NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
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
FAX (808) 586-2625

KEALI`I S. LOPEZ
DIRECTOR

GLEN CHOCK
ACTING CABLE TELEVISION ADMINISTRATOR

VIA EMAIL & U.S. MAIL

July 27, 2011

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

Re: **Application for Renewal of East Hawai`i and West Hawai`i Cable Television Franchises by Time Warner Entertainment Company, L.P. through its Hawaii Division, Oceanic Time Warner Cable**

Dear Mr. Kang:

On July 20, 2011, Time Warner Entertainment Company, L.P. through its Hawaii Division, Oceanic Time Warner Cable ("**Applicant**") submitted a written consolidated application for renewal of its East Hawai`i and West Hawai`i 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 Tuesday, August 2, 2011.

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,

Glen Chock
Acting Cable Television Administrator

c: Keali`i Lopez

APPLICATION FOR RENEWAL OF EAST HAWAI`I AND WEST HAWAI`I CABLE TELEVISION FRANCHISES BY TIME WARNER ENTERTAINMENT COMPANY, L.P. THROUGH ITS HAWAII DIVISION, OCEANIC TIME WARNER CABLE

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS REQUEST FOR CLARIFICATION OF APPLICATION

July 27, 2011

Each question should be answered separately, and copies of source documents should reference the question being answered. The certification provided by Time Warner Entertainment Company, L.P. through its Hawaii Division, Oceanic Time Warner Cable ("**Applicant**" or "**TWE**") 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.

---

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

2. On May 16, 2011, TWE submitted Financial Statements (unaudited) for its Oceanic Time Warner Cable East Hawai`i and West Hawai`i franchises for the year ending December 31, 2010 and the Independent Accountants' Review Report to the Department of Commerce and Consumer Affairs ("**DCCA**"). 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.

3. Refer to IV.H (page 48 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.

4. State Applicant's proposed plans and schedule of expenditures for and in support of the Hawaii Public Broadcasting.

5. State Applicant's proposed plans regarding any franchise required channels.

6. State the specific reasons for Applicant's request to consolidate the East and West Hawai`i 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. In the event the Director approves of consolidation of the two franchise systems, is Applicant committed to maintain at least one customer service office on the Hilo side and one on the Kona side of Hawai`i island?

Exhibit 1

Financial Statements (Unaudited)
Oceanic Time Warner Cable (Hilo)
Year Ended December 31, 2010
With Independent Accountants' Review Report

FINANCIAL STATEMENTS (UNAUDITED)

Oceanic Time Warner Cable (Hilo)
Year Ended December 31, 2010
With Independent Accountants' Review Report

Ernst & Young LLP

ERNST & YOUNG

Oceanic Time Warner Cable
(Hilo)

Financial Statements
(Unaudited)

Year Ended December 31, 2010

Contents

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

Tel: +1 704 372 6300
Fax: +1 704 331 2073
www.ey.com

Independent Accountants' Review Report

The Partners
Time Warner Entertainment Company, L.P.

We have reviewed the accompanying balance sheet of Oceanic Time Warner Cable (Hilo) (the Division), a division of Time Warner Entertainment Company, L.P., as of December 31, 2010, and the related statement of income 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 generally accepted auditing standards, 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 generally accepted accounting principles.

Ernst + Young LLP

April 29, 2011

Oceanic Time Warner Cable
(Hilo)

Balance Sheet

(Unaudited)

December 31, 2010

Assets	
Current assets:	
Cash and cash equivalents, including restricted cash	$ 287,591
Accounts receivable, net of allowances of $117,000	2,277,121
Prepaid expenses	4,099
Total current assets	2,568,811
Property, plant, and equipment, net	19,142,124
Intangible assets not subject to amortization	3,101,007
Intangible assets subject to amortization, net	24,920
Total assets	$ 24,836,862
Liabilities and net assets	
Current liabilities:	
Accounts payable and subscriber related liabilities	$ 2,823,535
Deferred revenue	2,276,875
Payable to affiliated parties	42,537
Total current liabilities	5,142,947
Other long-term liabilities	41,304
Total liabilities	5,184,251
Partners' capital	19,652,611
Total liabilities and partners' capital	$ 24,836,862

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Hilo)

Statement of Income
(Unaudited)

