty FOR EACH YEAR OR PART THEREOF, will be assessed)

2 Lesley E. Hanchrow — 202-756-3351
Applicant/Attorney — Telephone Number

601 Pennsylvania Avenue, N.W., 11th Floor, North Building
Address

Washington, — D.C. — 20004-2601
City — State — Zip Code

3 1241 O.G. Skinner Drive, — West Point — GA — 31833
Principal Office Mailing Address — City — State — Zip Code

4 Corporation Service Company
Name of Registered Agent in Georgia

4845 Jimmy Carter Boulevard
Registered Office Street Address in Georgia

Norcross, — Gwinnett — GA — 30093
City — County — State — Zip Code

CORPORATIONS DIVISION 01 MAR 20 P 12:2 SECRETARY OF STATE

5 Circle ONE PROFIT / NONPROFIT	Jurisdiction (Home State/Country)	Date of Incorporation	Period of Duration
	Delaware/USA	9/23/98	perpetual

6					
Rodger L. Johnson	1241 O.G. Skinner Drive	West Point,	GA	31833
Officer / CEO	Address	City	State	Zip Code
Robert K. Mills	1241 O.G. Skinner Drive	West Point,	GA	31833
Officer / CFO	Address	City	State	Zip Code
Chad S. Wachter	1241 O.G. Skinner Drive	West Point,	GA	31833
Officer / SEC	Address	City	State	Zip Code
Rodger L. Johnson	1241 O.G. Skinner Drive	West Point,	GA	31833
Director	Address	City	State	Zip Code
Richard S. Bodman	1241 O.G. Skinner Drive	West Point,	GA	31833
Director	Address	City	State	Zip Code
Alan A. Burgess	1241 O.G. Skinner Drive	West Point,	GA	31833
Director	Address	City	State	Zip Code

7 NOTICE Mail or deliver the following items to the Secretary of State at the above address
(1) Original and one copy of this application
(2) An ORIGINAL certificate of existence, not more than 90 days old, certified by the home state or country must be sent in with this application A photocopy WILL NOT be accepted Certificate from home state must accompany application and be no more than 90 days old
(3) Filing fee of $170 00 (Profit) or $70 00 (Nonprofit) payable to "Secretary of State " Filing fees are NON-refundable

Authorized Signature — Date: 3/27/07

FORM 236

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "KNOLOGY OF TENNESSEE, INC.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF MAY, A.D. 1998, AT 9 O'CLOCK A.M.

Edward J. Freel, Secretary of State

2901898 8100

991560439

AUTHENTICATION: 0164298

DATE: 12-27-99

May. 28. 1998 10:09PM EDGAR & GARRISON ...

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 05/28/1998
981205217 - 2901898

CERTIFICATE OF INCORPORATION

OF

KNOLOGY OF TENNESSEE, INC.

Article 1. NAME

The name of this corporation is KNOLOGY of Tennessee, Inc. (the "**Corporation**").

Article 2. REGISTERED OFFICE AND AGENT

The registered office of the Corporation shall be located at 1013 Centre Road, Wilmington, Delaware 19805 in the County of New Castle. The registered agent of the Corporation at such address shall be Corporation Service Company.

Article 3. PURPOSE AND POWERS

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "**Delaware General Corporation Law**"). The Corporation shall have all power necessary or convenient to the conduct, promotion or attainment of such acts and activities.

Article 4. CAPITAL STOCK

4.1. Authorized Shares

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is one thousand (1,000) shares. All such shares shall be Common Stock, all of one class, having a par value of $.01 per share ("**Common Stock**").

4.2. Common Stock

4.2.1. Relative Rights

The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of any preferred stock as set forth in the certificate of designations filed to establish the respective series of such preferred stock. Each share

of Common Stock shall have the same relative rights as and be identical in all respects to all the other shares of Common Stock.

4.2.2. Dividends

Whenever there shall have been paid, or declared and set aside for payment, to the holders of shares of any class of stock having preference over the Common Stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, then dividends may be paid on the Common Stock and on any class or series of stock entitled to participate therewith as to dividends, out of any assets legally available for the payment of dividends thereon, but only when and as declared by the Board of Directors of the Corporation.

