CABLE DIVISION
COMMERCE AND
CONSUMER AFFAIRS

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Watanabe Ing LLP

A Limited Liability Law Partnership

July 30, 2009

VIA HAND DELIVERY

Mr. Clyde S. Sonobe
Administrator
Cable Television Division
Department of Commerce & Consumer Affairs
King Kalakaua Building
335 Merchant Street, Room 101
Honolulu, Hawaii 96813

Re: Department of Commerce and Consumer Affairs Request for Clarification of Application dated July 29, 2009

Dear Mr. Sonobe:

Pursuant to your letter dated July 29, 2009, please find enclosed an original and two (2) copies of Applicant Time Warner Entertainment Company, L.P., through its Hawaii Division, Oceanic Time Warner Cable's Response to the Department of Commerce and Consumer Affairs Request for Clarification of Application Dated July 29, 2009, and Exhibit "F". Also enclosed is a CD with a copy of these submissions in electronic form.

Thank you for your attention to this matter, and please contact me should you have any questions.

Very truly yours,

WATANABE ING LLP

BRIAN A. KANG

Enclosures

cc: Oceanic Time Warner Cable (w/ Encls.)

First Hawaiian Center, 999 Bishop Street, 23rd Floor, Honolulu, Hawaii 96813 Phone: 808-544-8300 Fax: 808-544-8399

APPLICATION FOR RENEWAL OF OAHU CABLE TELEVISION FRANCHISE BY TIME WARNER ENTERTAINMENT COMPANY, L.P. THROUGH ITS HAWAII DIVISION, OCEANIC TIME WARNER CABLE

APPLICANT TIME WARNER ENTERTAINMENT COMPANY, L.P. THROUGH ITS HAWAII DIVISION, OCEANIC TIME WARNER CABLE'S RESPONSE TO DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS REQUEST FOR CLARIFICATION OF APPLICATION DATED JULY 29, 2009

1. State the length of the franchise term sought by Applicant.

   Response:

   Applicant seeks a renewed franchise term of twenty years.

2. On April 30, 2009, TWE submitted Financial Statements (unaudited) for Oceanic Time Warner Cable (Oahu) for the year ending December 31, 2008 and the Independent Accountants' Review Report to the Department of Commerce and Consumer Affairs ("DCCA"). Please confirm that these financial statements reflect the assets, liabilities, net assets, revenues and expenses, and statements of cash flows of Applicant's Hawaii Division, Oceanic Time Warner for its Oahu franchise as of December 31, 2008. Please provide a copy of these financial statements to be attached as an exhibit to your Application.

   Response:

   Applicant confirms that the Financial Statements (unaudited) for Oceanic Time Warner Cable (Oahu) for the year ending December 31, 2008 and the Independent Accountants' Review Report submitted to the Department of Commerce and Consumer Affairs ("DCCA") on April 30, 2009 reflect the assets, liabilities, net assets, revenues and expenses, and statements of cash flows of Applicant's Hawaii Division, Oceanic Time Warner for its Oahu franchise as of December 31, 2008.

   Copies of the foregoing documents are attached and collectively designated as Exhibit "F" to the Application.

EXHIBIT F

Financial Statements (unaudited) for Oceanic Time Warner Cable (Oahu) for the year ending December 31, 2008 and the Independent Accountants' Review Report submitted to the Department of Commerce and Consumer Affairs on April 30, 2009

Ernst & Young LLP

Financial Statements (Unaudited)

Oceanic Time Warner Cable (Oahu)
Year Ended December 31, 2008
With Independent Accountants' Review Report

0902-1027050

Oceanic Time Warner Cable
(Oahu)

Financial Statements
(Unaudited)

Year Ended December 31, 2008

Contents

Ernst & Young

Ernst & Young LLP
Suite 3800
100 North Tryon Street
Charlotte, North Carolina 28202

Tel: +1 704 372 6300
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Independent Accountants' Review Report

The Partners
Time Warner Entertainment Company, L.P.

