NEIL ABERCROMBIE
GOVERNOR

SHAN S. TSUTSUI
LT. GOVERNOR

STATE OF HAWAII
CABLE TELEVISION DIVISION
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
335 MERCHANT STREET
P.O. Box 541
HONOLULU, HAWAII 96809
(808) 586-2620
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KEALI`I S. LOPEZ
DIRECTOR

CATHERINE P. AWAKUNI
CABLE TELEVISION ADMINISTRATOR

VIA EMAIL & U.S. MAIL

September 6, 2013

Brian A. Kang, Esq.
Watanabe Ing LLP
First Hawaiian Center
999 Bishop Street, 23rd Floor
Honolulu, HI 96813

Re: **Application for Renewal of Maui County (Excluding Lahaina) and Lahaina/ West Maui Cable Television Franchises by Oceanic Time Warner Cable LLC**

Dear Mr. Kang:

On August 30, 2013, Oceanic Time Warner Cable LLC ("**Applicant**") submitted a written consolidated application for renewal of its Maui County (Excluding Lahaina) and Lahaina/ West Maui franchises ("**Application**").

The Department of Commerce and Consumer Affairs ("**Department**") requires certain additional information in order to proceed with the processing of the Application under Chapter 440G, Hawaii Revised Statutes. Accordingly, please provide the required information set forth in the attached Department of Commerce and Consumer Affairs Request for Clarification of Application by **12:00 p.m., Wednesday, September 11, 2013**.

As you are aware, the Department may request additional information throughout the application process. Although the Department has not yet accepted the Application for filing, the Department will make a decision once the requested information is received and considered.

Thank you for your cooperation and attention to this matter. If you have any questions, please feel free to call me.

Sincerely,

Catherine P. Awakuni

Catherine P. Awakuni
Cable Television Administrator

c: Keali`i Lopez

APPLICATION FOR RENEWAL OF MAUI COUNTY (EXCLUDING LAHAINA) AND LAHAINA/ WEST MAUI CABLE TELEVISION FRANCHISES BY OCEANIC TIME WARNER CABLE LLC

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS REQUEST FOR CLARIFICATION OF APPLICATION

September 6, 2013

Each question should be answered separately, and copies of source documents should reference the question being answered. The certification provided by Oceanic Time Warner Cable LLC ("**Applicant**" or "**Oceanic**") in the Application concerning the accuracy of the information is also applicable to the Applicant's responses to these questions.

The Applicant shall answer each question fully and completely, and to the extent the question or any subpart thereof is not applicable, the Applicant should explain why it is not applicable. This is an ongoing request for information. If any of the requested documents are executed or finalized, or updated and amended after the date Applicant submits its response and during the franchise application process, then Applicant shall provide these documents immediately to the Department.

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1. State the length of the new franchise terms requested by Applicant.

2. Refer to IV.A.1 (page 21 of the Application). Section IV.A.1 states as follows:

   Information on the number of shares of each class of stock owned by the officers and directors of [Time Warner Cable Inc. ("**TWC**")], if any, are listed in TWC's SEC Form 10-K (filed 02/15/13), and available at: http://timewarnercable.q4cdn.com/f4c33143-6e5b-4b42-8faa-353fca45b8f2.pdf

   Please specify the page numbers and/or exhibit number where this information is located in TWC's SEC Form 10-K.

3. Refer to IV.A.1 (page 23 of the Application). Applicant does not list any directors for Oceanic Time Warner Cable LLC. Does Oceanic Time Warner Cable LLC have directors? If yes, please identify Oceanic's directors.

4. Refer to IV.A.3.c (page 30 of the Application). State whether Applicant's officers and directors will be responsible for directing Oceanic's operations

or whether Oceanic's corporate parent companies will be responsible for such oversight. Refer to IV.A.5.a (page 31 of the Application). Please specify the page numbers and/or exhibit number where ownership disclosure information is located in TWC's SEC Form 10-K.

5. Refer to IV.C.1 (page 36 and 37 of the Application). Applicant states that Oceanic does not have audited financial statements.

   On April 29, 2013, Applicant submitted Financial Statements (unaudited) for its Oceanic Time Warner Cable Maui and Lahaina franchises for the year ended December 31, 2012 and the Independent Accountants' Review Report to the Department of Commerce and Consumer Affairs. Copies of these financial statements are attached to these IRs as Exhibits 1 and 2.

   For each franchise, confirm that there have been no significant changes in Applicant's liabilities, net assets, revenues and expenses, obligations to its parent company, and statements of cash flows since the last reviewed financial statement.

6. Refer to IV.H (page 49 of the Application). State Applicant's proposed plans and schedule for access operating funding and capital funding for facilities and include the following:

   a. The amount Applicant proposes for the annual access operating fee payments to the Director or the Director's designee for PEG access purposes. If this proposed payment is based on a percentage of revenue, explain how the percentage will be calculated; and

   b. The amount Applicant proposes for the annual capital fund payments to the Director or the Director's designee for PEG access purposes. Explain how Applicant proposes to calculate this amount.

7. State Applicant's proposed plans and schedule of expenditures for and in support of the Hawaii Public Television Foundation, dba PBS Hawai'i.

8. State the specific reasons for Applicant's request to consolidate the Maui and Lahaina franchise systems and provide response to the following:

   a. Are the two franchise systems currently connected physically? If no, then describe how the systems will be connected. When does Applicant intend to initiate consolidation of the two systems?

b. Does Applicant foresee any problems or difficulties in the consolidation of the two franchise systems? If so, please identify and explain any problems or difficulties.

c. If the two franchise systems are consolidated, what will change?

d. Are the channel numbers the same for the two franchise systems? After consolidation, will there be any changes to channel numbers.

e. Describe the specific benefits to cable subscribers as a result of the consolidation of the two franchise areas?

f. Identify any costs for connecting the franchise areas.

Exhibit 1

Financial Statements (Unaudited)
Oceanic Time Warner Cable (Maui)
Year Ended December 31, 2012
With Independent Accountants' Review Report

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

2013 APR 29 P 1:36

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Financial Statements (Unaudited)

Oceanic Time Warner Cable (Maui)
Year Ended December 31, 2012
With Independent Accountants' Review Report

Ernst & Young LLP

Ernst & Young

Oceanic Time Warner Cable
(Maui)

Financial Statements
(Unaudited)

Year Ended December 31, 2012

Contents

1304-1069539

Ernst & Young LLP
5 Times Square
New York, NY 10036-6530
Tel: +1 212 773 3000
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Independent Accountants' Review Report

The Partners
Time Warner Cable Enterprises LLC

We have reviewed the accompanying balance sheet of Oceanic Time Warner Cable (Maui) (the Division), a division of Time Warner Cable Enterprises LLC, as of December 31, 2012, and the related statements of income and cash flows for the year then ended. A review includes primarily applying analytical procedures to Division management's financial data and making inquiries of Division management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Division management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

April 24, 2013

Oceanic Time Warner Cable
(Maui)

Balance Sheet
(Unaudited)

December 31, 2012
(in thousands)