4.2.3. Dissolution, Liquidation, Winding Up

In the event of any dissolution, liquidation, or winding up of the Corporation, whether voluntary or involuntary, the holders of the Common Stock, and holders of any class or series of stock entitled to participate therewith, in whole or in part, as to the distribution of assets in such event, shall become entitled to participate in the distribution of any assets of the Corporation remaining after the Corporation shall have paid, or provided for payment of, all debts and liabilities of the Corporation and after the Corporation shall have paid, or set aside for payment, to the holders of any class of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up the full preferential amounts (if any) to which they are entitled.

4.2.4. Voting Rights

Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation and, share for share and without regard to class, together with the holders of all other classes of stock entitled to attend such meetings and to vote (except any class or series of stock having special voting rights), to cast one vote for each outstanding share of Common Stock so held upon any matter or thing (including, without limitation, the election of one or more directors) properly considered and acted upon by the stockholders.

4.3. Preferred Stock

The Board of Directors is authorized, subject to limitations prescribed by the Delaware General Corporation Law and the provisions of this Certificate of Incorporation, to provide, by resolution or resolutions from time to time and by filing a certificate of designations pursuant to the Delaware General Corporation Law, for the issuance of the shares of Preferred Stock in series, to establish from time to time the

number of shares to be included in each such series, to fix the powers, designations, preferences and relative, participating, optional or other special rights of the shares of each such series and to fix the qualifications, limitations or restrictions thereof.

Article 5. INCORPORATOR

The name and mailing address of the incorporator (the "**Incorporator**") is _____, Corporation Service Company, 1013 Centre Road, Wilmington, Delaware 19805. The powers of the Incorporator shall terminate upon the filing of this Certificate of Incorporation.

Article 6. BOARD OF DIRECTORS

6.1. Initial Directors; Number; Election

The following persons, having the following mailing addresses, shall serve as the directors of the Corporation until the first annual meeting of the stockholders of the Corporation or until their successors are elected and qualified:

NAME	*MAILING ADDRESS*
William E. Morrow	1241 O.G. Skinner Drive West Point, Georgia 31833
William H. Scott, III	1241 O.G. Skinner Drive West Point, Georgia 31833
Campbell B. Lanier, III	1241 O.G. Skinner Drive West Point, Georgia 31833

The number of directors of the Corporation shall be such number as from time to time shall be fixed by, or in the manner provided in, the bylaws of the Corporation. Unless and except to the extent that the bylaws of the Corporation shall otherwise require, the election of directors of the Corporation need not be by written ballot. Except as otherwise provided in this Certificate of Incorporation, each director of the Corporation shall be entitled to one vote per director on all matters voted or acted upon by the Board of Directors.

6.2. Management of Business and Affairs of the Corporation

The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

6.3. Limitation of Liability

No director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (a) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (c) under Section 174 of the Delaware General Corporation Law; or (d) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article 6.3 shall be prospective only and shall not adversely affect any right or protection of, or any limitation of the liability of, a director of the Corporation existing at, or arising out of facts or incidents occurring prior to, the effective date of such repeal or modification.

Article 7. COMPROMISE OR ARRANGEMENTS

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

Article 8. AMENDMENT OF BYLAWS

In furtherance and not in limitation of the powers conferred by the Delaware General Corporation Law, the Board of Directors of the Corporation is expressly authorized and empowered to adopt, amend and repeal the bylaws of the Corporation.

Article 9. RESERVATION OF RIGHT TO AMEND CERTIFICATE OF INCORPORATION

The Corporation reserves the right at any time, and from time to time, to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences, and privileges of any nature conferred upon stockholders, directors, or any other persons by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this Article 9.

IN WITNESS WHEREOF, the undersigned, being the Incorporator hereinabove named, for the purpose of forming a corporation pursuant to the Delaware General Corporation Law, hereby certifies that the facts hereinabove stated are truly set forth, and accordingly executes this Certificate of Incorporation this 29th day of May, 1998.