We have reviewed the accompanying statement of assets, liabilities and net assets of Oceanic Time Warner Cable (Oahu) (the Division), a division of Time Warner Entertainment Company, L.P., as of December 31, 2008, and the related statements of revenues and expenses and changes in net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the Division's management.

A review consists principally of inquiries of Division personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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, 2009

0902-1027050

Oceanic Time Warner Cable
(Oahu)

Statement of Assets, Liabilities and Net Assets
(Unaudited)

December 31, 2008

Assets	
Current assets:	
Cash and cash equivalents, including restricted cash	$ 4,289,894
Accounts receivable, less allowance for doubtful accounts of $1,893,000	15,819,393
Receivable from affiliated party	98,278
Prepaid expenses	1,025,839
Total current assets	21,233,404
Property, plant and equipment, net	257,046,989
Intangible assets not subject to amortization	20,502,513
Intangible assets subject to amortization, net	671,791
Total assets	$299,454,697
Liabilities and net assets	
Current liabilities:	
Accounts payable and accrued liabilities	$ 40,274,144
Deferred revenue	18,334,191
Payable to affiliated parties	4,495,363
Total current liabilities	63,103,698
Other long term liabilities	1,098,886
Total liabilities	64,202,584
Net assets	235,252,113
Total liabilities and net assets	$299,454,697

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Oahu)

Statement of Revenues and Expenses and Changes in Net Assets
(Unaudited)

Year Ended December 31, 2008

Revenues	$ 339,649,972
Costs and expenses	
Cost of revenues (a)	118,514,242
Selling, general and administrative (a)	82,411,019
Depreciation and amortization	47,529,497
Gain on disposal of property	(97,007)
Total costs and expenses	248,357,751
Operating income	91,292,221
Interest income net, due from TWE (a)	1,247,218
Other income (a)	32,924
Income before charge equivalent to income taxes	92,572,363
Charge equivalent to income taxes	(36,251,000)
Net income	56,321,363
Net assets at beginning of year	220,175,896
Net payments to TWE	(41,245,146)
Net assets at end of year	$ 235,252,113

(a) Includes the following income (expenses) from transactions with related parties.

Cost of revenues	$ (14,134,098)
Selling, general and administrative	(9,373,945)
Interest income, net	1,247,218
Other income	17,577

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Oahu)

Statement of Cash Flows
(Unaudited)

Year Ended December 31, 2008

Operating activities	
Net income	$ 56,321,363
Adjustments for noncash and nonoperating items:	
Depreciation and amortization	47,529,497
Gain on disposal of property, plant and equipment	(97,007)
Changes in operating assets and liabilities:	
Accounts receivable, receivable from affiliated party and prepaid expenses	3,435
Accounts payable and accrued liabilities, payable to affiliated parties, and other liabilities	(825,201)
Deferred revenue	270,229
Net cash provided by operating activities	103,202,316
Investing activities	
Capital expenditures	(60,947,603)
Net cash used in investing activities	(60,947,603)
Financing activities	
Net payments to TWE	(41,245,146)
Net cash used in financing activities	(41,245,146)
Net decrease in cash and cash equivalents	1,009,567
Cash and cash equivalents at beginning of year	3,280,327
Cash and cash equivalents at end of year	$ 4,289,894

See independent accountants' review report and accompanying notes.

0902-1027080

1. Description of Business and Basis of Presentation

Description of Business

Oceanic Time Warner Cable (Oahu) (the Division), a division of Time Warner Entertainment Company, L.P. (TWE), is engaged primarily in providing video, high-speed data, and Digital Phone services which are distributed to subscribers for a monthly fee. The Division also sells advertising on its cable system to local, regional and national advertisers. The Division operates in the City and County of Honolulu, Hawaii under several nonexclusive franchise agreements which expire in 2009. The franchise agreements require the Division to incur future capital expenditures relating to cable system upgrades and certain other expenses. Franchise agreements are generally renewed or extended upon maturity.