Assets		
Current assets:		
Cash and equivalents, including restricted cash	$	1,363
Accounts receivable, net of allowances of $150		189
Prepaid expenses		69
Total current assets		1,621
Property, plant and equipment, net		37,160
Intangible assets subject to amortization, net		15
Intangible assets not subject to amortization		60,770
Total assets	$	99,566
Liabilities and members' capital		
Current liabilities:		
Accounts payable	$	1,322
Deferred revenue and subscriber-related liabilities		258
Payable to affiliate		61
Other current liabilities		1,806
Total current liabilities		3,447
Other long-term liabilities		82
Total liabilities		3,529
Members' capital		96,037
Total liabilities and members' capital	$	99,566

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Maui)

Statement of Income
(Unaudited)

Year Ended December 31, 2012
(in thousands)

Revenue	$	53,425
Costs and expenses:		
Cost of revenue (a)		17,365
Selling, general and administrative (a)		15,056
Depreciation and amortization		4,825
Total costs and expenses		37,246
Operating income		16,179
Interest income from Time Warner Cable Enterprises LLC		654
Income before charge equivalent to income taxes		16,833
Charge equivalent to income taxes		(6,478)
Net income		10,355
Members' capital at beginning of year		92,124
Net payments to Time Warner Cable Enterprises LLC		(6,442)
Members' capital at end of year	$	96,037

(a) Cost of revenue and selling, general and administrative expenses exclude depreciation.

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Maui)

Statement of Cash Flows
(Unaudited)

Year Ended December 31, 2012
(in thousands)

Operating activities		
Net income	$	10,355
Adjustments for noncash and nonoperating items:		
Depreciation and amortization		4,825
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses		2
Accounts payable and accrued liabilities, payable to affiliate and other liabilities		(775)
Net cash provided by operating activities		14,407
Investing activities		
Capital expenditures		(7,700)
Net cash used by investing activities		(7,700)
Financing activities		
Net payments to Time Warner Cable Enterprises LLC		(6,442)
Net cash used by financing activities		(6,442)
Increase in cash and equivalents		265
Cash and equivalents at beginning of year		1,098
Cash and equivalents at end of year	$	1,363

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Maui)

Notes to Financial Statements
(Unaudited)

Year Ended December 31, 2012

1. Description of Business and Basis of Presentation

Description of Business

The Maui reporting division (Maui) of Oceanic Time Warner Cable (OTWC) is the operator of a cable television system. Maui operates in the Island of Maui under several nonexclusive franchise agreements that expire in 2013. The franchise agreements require Maui to incur future capital expenditures relating to cable system upgrades and certain other expenses. Franchise agreements are generally renewed or extended upon maturity.

Maui offers video, high-speed data and voice services to residential and business services customers over its broadband cable systems. Maui served approximately 40,000 subscribers as of December 31, 2012. Maui markets its services separately and in "bundled" packages of multiple services and features. Maui also sells advertising to a variety of national, regional and local customers.

Basis of Presentation

Prior to September 30, 2012, OTWC was a 100% owned subsidiary of Time Warner Entertainment Company, L.P. (TWE), which was a 100% owned subsidiary of Time Warner Cable Inc. (TWC). On September 30, 2012, TWC completed an internal reorganization to simplify its organizational structure. As part of this reorganization, TWE merged with and into Time Warner Cable Enterprises LLC (TWCE), a Delaware limited liability company and an indirect 100% owned subsidiary of TWC, with TWCE as the surviving entity. As a result, as of September 30, 2012, OTWC is a 100% owned subsidiary of TWCE.

TWCE is a subsidiary of TWC and Maui has no separate legal status or existence. Maui's resources are under the control of TWCE management, subject to contractual commitments by TWCE to perform certain long-term contracts within the present divisional reporting structure. Maui's assets are legally available for the satisfaction of debts of TWCE and TWC, but not solely those assets appearing in Maui's financial statements, and Maui's debts may result in claims against assets not appearing in Maui's financial statements.

1. Description of Business and Basis of Presentation (continued)

Basis of Presentation (continued)

TWC and TWCE allocate certain costs to Maui (see Note 6). Management believes such allocations have been made on a reasonable basis. Accounts and transactions between Maui and its affiliates are disclosed as related party transactions. Such allocations could result in operating results or financial position of the reporting entity that are significantly different from those that could be obtained if the entity dealt exclusively with independent parties.

OTWC is comprised of six reporting divisions representing each of the islands within the state of Hawaii. OTWC allocates cash and equivalents, accounts receivable, accounts payable and accrued liabilities to Maui based on Maui's subscribers as compared to total OTWC subscribers as of December 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the financial statements include accounting for allowances for doubtful accounts, depreciation and amortization, pension benefits, income taxes, contingencies, certain programming arrangements and asset impairments. Allocation methodologies used to prepare the financial statements are based on estimates and have been described in the notes, where appropriate.

2. Recent Accounting Standards

Accounting Standards Adopted in 2012

Fair Value Measurements and Related Disclosures

In May 2011, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance that provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards. Additional disclosure requirements under this guidance include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. This guidance became effective for Maui on January 1, 2012 and did not have a material impact on Maui's financial statements.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued authoritative guidance that allows companies the option to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary. Under this guidance, an entity is required to perform a quantitative impairment test if qualitative factors indicate that it is more likely than not that indefinite-lived intangible assets are impaired. The qualitative factors are similar to the guidance established for goodwill impairment testing and include identifying and assessing events and circumstances that would most significantly impact, individually or in the aggregate, the carrying value of the indefinite-lived intangible assets. TWC elected to early adopt this guidance, which became effective for TWC's indefinite-lived intangible asset impairment tests performed as of July 1, 2012 and did not have a material impact on Maui's financial statements. Refer to Note 4 for further details regarding the result of TWC's annual impairment testing.

3. Summary of Significant Accounting Policies

Cash and Equivalents

Cash and equivalents include money market funds, overnight deposits and other investments that are readily convertible into cash and have original maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value.

Restricted cash represents funds collected from subscribers that are owed to the Hawaii Public Television Foundation and State I-Net. The related obligation is included in accounts payable and accrued liabilities in the balance sheet. Restricted cash was $276,000 as of December 31, 2012.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Maui maintains an allowance for doubtful accounts, which is determined after considering past collection experience, aging of accounts receivable, general economic factors and other considerations.

Long-lived Assets

Maui's long-lived assets consist primarily of property, plant and equipment and finite-lived intangible assets (e.g., cable franchise renewals and access rights). Property, plant and equipment are stated at cost and depreciation on these assets is provided using the straight-line method over their estimated useful lives. Acquired customer relationships are capitalized and amortized over their estimated useful lives and costs to negotiate and renew cable franchise rights are capitalized and amortized over the term of the new franchise agreement.