Incorporator

Kerry Spittel

By: Kerry Spittel

Secretary of State
Corporations Section
James K. Polk Building, Suite 1800
Nashville, Tennessee 37243-0306

ISSUANCE DATE: 01/18/2000
REQUEST NUMBER: 00018105
TELEPHONE CONTACT: (615) 741-6488

CHARTER/QUALIFICATION DATE: 07/17/1998
STATUS: ACTIVE
CORPORATE EXPIRATION DATE: PERPETUAL
CONTROL NUMBER: 0354330
JURISDICTION: DELAWARE

TO:
BOULT CUMMINGS CONNERS & BERRY
D. LYNN FINLEY
PO BOX 198062
NASHVILLE, TN 37219

REQUESTED BY:
BOULT CUMMINGS CONNERS & BERRY
D. LYNN FINLEY
PO BOX 198062
NASHVILLE, TN 37219

CERTIFICATE OF AUTHORIZATION

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT

"KNOLOGY OF TENNESSEE, INC",

A CORPORATION FORMED IN THE JURISDICTION SET FORTH ABOVE, IS AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE;
THAT ALL FEES, TAXES, AND PENALTIES OWED TO THIS STATE WHICH AFFECT THE AUTHORIZATION OF THE CORPORATION HAVE BEEN PAID;
THAT THE MOST RECENT CORPORATION ANNUAL REPORT REQUIRED HAS BEEN FILED WITH THIS OFFICE; AND
THAT AN APPLICATION FOR CERTIFICATE OF WITHDRAWAL HAS NOT BEEN FILED.

FOR: REQUEST FOR CERTIFICATE

FROM:
BOULT, CUMMINGS, CONNERS & BERRY
P. O. BOX 198062

NASHVILLE, TN 37219-0000

ON DATE: 01/18/00

	FEES	
RECEIVED:	$20.00	$0.00
TOTAL PAYMENT RECEIVED:		$20.00

RECEIPT NUMBER: 00002596138
ACCOUNT NUMBER: 00000413

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE

SS-4458

EXHIBIT "D"