Basis of Presentation

TWE is a subsidiary of Time Warner Cable Inc. (TWC) and the Division has no separate legal status or existence. The Division's resources are under the control of TWE management, subject to contractual commitments by TWE to perform certain long-term contracts within the present divisional structure. The Division's assets are legally available for the satisfaction of debts of TWE and TWC, not solely those appearing in the accompanying statements, and the Division's debts may result in claims against assets not appearing herein. The Division is one of several cable systems included in TWE and TWC, and transactions and the terms thereof may be arranged by and among members of the affiliated group. Certain costs are allocated to the Division by TWE and TWC (see Note 6).

These financial statements include related party transactions and allocations which could result in operating results or financial position of the reporting entity significantly different from those that would be obtained if the entity dealt exclusively with independent parties.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents includes short-term, highly liquid investments, which are readily convertible into cash and have original maturities of three months or less when purchased, together with certain restricted cash balances. Cash equivalents are carried at cost, which approximates fair value.

Restricted cash represents franchise fees 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 accompanying statement of assets, liabilities and net assets. As of December 31, 2008, the balance was approximately $3.4 million.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. The Division incurs expenditures associated with the construction and maintenance of its cable systems. Costs associated with the construction of the cable transmission and distribution facilities and new cable service installations are capitalized.

The Division uses internally developed standard capitalization rates to capitalize its 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. Additionally, the development of capitalization standards for new products involves more estimates than those used for established products, because the Division has less historical data related to the installation of new products. The capitalization standards are reviewed at least annually and adjusted, if necessary, based on comparisons to actual costs incurred.

The Division capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Capitalized costs typically include direct material, direct labor, overhead and, in some cases, interest. Types of capitalized expenditures include customer premise equipment, scalable infrastructure, line extensions, plant upgrades and rebuilds and support capital. With respect to certain customer premise equipment, which includes set-top boxes and high-speed data and

2. Summary of Significant Accounting Policies (continued)

Property, Plant, and Equipment (continued)

telephone cable modems, the Division capitalizes direct installation charges only upon the initial deployment of such assets. Direct installation charges associated with Voice modems are capitalized upon initial deployment to subscriber homes. All costs incurred in subsequent disconnects and reconnects are expensed as incurred. Depreciation on these assets is provided using the straight-line method over their estimated useful lives.

Property, plant, and equipment includes the following components at December 31, 2008:

	(In Thousands)	Useful Lives
Land, buildings and improvements[a]	$ 25,099	10–20 years
Leasehold improvements	2,619	10 years
Distribution systems	534,097	3–25 years
Vehicles and equipment	55,984	3–11 years
Construction in progress and asset clearing	12,320	
	630,119	
Less accumulated depreciation	(373,072)	
	$ 257,047	

(a) Land is not depreciated.

Depreciation expense for the year ended December 31, 2008 was $46.8 million.

Intangible Assets

The Division has significant intangible assets, primarily cable franchises. Cable franchises acquired in business combinations are accounted for under the purchase method of accounting and are initially recorded on the Division's balance sheet at fair value. Other costs incurred to negotiate and renew cable franchise agreements are capitalized as incurred and are amortized over the term of such franchise agreements.

2. Summary of Significant Accounting Policies (continued)

Asset Impairments

Long-Lived Assets

Long-lived assets (e.g., customer relationships and property, plant and equipment) do not require that an annual impairment test be performed; 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. Impairment 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 value to its estimated fair value. To the extent the carrying value is greater than the asset's estimated fair value, an impairment loss 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. In 2008, there were no indicators of long-lived asset impairments.

2. Summary of Significant Accounting Policies (continued)

Asset Impairments (continued)

Indefinite-Lived Intangible Assets

Indefinite-lived intangible assets, primarily certain franchise assets, are tested annually as of December 31 and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose of the unit. Fair value is estimated using various valuation techniques, with the primary technique being a discounted cash flow analysis. The use of a discounted cash flow model often involves significant estimates and assumptions. For more information, see Note 4.