Maui incurs expenditures associated with the construction of its cable systems. Costs associated with the construction of transmission and distribution facilities are capitalized. With respect to customer premise equipment, which includes set-top boxes and high-speed data and telephone modems, Maui capitalizes installation costs only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects of previously installed customer premise equipment are expensed as incurred. Maui uses standard capitalization rates to capitalize

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

installation activities. Significant judgment is involved in the development of these capitalization standards, including the average time required to perform an installation and the determination of the nature and amount of indirect costs to be capitalized. The capitalization standards are reviewed at least annually and adjusted, if necessary, based on comparisons to actual costs incurred. Maui generally capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Capitalized costs include direct material, labor and overhead, as well as interest. Sales and marketing costs, as well as the costs of repairing or maintaining existing fixed assets, are expensed as incurred.

Maui capitalizes certain costs incurred for the development of internal use software, in accordance with GAAP. These costs, which include costs associated with coding, software configuration, upgrades and major enhancements, are included in property, plant and equipment as reported in the balance sheet. Such costs are depreciated on a straight-line basis over 3 to 5 years. These costs, net of accumulated depreciation, totaled $13,000 as of December 31, 2012. Depreciation of capitalized software costs was $12,000 for the year ended December 31, 2012.

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

As of December 31, 2012 Maui's property, plant and equipment and related accumulated depreciation included the following (in thousands):

		Estimated Useful Lives (in Years)
Land, buildings, and improvements (a)	$ 810	10–20
Leasehold improvements	2,695	10
Distribution systems	70,155	3–25
Vehicles and equipment	3,168	3–11
Construction in progress, investments and asset clearing	677	
Property, plant and equipment, gross	77,505	
Accumulated depreciation	(40,345)	
Property and equipment, net	$ 37,160	

(a) Land is not depreciated.

Long-lived assets (e.g., property, plant and equipment and finite-lived intangible assets) do not require an annual impairment test; instead, long-lived assets are tested for impairment upon the occurrence of a triggering event. Triggering events include the more likely than not disposal of a portion of such assets or the occurrence of an adverse change in the market involving the business employing the related assets. Once a triggering event has occurred, the impairment test is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, the impairment test first requires a comparison of estimated undiscounted future cash flows generated by the asset group against the carrying value of the asset group. If the carrying value of the asset group exceeds the estimated undiscounted future cash flows, the asset would be deemed to be impaired. The impairment charge would then be measured as the difference between the estimated fair value of the asset and its carrying value. Fair value is generally determined by discounting the future cash flows associated with that

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

asset. If the intent is to hold the asset for sale and certain other criteria are met (e.g., the asset can be disposed of currently, appropriate levels of authority have approved the sale, and there is an active program to locate a buyer), the impairment test involves comparing the asset's carrying value to its estimated fair value. To the extent the carrying value is greater than the asset's estimated fair value, an impairment charge is recognized for the difference. Significant judgments in this area involve determining whether a triggering event has occurred, determining the future cash flows for the assets involved and selecting the appropriate discount rate to be applied in determining estimated fair value.

Indefinite-lived Intangible Assets

Maui's indefinite-lived intangible assets consist of cable franchise rights that were acquired in an acquisition of a business. In accordance with GAAP, Maui does not amortize cable franchise rights. At least annually, TWC performs separate tests to determine if its indefinite-lived intangible assets (primarily cable franchise rights) were impaired. Under the accounting rules, TWC can elect to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If an impairment is more likely than not to have occurred, then a quantitative assessment is required, which may or may not result in an impairment charge. The determination of whether an impairment is more likely than not to have occurred requires significant judgment regarding potential changes in valuation inputs and includes a review of TWC's most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions. Refer to Note 4 for further details.

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs

Revenue is principally derived from residential services, business services, advertising and other services.

Residential services revenue consists of (i) video revenue, including residential subscriber fees for Maui's various tiers or packages of video programming services, related equipment rental and installation charges, fees collected on behalf of governmental authorities, as well as revenue from premium networks, transactional video-on-demand and digital video recorder service; (ii) high-speed data revenue, including residential subscriber fees for Maui's high-speed data services and related equipment rental and installation charges and (iii) voice revenue, including residential subscriber fees for Maui's voice services and related installation charges and fees collected on behalf of governmental authorities and other residential subscriber-related fees.

Business services revenue consists of (i) video revenue, including the same fee categories received from business video subscribers as described above under residential video revenue; (ii) high-speed data revenue, including business subscriber fees for Maui's high-speed data services and related installation charges, as well as amounts generated by the sale of commercial networking and point-to-point transport services; (iii) voice revenue, including business subscriber fees for Maui's voice services and related installation charges and fees collected on behalf of governmental authorities; (iv) wholesale transport revenue, including amounts generated by the sale of point-to-point transport services offered to wireless telephone providers (i.e., cell tower backhaul) and other carriers and (v) other revenue primarily consisting of other business subscriber-related fees.

Residential and business services subscriber fees are recorded as revenue in the period during which the service is provided. Residential and business services revenue received from subscribers who purchase bundled services at a discounted rate is allocated to each product in a pro-rata manner based on the individual product's selling price (generally, the price at which the product is regularly sold on a standalone basis). Installation revenue obtained from subscriber service connections is recognized as a component of residential and business services revenue when the connections are completed, as installation revenue recognized is less than the related direct selling costs.

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs (continued)

Maui has outsourced to TWC its cost of providing video, high-speed data and voice services to its customers. TWC records its video programming, high-speed data connectivity and voice network costs as the services are provided. Video programming costs are recorded based on TWC's contractual agreements with its programming vendors. These contracts are generally multi-year agreements that provide for TWC to make payments to the programming vendors at agreed upon rates based on the number of subscribers to which Maui provides the programming service. If a programming contract expires prior to the parties' entry into a new agreement and Maui continues to distribute the service, TWC estimates the programming costs during contract negotiations. In doing so, TWC considers the previous contractual rates, inflation and the status of the negotiations in determining its estimates. When the programming contract terms are finalized, an adjustment to programming expense is recorded, if necessary, to reflect the terms of purchased from the same programming vendor. In these scenarios, the total consideration provided to the programming vendor is allocated to the various services received based upon their respective estimated fair values. Because multiple services from the same programming vendor may be received over different contractual periods and may have different contractual rates, the allocation of consideration to the individual services may have an impact on the timing of Maui's expense recognition. Amounts allocated from TWC represent the direct costs incurred on behalf of Maui for these services.

Launch fees received by TWC from programming vendors are recognized as a reduction of expense on a straight-line basis over the term of the related programming arrangement. Amounts received from programming vendors representing the reimbursement of marketing costs are recognized as a reduction of marketing expense as the marketing services are provided.

Maui has outsourced the sale of its advertising to TWC. TWC allocates advertising revenue to Oahu based on the advertising placements made within the Honolulu designated marketing area. Advertising costs are expensed upon the first exhibition of related advertisements. These costs are recorded predominantly in Oahu and are not being allocated to the other reporting divisions in Hawaii. Management believes these allocations have been made on a reasonable basis. Amounts received from programming vendors representing the reimbursement of advertising or

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs (continued)

certain other marketing costs are recognized as a reduction of marketing expense in the period such reimbursement is received. Marketing expense, net of reimbursements from any programmers, was $252,000 for the year ended December 31, 2012.