ORGANIZATION CHART

Knology Corporate Organizational Chart

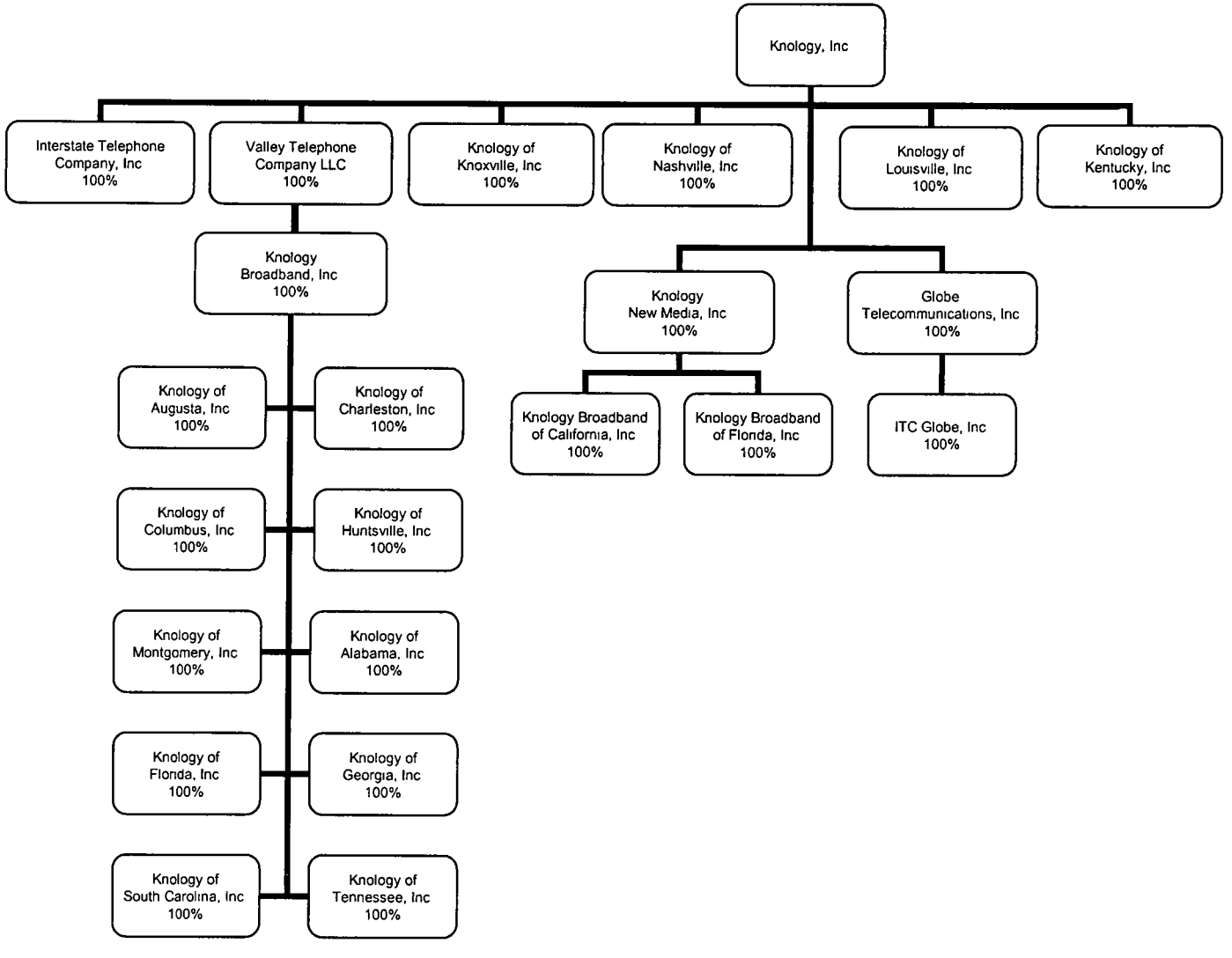

EXHIBIT "E"

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DOCKET # 21005
DOCUMENT # 84403

Docket No. 21005-U
ORDER

IN RE: **Docket No. 21005-U, Consolidated Application of Interstate Telephone Company, Knology of Georgia, Inc. and Globe Telecommunications, Inc. for Financing Approval**

In Administrative Session on July 19, 2005, the Commission voted to approve the above-referenced application and upon full consideration of the issues identified in the application makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1.

The Commission finds that the purpose of the petition is to seek Commission approval of the guarantee by Interstate Telephone Company, Inc. ("Interstate"), Knology of Georgia, Inc. ("Knology-Georgia") and Globe Telecommunications, Inc. ("Globe"), collectively ("Petitioners") associated with debt refinancing by the parent Knology, Inc. ("Parent" "Borrower"). The Credit Facility being entered into by the Parent consists of: 1) a five-year First Lien Revolving Credit Facility, 2) a five-year First Lien Term Loan and 3) a six-year Second Lien Term Loan, totaling $308,958,333. The lenders consist of a syndicate of banks, financial institutions and other institutional lenders (collectively, the "Lenders"), with the Administrative Agent representing the syndicate being Credit Suisse First Boston ("CSFB").

2.

The Commission further finds that the proceeds from the Credit Facilities are expected to be used to:

- Refinance an existing $15,000,000 Wachovia Credit Facility, dated October 22, 2002
- Refinance an existing $32,000,000 Co-Bank Facility, evidenced by a master loan agreement dated as of June 6, 2002
- Refinance Parent's existing $237,000,000, 12% Senior Notes
- Provide liquidity in the form of a $25,000,000 Revolving Credit Facility

3.

The Commission further finds that Interstate is a local exchange telephone company certificated by the Georgia Public Service Commission ("GPSC") to provide telecommunications service in the West Point area of West Georgia and Eastern Alabama. The Commission further finds that Knology-Georgia is a Competitive Local Exchange Carrier through facilities-based networks in Augusta and Columbus, Georgia and Globe is a Competitive Local Exchange Carrier, AOS provider and Reseller of telecommunications service in the Newnan, Georgia area. The Petitioners are alternatively regulated telecommunications providers. Interstate serves approximately 12,200 access lines, Knology-Georgia serves just over 37,500 customers and Globe provides service to approximately 4,000 customers. As a result of growth in their respective service areas, the Petitioners are experiencing accelerated growth in the demand for additional access lines as well as the demand for more contemporary and sophisticated telecommunications services. This accelerated demand has necessitated substantial capital investments in plant and facilities by the Parent and the Petitioners.

4.

The Commission further finds that the Borrowers, along with Guarantees by the eighteen subsidiaries, other than the Petitioners, have received approval of this loan request from the Lenders. This loan is being affected through Credit Facilities, as described above, in the aggregate amount of $308,958,333 to be secured by the assets of the Borrower and its subsidiaries, including the Petitioners. The interest rate will be determined at the time of each transaction

at quite competitive rates as indicated in the Petitioner's Trade Secrets filing with this Commission.