Computer Software

The Division capitalizes certain costs incurred for the development of internal use software, in accordance with Statement of Position 98-1 *Accounting for the Costs of Computer Software Developed for Internal Use*. 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 accompanying balance sheet. Such costs are depreciated on a straight-line basis over 3 to 5 years. These costs, net of accumulated depreciation, totaled $755,000 as of December 31, 2008. Amortization of capitalized software costs was $394,000 for the year ended December 31, 2008.

Revenues and Costs

Cable revenues are principally derived from video, high-speed data, and Digital Phone subscriber fees and advertising. Subscriber fees are recorded as revenue in the period the service is provided. Subscription revenues received from subscribers who purchase bundled services at a discounted rate are allocated to each product in a pro-rata manner based on the individual product's determined fair value. Installation revenues obtained from subscriber service connections are recognized in accordance with FASB Statement No. 51, *Financial Reporting by Television Cable Companies*, as a component of subscription revenues as the connections are completed since installation revenues recognized are less than the related direct selling costs.

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

Video programming, high-speed data and voice costs are recorded as the services are provided. Video programming costs are based on the Division's contractual agreements with its programming vendors. These contracts are generally multi-year agreements that provide for the Division to make payments to the programming vendors at agreed upon market rates based on the number of subscribers to which the Division provides the programming service. If a programming contract expires prior to the parties' entry into a new agreement and the Division continues to distribute the service, management estimates the programming costs during the period there is no contract in place. In doing so, management 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 the new contract. Management also makes estimates in the recognition of programming expense related to other items, such as the accounting for free periods and credits for service interruptions, as well as the allocation of consideration exchanged between the parties in multiple-element transactions. Additionally, judgments are also required by management when the Division purchases multiple services from the same programming vendor. In these scenarios, the total consideration provided to the programming vendor is required to be allocated to the various services received based upon their respective 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 will have an impact on the timing of the Division's expense recognition.

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

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

Advertising revenues, including those from advertising purchased by programmers, represent the operating cash flow for advertising sales and are recognized in the period during which the advertisements are exhibited. Advertising costs are expensed upon the first exhibition of related advertisements. 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 approximately $6.5 million in 2008.

Gross Versus Net Revenue Recognition

In the normal course of business, the Division acts as an intermediary or agent with respect to payments received from third parties. For example, the Division collects fees on behalf of franchising authorities. The accounting issue encountered in these arrangements is whether the Division 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. In the case of franchise fees, the Division has determined that these amounts should be reported on a gross basis.

Multiple-Element Arrangements

Multiple-element transactions involve situations where judgment must be exercised in determining fair value of the different elements in a bundled transaction. As the term is used here, multiple-element arrangements can involve:

- Contemporaneous purchases and sales. The Division sells a product or service (e.g., advertising services) to a customer and at the same time purchases goods or services (e.g., programming);

- Sales of multiple products or services. The Division sells multiple products or services to a counterparty (e.g., the Division sells video, Digital Phone and high-speed data services to a customer); and/or

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

- Purchases of multiple products or services, or the settlement of an outstanding item contemporaneous with the purchase of a product or service. The Division purchases multiple products or services from a counterpart (e.g., the Division settles a dispute on an existing programming contract at the same time that it is renegotiating a new programming contract with the same vendor).

Contemporaneous Purchases and Sales

In the normal course of business, the Division enters into multiple-element transactions where the Division is simultaneously both a customer and a vendor with the same counterparty. For example, when negotiating the terms of programming purchase contracts with cable networks, the Division may at the same time negotiate for the sale of advertising to the same cable network. Arrangements, although negotiated contemporaneously, may be documented in one or more contracts. In accounting for such arrangements, the Division looks to the guidance contained in the following authoritative literature:

- APB Opinion No. 29, *Accounting for Nonmonetary Transactions* (APB 29);
- FASB Statement No. 153, *Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29* (FAS 153);
- EITF Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer* (EITF 01-09); and
- EITF Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* (EITF 02-16).