Beginning in the fourth quarter of 2012, advertising revenue also includes revenue derived from advertising sold on TWC's Regional Sports Network (the "RSN") launched on October 1, 2012 that carries University of Hawaii sports programming and other sports programming. Also beginning in the fourth quarter of 2012, cost of revenue also includes costs directly associated with the RSN, including programming license and contract rights and other production costs.

Gross Versus Net Revenue Recognition

In the normal course of business, Maui acts as or uses an intermediary or agent in executing transactions with third parties. The accounting issue presented by these arrangements is whether Maui should report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties. To the extent revenue is recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenue less expense) is reflected in operating income. Accordingly, the impact on operating income is the same whether Maui records revenue on a gross or net basis.

For example, Maui is assessed franchise fees by franchising authorities, which are passed on to the customer. The accounting issue presented by these arrangements is whether Maui should report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchising authorities. Maui has determined that these amounts should be reported on a gross basis.

3. Summary of Significant Accounting Policies (continued)

Gross Versus Net Revenue Recognition (continued)

Maui's policy is that, in instances where the fees are being assessed directly to Maui, amounts paid to the governmental authorities and amounts received from the customers are recorded on a gross basis. That is, amounts paid to the governmental authorities are recorded as costs of revenue and amounts received from the customer are recorded as revenue. The amount of such fees recorded on a gross basis related to video and voice services was $1,498,000 for the year ended December 31, 2012.

Deferred Revenue

Deferred revenue consists primarily of subscriber advance payments. Deferred revenue also includes advance payments related to advertising agreements with certain programmers.

Concentration of Credit Risk

A significant portion of the customer base is concentrated within the local geographical area of the cable system. Maui generally extends credit to its customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. Management does not believe that there is any significant credit risk which could have a material effect on the financial condition of Maui.

Accounting for Pension Plans

Maui employees participate in two defined benefit pension plans of which one is sponsored by TWC. Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Net periodic pension benefits costs recognized by Maui includes costs associated with Maui's participating employees only and is determined by using certain assumptions, including the expected long-term rate of return on plan assets, the interest factor implied by the discount rate and the expected rate of compensation increases. Refer to Note 5 for further details regarding the determination of these assumptions.

3. Summary of Significant Accounting Policies (continued)

Income Taxes

Maui is not subject to federal or state income tax. Any income or loss for tax purposes is included in the consolidated tax returns of TWC. However, as a matter of policy, TWCE has elected to allocate to Maui a charge equivalent to income taxes based upon Maui's income before charge equivalent to income taxes at TWC's 2012 effective tax rate, but no deferred tax assets or liabilities have been allocated to Maui.

Legal Contingencies

Maui is subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. Maui records an estimated liability for those proceedings and claims arising in the ordinary course of business when the loss from such proceedings and claims becomes probable and reasonably estimable. Maui reviews outstanding claims with internal and external counsel to assess the probability and the estimates of loss, including the possible range of an estimated loss. Maui reassesses the risk of loss as new information becomes available and adjusts liabilities as appropriate. The actual cost of resolving a claim may be substantially different from the amount of the liability recorded. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on Maui's financial position but could possibly be material to Maui's results of operations or cash flow for any one period. Refer to Note 7 for further details.

Subsequent Events

Maui has considered subsequent events through April 30, 2013, the date the financial statements were available for issuance, in preparing the financial statements and notes thereto.

4. Intangible Assets

As of December 31, 2012, Maui's intangible assets and related accumulated amortization consisted of the following (in thousands):

	Gross	Accumulated Amortization	Net
Intangible assets subject to amortization:			
Cable franchise renewals and access rights	$ 181	$ (166)	$ 15
Intangible assets not subject to amortization:			
Cable franchise rights	$ 68,751	$ (7,981)	$ 60,770

Amortization expense for the year ended December 31, 2012, was $17,000. Based on the remaining carrying value of intangible assets subject to amortization as of December 31, 2012, the amortization expense for future periods is as follows (in thousands):

Year Ended December 31:	
2013	$ 15
Total	$ 15

Annual Impairment Analysis

As of TWC's July 1, 2012 annual testing date and based on its qualitative assessment, TWC determined that it was not more likely than not that its cable franchise rights were impaired and, therefore, TWC did not perform a quantitative assessment as part of its annual impairment testing. In making that determination, management identified and analyzed qualitative factors, including factors that would most significantly impact a discounted cash flow valuation of the fair values of the cable franchise rights and the fair value of TWC's reporting units. This process included a review of TWC's most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions.

5. Employee Benefit Plans

Pension Plans

Maui employees participate in two defined benefit pension plans (i) the Time Warner Cable Pension Plan (the TWC Pension Plan) sponsored by TWC and (ii) the CATV/IBEW Pension Fund, a multi-employer pension plan (the MEP and, together with the TWC Pension Plan, the Pension Plans). The Pension Plans provide pension benefits to substantially all of Maui's employees. Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Net periodic benefit costs for the TWC Pension Plan totaled $135,000 for the year ended December 31, 2012.

The MEP is administered by the CATV/International Brotherhood of Electrical Workers Pension Trust and plan assets are held in a defined benefit multi-employer pension trust. Contributions to the MEP are intended to fund all accrued benefits. Because contributions to the MEP are commingled with other employer contributions, plan information pertaining to Maui's participating employees is not readily available. Net periodic benefit costs for the MEP totaled $262,000 for the year ended December 31, 2012.

Maui is not required to report pension obligations beyond the contributions currently due and unpaid to the Pension Plans, in accordance with accounting guidance. The Pension Plans require Maui to contribute the net periodic benefit costs applicable to employees of Maui participating in the plans.

Defined Contribution Plan

Maui also participates in a defined contribution plan sponsored by TWC, (the TWC Savings Plan), for which the expense for Maui's employer matching contributions totaled $87,000 for the year ended December 31, 2012. Maui's contribution to the TWC Savings Plan is primarily based on a percentage of the employees' elected contributions and is subject to plan provisions.

6. Related-Party Transactions

In the normal course of conducting its business, Maui has various transactions with TWC and TWC's consolidated subsidiaries, equity-method investees and affiliates. Cumulative net payments to TWCE that are included in member's capital represents a revolving credit facility. TWCE borrows the excess cash flow generated by Maui, and Maui incurs a liability for cash outlays made by TWCE on its behalf. Amounts borrowed and advanced by Maui are subject to repayment and bear interest at the prime rate. The average effective interest rate for the year ended December 31, 2012, was 3.25%. Interest income from these cumulative net payments was $654,000 for the year ended December 31, 2012. A portion of cost of revenue and selling, general and administrative expenses incurred by TWCE on behalf of Maui is allocated by TWC to Maui. The allocation of cost of revenue and selling, general, and administrative expenses is based upon Maui's revenue compared to TWCE's total revenue. Cost of revenue and selling, general and administrative expenses allocated to Maui totaled $3,322,000 for the year ended December 31, 2012.