5.

The Commission further finds that the Petitioners have requested a waiver of a formal hearing in this matter.

CONCLUSIONS OF LAW

The Commission concludes that it has jurisdiction over this matter pursuant to O.C.G.A Section 46-2-28. The Commission also concludes that the proposed financing is reasonable and falls within the spirit and intent of the above Code Section. In addition, the Commission concludes that the authority requested by the Petitioners is for lawful corporate purposes and should be granted.

The Commission, in acting upon this request is making no judgement or decision upon the propriety, necessity, or reasonableness of any associated capital expenditures. The action taken by the Commission does not address issues relating to whether the loan may be included in the Companies' capital structures in computing future revenue requirements or whether the investments made with the proceeds of such loan may be included in rate base. These and other like issues are not being addressed in this proceeding and have no effect upon the Commission's ability to address these issues in any later proceeding.

WHEREFORE, it is

ORDERED, that for the purposes set forth in the application and in this Order, Interstate Telephone Company, Knology of Georgia, Inc, and Globe Telecommunications, Inc. are hereby authorized to guarantee, along with all other Knology, Inc. Subsidiaries, the Credit Facility in favor of the Lenders thereto and their successors being entered into by the Parent with the syndicate represented by Credit Suisse First Boston, through secured Credit Facilities totaling $308,958,333, including, without limitation, the execution, delivery and performance of the Guaranty and the Pledge and Security Agreement and the creation and perfection of the liens on the collateral owned by them in favor of the Lenders and their successors. The interest rates will be fixed for each Term Loan and the Revolving Credit Facility and at a competitive rate at the time of each transaction, and it is

ORDERED FURTHER that the consummation of all transactions undertaken, and the execution of all related documents, in Connection with the foregoing by the Petitioners is hereby approved, and it is

ORDERED FURTHER that for the purpose of facilitating the loan process and avoiding additional interim financing, a formal hearing in this matter has been waived by the Commission, and it is

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such Order or Orders, as this Commission may deem just and proper, and it is

ORDERED FURTHER, that the books and records of Interstate Telephone Company, Knology of Georgia, Inc. and Globe Telecommunications, Inc. and the parent company, Knology, Inc. will be open to the Staff of the Georgia Public Service Commission and/or its representatives, and it is

ORDERED FURTHER, that this approval in no way assumes future regulatory approval by this Commission of any rate or tariff matter concerning the regulated local exchange telephone company, and it is

ORDERED FURTHER, that the authority granted herein is contingent upon the approval of any other regulatory body having jurisdiction over said matter; and it is

ORDERED FURTHER, that a motion for reconsideration, rehearing or oral argument or any other motion shall not stay the effectiveness of this Order unless expressly so Ordered by the Commission.

The above by action of the Commission in Administrative Session on July 19, 2005.

Reece McAlister
Executive Secretary

7-21-05
DATE

Angela Elizabeth Speir
Chairman

7/22/05
DATE

VERIFICATION

STATE OF GEORGIA)
COUNTY OF TROUP)

I, Felix L. Boccucci, Jr., being duly sworn, deposes and states as follows:

1. I am the Vice President of Knology of Tennessee.

2. I have reviewed the foregoing Petition and the documents filed therewith, and the contents thereof are true and correct to the best of my knowledge, information and belief.

3. Knology of Tennessee will comply with all applicable laws and Tennessee Regulatory Authority rules and regulations.

KNOLOGY OF TENNESSEE, INC.

By: _____ Jr.
Its: Vice President

Sworn to and subscribed before me this
2nd day of August, 2005.

_____
Notary Public

VERIFICATION

STATE OF GEORGIA)
COUNTY OF TROUP)

I, Felix L. Boccucci, Jr. being duly sworn, deposes and states as follows:

1. I am the Vice President of Knology Inc.

2. I have reviewed the foregoing Petition and the documents filed therewith, and the contents thereof are true and correct to the best of my knowledge, information and belief.

3. Knology Inc. will comply with all applicable laws and Tennessee Regulatory Authority rules and regulations.

KNOLOGY, INC.

By: _____
Its Vice President

Sworn to and subscribed before me this
2nd day of August, 2005.

_____
Notary Public