The Division's policy for accounting for each transaction negotiated contemporaneously is to record each element of the transaction based on the respective estimated fair values of the goods or services purchased and the good or services sold. The judgments made in determining fair value in such arrangements impact the amount and period in which revenues, expenses and net income are recognized over the term of the contract.

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

In determining the fair value of the respective elements, the Division refers to quoted market prices (where available), historical transactions or comparable cash transactions. The most frequent transactions of this type that the Division encounters involve funds received from its vendors, which the Division accounts for in accordance with EITF 02-16. The Division records cash consideration received from a vendor as a reduction in the price of the vendor's product unless (i) the consideration is for the reimbursement of a specific, incremental, identifiable cost incurred in which case it would record the cash consideration received as a reduction in such cost or (ii) the Division is providing an identifiable benefit in exchange for the consideration in which case it recognizes revenue for this element.

With respect to the programming vendor advertising arrangements being negotiated simultaneously with the same cable network, the Division assesses whether each piece of the arrangements is at fair value. The factors that are considered in determining the individual fair values of the programming and advertising vary from arrangement to arrangement and include:

- Existence of a "most-favored-nation" clause or comparable assurances as to fair market value with respect to programming;
- Comparison to fees under a prior contract;
- Comparison to fees paid for similar networks; and
- Comparison to advertising rates paid by other advertisers on the Division's systems.

Sales of Multiple Products or Services

The Division's policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same counterparty is in accordance with EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, and SEC Staff Accounting Bulletin No. 104, Revenue Recognition. Specifically, if the Division enters into sales contracts for the sale of multiple products or services, then the Division evaluates whether it has objective fair value evidence for each deliverable in the transaction. If the Division has objective fair value evidence

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

for each deliverable of the transaction, then it accounts for each deliverable in the transaction separately, based on the relevant revenue recognition accounting policies. However, if the Division is unable to determine objective fair value for one or more undelivered elements of the transaction, the Division recognizes revenue on a straight-line basis over the term of the agreement. For example, the Division sells cable, Digital Phone and high-speed data services to subscribers in a bundled package at a rate lower than if the subscriber purchases each product on an individual basis. Subscription revenues received from such subscribers are allocated to each product in a pro-rata manner based on the fair value of each of the respective services.

Purchases of Multiple Products or Services

The Division's policy for cost recognition in instances where multiple products or services are purchased contemporaneously from the same counterparty is consistent with the Division's policy for the sale of multiple deliverables to a customer. Specifically, if the Division enters into a contract for the purchase of multiple products or services, the Division evaluates whether it has fair value evidence for each product or service being purchased. If the Division has fair value evidence for each product or service being purchased, it accounts for each separately, based on the relevant cost recognition accounting policies. However, if the Division is unable to determine fair value for one or more of the purchased elements, the Division generally recognizes the cost of the transaction on a straight-line basis over the term of the agreement.

The policy would also apply in instances where the Division settles a dispute at the same time the Division purchases a product or service from that same counterparty. For example, the Division may settle a dispute on an existing programming contract with a programming vendor at the same time that it is renegotiating a new programming contract with the same vendor.

2. Summary of Significant Accounting Policies (continued)

Revenues and Costs (continued)

Because the Division is negotiating both the settlement of the dispute and a new programming contract, each of these elements would be accounted for at fair value. The amount allocated to the settlement of the dispute, if determinable and supportable, would be recognized immediately, whereas the amount allocated to the new programming contract would be accounted for prospectively, consistent with the accounting for other similar programming agreements. In the event the fair value of the two elements could not be established, the net amount paid or payable to the vendor would be recognized over the term of the new or amended programming contract.