Maui outsources its programming arrangements to TWC. Programming costs allocated to Maui totaled $12,781,000 for the year ended December 31, 2012, which includes $342,000 of charges allocated from TWC for programming transactions with iNDemand L.L.C., NGN Hotel Channels, and MLB Network, LLC, equity-method investees of TWC. Total amounts due to TWC related to these arrangements were $61,000 as of December 31, 2012.

TWC enters into long-term programming arrangements on behalf of Maui, a portion of which will be allocated to Maui based on its subscribers. These contracts may include future commitments to purchase programming services that will be allocated to Maui based on its actual number of subscribers and contractual rates as incurred. Maui purchases high-speed data services for its subscribers from TWC. The costs are charged by TWC to Maui based on the number of subscribers receiving high-speed data services. Maui incurred costs of $616,000 related to this arrangement for the year ended December 31, 2012.

Maui also purchases voice services for its subscribers from TWC. The costs are charged by TWC to Maui based on the number of subscribers receiving these services and the usage of these services. Maui incurred costs of $765,000 related to this arrangement for the year ended December 31, 2012.

7. Commitments and Contingencies

Rental expense under operating leases, primarily related to office rent, equipment rent, and pole attachments, was $307,000 for the year ended December 31, 2012. Future minimum rental commitments as of December 31, 2012, under non-cancelable operating leases are as follows (in thousands):

Year Ended December 31:		
2013	$	76
2014		76
2015		77
2016		40
2017		17
Thereafter		28
Total	$	314

Time Warner Cable Maui's franchise agreement requires it to contribute capital for Public, Educational, and Governmental (PEG) access studio and other equipment to the State of Hawaii's designated PEG access organization. Annual payments required by the franchise agreement are calculated at $3.00 per cable television subscriber in the Maui County cable franchise as of December 31st of the prior year. The payment made for the year ended December 31, 2012 was $120,000. These contribution amounts are determined per the franchise agreement. It is anticipated that future contributions will be made but amounts cannot be determined at this time.

Maui is subject to various legal proceedings that arise in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of these matters, it is management's opinion that the resolution of these matters will not have a material adverse affect on the financial condition or results of operations of Maui.

Oceanic Time Warner Cable
(Maui)

Notes to Financial Statements (continued)
(Unaudited)

8. Additional Financial Information

Other Current Liabilities

Other current liabilities as of December 31, 2012, consisted of (in thousands):

Accrued franchise fees	$	556
Accrued compensation and benefits		353
Accrued sales and other taxes		409
Other accrued expenses		488
Total other current liabilities	$	1,806

Revenue

Revenue for the year ended December 31, 2012, consisted of (in thousands):

Residential services	$	45,081
Business services		3,269
Advertising		542
Other		4,533
Total revenue	$	53,425

Exhibit 2

Financial Statements (Unaudited)
Oceanic Time Warner Cable (Lahaina)
Year Ended December 31, 2012
With Independent Accountants' Review Report

CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

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Financial Statements (Unaudited)

Oceanic Time Warner Cable (Lahaina)
Year Ended December 31, 2012
With Independent Accountants' Review Report

Ernst & Young LLP

ERNST & YOUNG

Oceanic Time Warner Cable
(Lahaina)

Financial Statements
(Unaudited)

Year Ended December 31, 2012

Contents

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Independent Accountants' Review Report

The Partners
Time Warner Cable Enterprises LLC

We have reviewed the accompanying balance sheet of Oceanic Time Warner Cable (Lahaina) (the Division), a division of Time Warner Cable Enterprises LLC, as of December 31, 2012, and the related statements of income and cash flows for the year then ended. A review includes primarily applying analytical procedures to Division management's financial data and making inquiries of Division management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Division management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

April 24, 2013

Oceanic Time Warner Cable
(Lahaina)

Balance Sheet
(Unaudited)

December 31, 2012
(in thousands)

Assets		
Current assets:		
Cash and equivalents, including restricted cash	$	410
Accounts receivable, net of allowances of $48		123
Prepaid expenses		16
Total current assets		549
Property, plant and equipment, net		1,430
Intangible assets subject to amortization, net		16
Intangible assets not subject to amortization		17,199
Total assets	$	19,194
Liabilities and members' capital		
Current liabilities:		
Accounts payable	$	121
Deferred revenue and subscriber-related liabilities		52
Payable to affiliate		38
Other current liabilities		559
Total current liabilities		770
Other long term liabilities		25
Total liabilities		795
Members' capital		18,399
Total liabilities and members' capital	$	19,194

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Lahaina)

Statement of Income
(Unaudited)

Year Ended December 31, 2012
(in thousands)

Revenue	$	15,161
Costs and expenses:		
Cost of revenue (a)		5,040
Selling, general and administrative (a)		3,548
Depreciation and amortization		422
Total costs and expenses		9,010
Operating income		6,151
Interest income from Time Warner Cable Enterprises LLC		442
Income before charge equivalent to income taxes		6,593
Charge equivalent to income taxes		(2,537)
Net income		4,056
Members' capital at beginning of year		18,056
Net payments to Time Warner Cable Enterprises LLC		(3,713)
Members' capital at end of year	$	18,399

(a) Cost of revenue and selling, general and administrative expenses exclude depreciation.

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Lahaina)

Statement of Cash Flows
(Unaudited)

Year Ended December 31, 2012
(in thousands)

Operating activities		
Net income	$	4,056
Adjustments for noncash and nonoperating items:		
Depreciation and amortization		422
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses		(47)
Accounts payable and accrued liabilities, payable to affiliate and other liabilities		(213)
Net cash provided by operating activities		4,218
Investing activities		
Capital expenditures		(428)
Net cash used by investing activities		(428)
Financing activities		
Net payments to Time Warner Cable Enterprises LLC		(3,713)
Net cash used by financing activities		(3,713)
Increase in cash and equivalents		77
Cash and equivalents at beginning of year		333
Cash and equivalents at end of year	$	410

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Lahaina)

Notes to Financial Statements
(Unaudited)

Year Ended December 31, 2012

1. Description of Business and Basis of Presentation

Description of Business

The Lahaina reporting division (Lahaina) of Oceanic Time Warner Cable (OTWC) is the operator of a cable television system. Lahaina operates on the west side of Maui under several nonexclusive franchise agreements which expire in 2013. The franchise agreements require Lahaina to incur future capital expenditures relating to cable system upgrades and certain other expenses. Franchise agreements are generally renewed or extended upon maturity.

Lahaina offers video, high-speed data and voice services to residential and business services customers over its broadband cable systems. Lahaina served approximately 13,000 subscribers as of December 31, 2012. Lahaina markets its services separately and in "bundled" packages of multiple services and features. Lahaina also sells advertising to a variety of national, regional and local customers.

Basis of Presentation

Prior to September 30, 2012, OTWC was a 100% owned subsidiary of Time Warner Entertainment Company, L.P. (TWE), which was a 100% owned subsidiary of Time Warner Cable Inc. (TWC). On September 30, 2012, TWC completed an internal reorganization to simplify its organizational structure. As part of this reorganization, TWE merged with and into Time Warner Cable Enterprises LLC (TWCE), a Delaware limited liability company and an indirect 100% owned subsidiary of TWC, with TWCE as the surviving entity. As a result, as of September 30, 2012, OTWC is a 100% owned subsidiary of TWCE.

TWCE is a subsidiary of TWC and Lahaina has no separate legal status or existence. Lahaina's resources are under the control of TWCE management, subject to contractual commitments by TWCE to perform certain long-term contracts within the present divisional reporting structure. Lahaina's assets are legally available for the satisfaction of debts of TWCE and TWC, but not solely those assets appearing in Lahaina's financial statements, and Lahaina's debts may result in claims against assets not appearing in Lahaina's financial statements.

1. Description of Business and Basis of Presentation (continued)

Basis of Presentation (continued)

TWC and TWCE allocate certain costs to Lahaina (see Note 6). Management believes such allocations have been made on a reasonable basis. Accounts and transactions between Lahaina and its affiliates are disclosed as related party transactions. Such allocations could result in operating results or financial position of the reporting entity that are significantly different from those that could be obtained if the entity dealt exclusively with independent parties.

OTWC is comprised of six reporting divisions representing each of the islands within the state of Hawaii. OTWC allocates cash and equivalents, accounts receivable, accounts payable and accrued liabilities to Lahaina based on Lahaina's subscribers as compared to total OTWC subscribers as of December 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the financial statements include accounting for allowances for doubtful accounts, depreciation and amortization, pension benefits, income taxes, contingencies, certain programming arrangements and asset impairments. Allocation methodologies used to prepare the financial statements are based on estimates and have been described in the notes, where appropriate.

2. Recent Accounting Standards

Accounting Standards Adopted in 2012

Fair Value Measurements and Related Disclosures

In May 2011, the Financial Accounting Standards Board (the FASB) issued authoritative guidance that provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards. Additional disclosure requirements under this guidance include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. This guidance became effective for Lahaina on January 1, 2012 and did not have a material impact on Lahaina's financial statements.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued authoritative guidance that allows companies the option to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary. Under this guidance, an entity is required to perform a quantitative impairment test if qualitative factors indicate that it is more likely than not that indefinite-lived intangible assets are impaired. The qualitative factors are similar to the guidance established for goodwill impairment testing and include identifying and assessing events and circumstances that would most significantly impact, individually or in the aggregate, the carrying value of the indefinite-lived intangible assets. TWC elected to early adopt this guidance, which became effective for TWC's indefinite-lived intangible asset impairment tests performed as of July 1, 2012 and did not have a material impact on Lahaina's financial statements. Refer to Note 4 for further details regarding the result of TWC's annual impairment testing.

3. Summary of Significant Accounting Policies

Cash and Equivalents

Cash and equivalents include money market funds, overnight deposits and other investments that are readily convertible into cash and have original maturities of three months or less. Cash equivalents are carried at cost, which approximates fair value.

Restricted cash represents funds collected from subscribers that are owed to the Hawaii Public Television Foundation and State I-Net. The related obligation is included in accounts payable and accrued liabilities in the balance sheet. Restricted cash was $68,000 as of December 31, 2012.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Lahaina maintains an allowance for doubtful accounts, which is determined after considering past collection experience, aging of accounts receivable, general economic factors and other considerations.

Long-lived Assets

Lahaina's long-lived assets consist primarily of property, plant and equipment and finite-lived intangible assets (e.g., cable franchise renewals and access rights). Property, plant and equipment are stated at cost and depreciation on these assets is provided using the straight-line method over their estimated useful lives. Acquired customer relationships are capitalized and amortized over their estimated useful lives and costs to negotiate and renew cable franchise rights are capitalized and amortized over the term of the new franchise agreement.

Lahaina incurs expenditures associated with the construction of its cable systems. Costs associated with the construction of transmission and distribution facilities are capitalized. With respect to customer premise equipment, which includes set-top boxes and high-speed data and telephone modems, Lahaina capitalizes installation costs only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects of previously installed customer premise equipment are expensed as incurred. Lahaina uses standard capitalization rates

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

to capitalize installation activities. Significant judgment is involved in the development of these capitalization standards, including the average time required to perform an installation and the determination of the nature and amount of indirect costs to be capitalized. The capitalization standards are reviewed at least annually and adjusted, if necessary, based on comparisons to actual costs incurred. Lahaina generally capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Capitalized costs include direct material, labor and overhead, as well as interest. Sales and marketing costs, as well as the costs of repairing or maintaining existing fixed assets, are expensed as incurred.

Lahaina capitalizes certain costs incurred for the development of internal use software, in accordance with GAAP. These costs, which include costs associated with coding, software configuration, upgrades and major enhancements, are included in property, plant and equipment as reported in the balance sheet. Such costs are depreciated on a straight-line basis over 3 to 5 years. These costs, net of accumulated depreciation, totaled $1,000 as of December 31, 2012. Depreciation of capitalized software costs was $1,000 for the year ended December 31, 2012.

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

As of December 31, 2012 Lahaina's property, plant and equipment and related accumulated depreciation included the following (in thousands):

			Estimated Useful Lives (in Years)
Leasehold improvements	$	149	10
Distribution systems		8,070	3–25
Vehicles and equipment		224	3–11
Construction in progress, investments and asset clearing		9	
Property, plant and equipment, gross		8,452	
Accumulated depreciation		(7,022)	
Property and equipment, net	$	1,430	

Long-lived assets (e.g., property, plant and equipment and finite-lived intangible assets) do not require an annual impairment test; instead, long-lived assets are tested for impairment upon the occurrence of a triggering event. Triggering events include the more likely than not disposal of a portion of such assets or the occurrence of an adverse change in the market involving the business employing the related assets. Once a triggering event has occurred, the impairment test is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, the impairment test first requires a comparison of estimated undiscounted future cash flows generated by the asset group against the carrying value of the asset group. If the carrying value of the asset group exceeds the estimated undiscounted future cash flows, the asset would be deemed to be impaired. The impairment charge would then be measured as the difference between the estimated fair value of the asset and its carrying value. Fair value is generally determined by discounting the future cash flows associated with that asset. If the intent is to hold the asset for sale and certain other criteria are met (e.g., the asset can be disposed of currently, appropriate levels of authority have approved the sale, and there is an active program to locate a buyer), the impairment test involves comparing the asset's carrying

3. Summary of Significant Accounting Policies (continued)

Long-lived Assets (continued)

value to its estimated fair value. To the extent the carrying value is greater than the asset's estimated fair value, an impairment charge is recognized for the difference. Significant judgments in this area involve determining whether a triggering event has occurred, determining the future cash flows for the assets involved and selecting the appropriate discount rate to be applied in determining estimated fair value.

Indefinite-lived Intangible Assets

Lahaina's indefinite-lived intangible assets consist of cable franchise rights that were acquired in an acquisition of a business. In accordance with GAAP, Lahaina does not amortize cable franchise rights. At least annually, TWC performs separate tests to determine if its indefinite-lived intangible assets (primarily cable franchise rights) were impaired. Under the accounting rules, TWC can elect to perform a qualitative assessment to determine if an impairment is more likely than not to have occurred. If an impairment is more likely than not to have occurred, then a quantitative assessment is required, which may or may not result in an impairment charge. The determination of whether an impairment is more likely than not to have occurred requires significant judgment regarding potential changes in valuation inputs and includes a review of TWC's most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions. Refer to Note 4 for further details.