Income Taxes

The Division is not subject to federal or state income tax. Any income or loss for tax purposes is included in the tax returns of the partners. However, as a matter of policy, TWE has elected to allocate to the Division a charge equivalent to income taxes based upon the Division's income before charge equivalent to income taxes at statutory federal and state income tax rates.

Deferred Revenue

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related footnotes. Actual results could differ from those estimates. Estimates are used when accounting for items such as allowances for doubtful accounts, programming agreements, depreciation, amortization, asset impairments, income taxes, pension, nonmonetary transactions and contingencies. Allocation methodologies used to prepare the accompanying financial statements are also based on estimates as described in related notes.

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

A significant portion of the customer base is concentrated within the local geographical area of the cable system. The Division 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 the Division.

3. Recent Accounting Standards

Accounting Standards Adopted in 2008

Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment

In September 2006, the EITF reached a consensus on EITF Issue No. 06-01, *Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider* (EITF 06-01).

EITF 06-01 provides that consideration provided to the manufacturers or resellers of specialized equipment should be accounted for as a reduction of revenue if the consideration provided is in the form of cash and the service provider directs that such cash be provided directly to the customer. Otherwise, the consideration should be recorded as an expense. The adoption of the provisions of EITF 06-1 did not have a material impact on the Divisions financial statements.

Fair Value Measurements

On January 1, 2008, the Division adopted certain provisions of FASB Statement of Financial Accounting Standards ("Statement") No. 157, Fair Value Measurements ("FAS 157"), which establishes the authoritative definition of fair value, sets out a framework for measuring fair value and expands the required disclosures about fair value measurement. The provisions of FAS 157 adopted on January 1, 2008 relate to financial assets and liabilities, as well as other assets

3. Recent Accounting Standards (continued)

Fair Value Measurements (continued)

and liabilities carried at fair value on a recurring basis and did not have a material impact on the Division's financial statements. The provisions of FAS 157 related to other nonfinancial assets and liabilities are effective for the Division on January 1, 2009, and are applied prospectively. These provisions are not expected to have any impact on the Division's financial statements.

Accounting Standards Not Yet Adopted

Business Combinations

In December 2007, the FASB issued FASB Statement No. 141 (revised 2007), *Business Combinations* (FAS 141R). FAS 141R establishes principles and requirements for how an acquirer in a business combination (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquirer, (ii) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of the business combination. In addition, FAS 141R requires that changes in the amount of acquired tax attributes be included in the Company's results of operations. FAS 141R is effective for the Division on January 1, 2009 and is applied prospectively to business combinations with an acquisition date on or after January 1, 2009. While FAS 141R applies only to business combinations with an acquisition date after its effective date, the amendments to FASB Statement No. 109, *Accounting for Income Taxes* (FAS 109), with respect to deferred tax asset valuation allowances and liabilities for income tax uncertainties, will be applied to all deferred tax valuation allowances and liabilities for income tax uncertainties recognized in prior business combinations. The provisions of FAS 141R are not expected to significantly impact the Division's financial statements.

3. Recent Accounting Standards (continued)

Noncontrolling Interests

In December 2007, the FASB issued FASB Statement No. *160, Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No.* 51 (FAS 160). The provisions of FAS 160 establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The provisions of FAS 160 are effective for the Division on January 1, 2009, are applied prospectively except for the provisions related to the presentation of noncontrolling interests, and are not expected to significantly impact the Division's financial statements.

4. Intangible Assets

Intangible assets deemed to have indefinite useful lives, including the original acquisition of cable television franchise operating rights, are subject to an annual review for impairment. Intangible assets that are deemed not to have an indefinite useful life, including costs to renew existing cable television franchise rights, are amortized over their useful lives.

The Division has deferred costs incurred to acquire franchises and other contractual rights. Cable franchise operating rights include the value attributed to agreements with local authorities that allow access to homes and businesses in cable service areas. Costs incurred to renew cable television operating rights are amortized on the straight-line method over the terms of the respective franchise agreements (a period of 10 to 20 years).