Revenue and Costs

Revenue is principally derived from residential services, business services, advertising and other services.

Residential services revenue consists of (i) video revenue, including residential subscriber fees for Lahaina's various tiers or packages of video programming services, related equipment rental and installation charges, fees collected on behalf of governmental authorities, as well as revenue from premium networks, transactional video-on-demand and digital video recorder service;

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs (continued)

(ii) high-speed data revenue, including residential subscriber fees for Lahaina's high-speed data services and related equipment rental and installation charges and (iii) voice revenue, including residential subscriber fees for Lahaina's voice services and related installation charges and fees collected on behalf of governmental authorities and other residential subscriber-related fees.

Business services revenue consists of (i) video revenue, including the same fee categories received from business video subscribers as described above under residential video revenue; (ii) high-speed data revenue, including business subscriber fees for Lahaina's high-speed data services and related installation charges, as well as amounts generated by the sale of commercial networking and point-to-point transport services; (iii) voice revenue, including business subscriber fees for Lahaina's voice services and related installation charges and fees collected on behalf of governmental authorities; (iv) wholesale transport revenue, including amounts generated by the sale of point-to-point transport services offered to wireless telephone providers (i.e., cell tower backhaul) and other carriers and (v) other revenue primarily consisting of other business subscriber-related fees.

Residential and business services subscriber fees are recorded as revenue in the period during which the service is provided. Residential and business services revenue received from subscribers who purchase bundled services at a discounted rate is allocated to each product in a pro-rata manner based on the individual product's selling price (generally, the price at which the product is regularly sold on a standalone basis). Installation revenue obtained from subscriber service connections is recognized as a component of residential and business services revenue when the connections are completed, as installation revenue recognized is less than the related direct selling costs.

Lahaina has outsourced to TWC its cost of providing video, high-speed data and voice services to its customers. TWC records its video programming, high-speed data connectivity and voice network costs as the services are provided. Video programming costs are recorded based on TWC's contractual agreements with its programming vendors. These contracts are generally multi-year agreements that provide for TWC to make payments to the programming vendors at agreed upon rates based on the number of subscribers to which Lahaina provides the

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs (continued)

programming service. If a programming contract expires prior to the parties' entry into a new agreement and Lahaina continues to distribute the service, TWC estimates the programming costs during contract negotiations. In doing so, TWC considers the previous contractual rates, inflation and the status of the negotiations in determining its estimates. When the programming contract terms are finalized, an adjustment to programming expense is recorded, if necessary, to reflect the terms of purchased from the same programming vendor. In these scenarios, the total consideration provided to the programming vendor is allocated to the various services received based upon their respective estimated fair values. Because multiple services from the same programming vendor may be received over different contractual periods and may have different contractual rates, the allocation of consideration to the individual services may have an impact on the timing of Lahaina's expense recognition. Amounts allocated from TWC represent the direct costs incurred on behalf of Lahaina for these services.

Launch fees received by TWC from programming vendors are recognized as a reduction of expense on a straight-line basis over the term of the related programming arrangement. Amounts received from programming vendors representing the reimbursement of marketing costs are recognized as a reduction of marketing expense as the marketing services are provided.

Lahaina has outsourced the sale of its advertising to TWC. TWC allocates advertising revenue to Oahu based on the advertising placements made within the Honolulu designated marketing area. Advertising costs are expensed upon the first exhibition of related advertisements. These costs are recorded predominantly in Oahu and are not being allocated to the other reporting divisions in Hawaii. Management believes these allocations have been made on a reasonable basis. Amounts received from programming vendors representing the reimbursement of advertising or certain other marketing costs are recognized as a reduction of marketing expense in the period such reimbursement is received. Marketing expense, net of reimbursements from any programmers, was $11,000 for the year ended December 31, 2012.

3. Summary of Significant Accounting Policies (continued)

Revenue and Costs (continued)

Beginning in the fourth quarter of 2012, advertising revenue also includes revenue derived from advertising sold on TWC's Regional Sports Network (the "RSN") launched on October 1, 2012 that carries University of Hawaii sports programming and other sports programming. Also beginning in the fourth quarter of 2012, cost of revenue also includes costs directly associated with the RSN, including programming license and contract rights and other production costs.

Gross Versus Net Revenue Recognition

In the normal course of business, Lahaina acts as or uses an intermediary or agent in executing transactions with third parties. The accounting issue presented by these arrangements is whether Lahaina should report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties. To the extent revenue is recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenue less expense) is reflected in operating income. Accordingly, the impact on operating income is the same whether Lahaina records revenue on a gross or net basis.

For example, Lahaina is assessed franchise fees by franchising authorities, which are passed on to the customer. The accounting issue presented by these arrangements is whether Lahaina should report revenue based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchising authorities. Lahaina has determined that these amounts should be reported on a gross basis.

Lahaina's policy is that, in instances where the fees are being assessed directly to Lahaina, amounts paid to the governmental authorities and amounts received from the customers are recorded on a gross basis. That is, amounts paid to the governmental authorities are recorded as costs of revenue and amounts received from the customer are recorded as revenue. The amount of such fees recorded on a gross basis related to video and voice services was $426,000 for the year ended December 31, 2012.

3. Summary of Significant Accounting Policies (continued)

Deferred Revenue

Deferred revenue consists primarily of subscriber advance payments. Deferred revenue also includes advance payments related to advertising agreements with certain programmers.

Concentration of Credit Risk

A significant portion of the customer base is concentrated within the local geographical area of the cable system. Lahaina generally extends credit to its customers and the ultimate collection of accounts receivable could be affected by the local economy. Management performs continuous credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. Management does not believe that there is any significant credit risk which could have a material effect on the financial condition of Lahaina.

Accounting for Pension Plans

Lahaina employees participate in two defined benefit pension plans of which one is sponsored by TWC. Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Net periodic pension benefits costs recognized by Lahaina includes costs associated with Lahaina's participating employees only and is determined by using certain assumptions, including the expected long-term rate of return on plan assets, the interest factor implied by the discount rate and the expected rate of compensation increases. Refer to Note 5 for further details regarding the determination of these assumptions.

Income Taxes

Lahaina is not subject to federal or state income tax. Any income or loss for tax purposes is included in the consolidated tax returns of TWC. However, as a matter of policy, TWCE has elected to allocate to Lahaina a charge equivalent to income taxes based upon Lahaina's income before charge equivalent to income taxes at TWC's 2012 effective tax rate, but no deferred tax assets or liabilities have been allocated to Lahaina.

3. Summary of Significant Accounting Policies (continued)

Legal Contingencies

Lahaina is subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. Lahaina records an estimated liability for those proceedings and claims arising in the ordinary course of business when the loss from such proceedings and claims becomes probable and reasonably estimable. Lahaina reviews outstanding claims with internal and external counsel to assess the probability and the estimates of loss, including the possible range of an estimated loss. Lahaina reassesses the risk of loss as new information becomes available and adjusts liabilities as appropriate. The actual cost of resolving a claim may be substantially different from the amount of the liability recorded. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on Lahaina's financial position but could possibly be material to Lahaina's results of operations or cash flow for any one period. Refer to Note 7 for further details.

Subsequent Events

Lahaina has considered subsequent events through April 30, 2013, the date the financial statements were available for issuance, in preparing the financial statements and notes thereto.

4. Intangible Assets

As of December 31, 2012, Lahaina's intangible assets and related accumulated amortization consisted of the following (in thousands):

		Gross		Accumulated Amortization		Net
Intangible assets subject to amortization:						
Cable franchise renewals and access rights	$	193	$	(177)	$	16
Intangible assets not subject to amortization:						
Cable franchise rights	$	24,294	$	(7,095)	$	17,199

Amortization expense for the year ended December 31, 2012, was $18,000. Based on the remaining carrying value of intangible assets subject to amortization as of December 31, 2012, the amortization expense for future periods is as follows (in thousands):

Year Ended December 31:		
2013	$	16
Total	$	16

Annual Impairment Analysis

As of TWC's July 1, 2012 annual testing date and based on its qualitative assessment, TWC determined that it was not more likely than not that its cable franchise rights were impaired and, therefore, TWC did not perform a quantitative assessment as part of its annual impairment testing. In making that determination, management identified and analyzed qualitative factors, including factors that would most significantly impact a discounted cash flow valuation of the fair values of the cable franchise rights and the fair value of TWC's reporting units. This process included a review of TWC's most recent long-range projections, analysis of operating results versus the prior year, changes in market values, changes in discount rates and changes in terminal growth rate assumptions.

5. Employee Benefit Plans

Pension Plans

Lahaina employees participate in two defined benefit pension plans (i) the Time Warner Cable Pension Plan (the TWC Pension Plan) sponsored by TWC and (ii) the CATV/IBEW Pension Fund, a multi-employer pension plan (the MEP and, together with the TWC Pension Plan, the Pension Plans). The Pension Plans provide pension benefits to substantially all of Lahaina's employees. Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Net periodic benefit costs for the TWC Pension Plan totaled $14,000 for the year ended December 31, 2012.

The MEP is administered by the CATV/International Brotherhood of Electrical Workers Pension Trust and plan assets are held in a defined benefit multi-employer pension trust. Contributions to the MEP are intended to fund all accrued benefits. Because contributions to the MEP are commingled with other employer contributions, plan information pertaining to Lahaina's participating employees is not readily available. Net periodic benefit costs for the MEP totaled $0 for the year ended December 31, 2012.

Lahaina is not required to report pension obligations beyond the contributions currently due and unpaid to the Pension Plans, in accordance with accounting guidance. The Pension Plans require Lahaina to contribute the net periodic benefit costs applicable to employees of Lahaina participating in the plans.

Defined Contribution Plan

Lahaina also participates in a defined contribution plan sponsored by TWC, (the TWC Savings Plan), for which the expense for Lahaina's employer matching contributions totaled $55,000 for the year ended December 31, 2012. Lahaina's contribution to the TWC Savings Plan is primarily based on a percentage of the employees' elected contributions and is subject to plan provisions.

5. Employee Benefit Plans (continued)

Defined Contribution Plan (continued)

In the normal course of conducting its business, Lahaina has various transactions with TWC and TWC's consolidated subsidiaries, equity-method investees and affiliates. Cumulative net payments to TWCE that are included in member's capital represents a revolving credit facility. TWCE borrows the excess cash flow generated by Lahaina, and Lahaina incurs a liability for cash outlays made by TWCE on its behalf. Amounts borrowed and advanced by Lahaina are subject to repayment and bear interest at the prime rate. The average effective interest rate for the year ended December 31, 2012, was 3.25%. Interest income from these cumulative net payments was $442,000 for the year ended December 31, 2012. A portion of cost of revenue and selling, general and administrative expenses incurred by TWCE on behalf of Lahaina is allocated by TWC to Lahaina. The allocation of cost of revenue and selling, general, and administrative expenses is based upon Lahaina's revenue compared to TWCE's total revenue. Cost of revenue and selling, general and administrative expenses allocated to Lahaina totaled $1,074,000 for the year ended December 31, 2012.

Lahaina outsources its programming arrangements to TWC. Programming costs allocated to Lahaina totaled $3,719,000 for the year ended December 31, 2012, which includes $99,000 of charges allocated from TWC for programming transactions with iNDemand L.L.C., NGN Hotel Channels, and MLB Network, LLC, equity-method investees of TWC. Total amounts due to TWC related to these arrangements were $38,000 as of December 31, 2012.

TWC enters into long-term programming arrangements on behalf of Lahaina, a portion of which will be allocated to Lahaina based on its subscribers. These contracts may include future commitments to purchase programming services that will be allocated to Lahaina based on its actual number of subscribers and contractual rates as incurred. Lahaina purchases high-speed data services for its subscribers from TWC. The costs are charged by TWC to Lahaina based on the number of subscribers receiving high-speed data services. Lahaina incurred costs of $148,000 related to this arrangement for the year ended December 31, 2012.

Lahaina also purchases voice services for its subscribers from TWC. The costs are charged by TWC to Lahaina based on the number of subscribers receiving these services and the usage of these services. Lahaina incurred costs of $137,000 related to this arrangement for the year ended December 31, 2012.

7. Commitments and Contingencies

Rental expense under operating leases, primarily related to office rent, equipment rent, and pole attachments, was $155,000 for the year ended December 31, 2012. Future minimum rental commitments as of December 31, 2012, under non-cancelable operating leases are as follows (in thousands):

Year Ended December 31:		
2013	$	86
2014		9
2015		9
2016		9
2017		9
Thereafter		–
Total	$	122

Time Warner Cable Lahaina's franchise agreement requires it to contribute capital for Public, Educational, and Governmental (PEG) access studio and other equipment to the State of Hawaii's designated PEG access organization. Annual payments required by the franchise agreement are calculated at $3.00 per cable television subscriber in the Lahaina County cable franchise as of December 31 of prior year. The payment made for the year ended December 31, 2012, was $37,000. These capital contribution amounts are determined by the franchise agreement. It is anticipated that future amounts will be made but amounts cannot be determined at this time.

Lahaina is subject to various legal proceedings that arise in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of these matters, it is management's opinion that the resolution of these matters will not have a material adverse affect on the financial condition or results of operations of Lahaina.

8. Additional Financial Information

Other Current Liabilities

Other current liabilities as of December 31, 2012, consisted of (in thousands):

Accrued franchise fees	$	164
Accrued compensation and benefits		78
Accrued sales and other taxes		94
Other accrued expenses		223
Total other current liabilities	$	559

Revenue

Revenue for the year ended December 31, 2012, consisted of (in thousands):

Residential services	$	10,680
Business services		2,531
Advertising		781
Other		1,169
Total revenue	$	15,161