Amortization expense for the year ended December 31, 2008 was approximately $733,000. Based on the current balance of intangible assets subject to amortization, the estimated future amortization expense is as follows (in thousands):

	Estimated Amortization Expense
Year Ending December 31, 2009	$ 672

4. Intangible Assets (continued)

As of December 31, 2008, intangible assets and related accumulated amortization consisted of the following (in thousands):

	December 31, 2008		
	Gross	Accumulated Amortization	Net
Intangible assets not subject to amortization:			
Cable television franchises	$ 20,503		
Intangible assets subject to amortization:			
Renewal of cable television franchise contracts	$ 5,144	$ (4,472)	$ 672

5. Benefit Plans

The Division participates in the TWC Pension Plan (the Pension Plan), a noncontributory defined benefit pension plan, and the TWC Savings Plan (the Savings Plan), a 401(k) plan. The Pension Plan and Savings Plan are multi-employer plans administered by TWC and cover substantially all employees.

The Division accounts for its participation in the multi-employer Pension Plan in accordance with EITF Issue No. 90-3 *Accounting for Employers' Obligation for Future Contributions to a Multi-Employer Pension Plan.* Accordingly, the Division is not required to report a liability beyond the contributions currently due and unpaid to the plan. The plan requires the Division to contribute the net periodic pension cost applicable to employees of the Division participating in the plan.

Benefits under the Pension Plan are determined based on formulas which reflect employees' years of service and compensation levels during their employment period. Non-union related pension expense totaled $780,000 for the year ended December 31, 2008.

5. Benefit Plans (continued)

The Division also provides retirement benefits to union employees through contributions to a defined benefit multi-employer pension trust administered by the CATV/International Brotherhood of Electrical Workers Pension Trust. Contributions to the union plan are intended to currently fund all accrued benefits. Because contributions to the union trust are commingled with other employer contributions, plan information pertaining to the Division's employees is not readily available. Union related pension expense for the year ended December 31, 2008 totaled $2.4 million.

The Division's contributions to the Savings Plan can amount to up to 6.67% of the employees' compensation during the plan year. TWC has the right to set the maximum amount of the Division's annual contribution. Savings Plan expense totaled $768,000 for the year ended December 31, 2008.

6. Related Party Transactions

The Division is allocated a portion of interest expense incurred by TWC and its consolidated subsidiaries. The allocation of interest expense is based upon an allocation of TWC's debt and the average interest rate of TWC's borrowings. The initial allocation of debt is adjusted for cash contributed to or advanced from the Division. For the year ended December 31, 2008, net interest income was $1.2 million. A portion of this interest is related to plant constructed during the year and, accordingly, has been capitalized. Capitalized interest for 2008 totaled $56,000.

The statement of revenues and expenses and changes in net assets includes revenues from affiliates of TWC and charges for programming and promotional services provided by Home Box Office, Inc., Turner Broadcasting System, Inc. and other TWC affiliates. These revenues and charges are based upon customary rates. In addition, a portion of TWE's selling, general and administrative expenses are allocated by TWE to its divisions and affiliates based upon subscriber levels.

7. Commitments and Contingencies

Leases

Rental expense for all operating leases, principally office, equipment, and pole attachments, was $2.7 million for the year ended December 31, 2008. Future minimum rental payments required under noncancelable operating leases are summarized as follows (in thousands):

Years Ending December 31:		
2009	$	1,106
2010		877
2011		512
2012		499
2013		558
Thereafter		4,083
	$	7,635

Franchise Commitment

The Division's franchise agreement requires it to contribute certain public access studio and other equipment to the State of Hawaii. Annual payments required by the franchise agreement are $823,000.

As of December 31, 2008, future contributions under the franchise agreement are payable as follows (in thousands):

Years Ending December 31, 2009	$	823