Year Ended December 31, 2010

Revenues	$ 27,668,602
Costs and expenses	
Cost of revenues (a)	9,755,138
Selling, general and administrative (a)	7,505,131
Depreciation and amortization	2,983,875
Total costs and expenses	20,244,144
Operating income	7,424,458
Interest income, net	46,109
Income before charge equivalent to income taxes	7,470,567
Charge equivalent to income taxes	(2,913,521)
Net income	4,557,046
Partners' capital at beginning of year	19,952,371
Net payments to TWE	(4,856,806)
Partners' capital at end of year	$ 19,652,611

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

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Hilo)

Statement of Cash Flows
(Unaudited)

Year Ended December 31, 2010

Operating activities	
Net income	$ 4,557,046
Adjustments for noncash and nonoperating items:	
Depreciation and amortization	2,983,875
Changes in operating assets and liabilities:	
Accounts receivable and prepaid expenses	(255,433)
Accounts payable and accrued liabilities, payable to affiliated parties, and other liabilities	437,222
Deferred revenue	110,155
Net cash provided by operating activities	7,832,865
Investing activities	
Capital expenditures	(2,897,509)
Net cash used by investing activities	(2,897,509)
Financing activities	
Net payments to Time Warner Entertainment Company, L.P.	(4,856,806)
Net cash used by financing activities	(4,856,806)
Net increase in cash and cash equivalents	78,550
Cash and cash equivalents at beginning of period	209,041
Cash and cash equivalents at end of period	$ 287,591

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Hilo)

Notes to Financial Statements
(Unaudited)

1. Description of Business and Basis of Presentation

Description of Business

Oceanic Time Warner Cable, "Hilo" (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 over broadband cable systems to residential and commercial customers. The Division markets its services separately and in bundled packages of multiple services and features. The Division also sells advertising to a variety of local, regional and national advertisers. The Division operates in east Hawaii and the community of Ka'u on the island of Hawaii under a franchises agreement which expires during 2011. The franchise agreement requires 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). Management believes that such allocations have been made on a reasonable basis.

Accounts and transactions between the Division and its affiliates are disclosed as related party transactions and allocations could result in operating results or financial position of the reporting entity that have significantly different from those that could be obtained if the entity dealt exclusively with independent parties.

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

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 asset impairments, allowances for doubtful accounts, depreciation and amortization, pension benefits, income taxes, contingencies and certain programming arrangements. Allocation methodologies used to prepare the financial statements are based on estimates and have been described in the notes, where appropriate.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include money market funds, overnight deposits and other 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 funds collected from subscribers that are owed to the Hawaii Public Television Foundation for franchise fees. 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, 2010, the balance of restricted cash was $227,000.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Division 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, the Division capitalizes

2. Summary of Significant Accounting Policies (continued)

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. The Division uses standard capitalization rates 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. The Division generally capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Depreciation on these assets is provided generally using the straight-line method over their estimated useful lives.

As of December 31, 2010, the Division's property, plant, and equipment and related accumulated depreciation included the following (in thousands):

			Estimated Useful Lives
Land, buildings, and improvements[a]	$	1,048	10–20 years
Leasehold improvements		771	10 years
Distribution systems		39,644	3–25 years
Vehicles and equipment		3,087	3–11 years
Construction in progress and asset clearing		589	
		45,139	
Less accumulated depreciation		(25,997)	
	$	19,142	

(a) Land is not depreciated.

Depreciation expense for the year ended December 31, 2010, was $3.0 million.

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

The Division has significant intangible assets, primarily cable franchises. Cable franchises acquired in business combinations were accounted for under the purchase method of accounting and were 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.

Asset Impairments

Long-Lived Assets

Long-lived assets (e.g., 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. 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 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 2010, there were no significant of long-lived asset impairment charges.

2. Summary of Significant Accounting Policies (continued)

Indefinite-Lived Intangible Assets

During the first quarter of 2010, the annual impairment testing date was changed to July 1 to coincide more closely with TWC's annual preparation of long range projections (LRP's), which are a significant component used in the impairment analysis. Prior to TWC's separation from Time Warner, Inc. (Time Warner), the LRPs were prepared during the fourth quarter of each year, consistent with Time Warner's other business units. After the separation, TWC began preparing its LRPs in the middle of each year. Accordingly, management believes the change in the annual impairment testing date to be preferable in its circumstances. This change was applied on a prospective basis. TWC does not believe this change would have delayed, accelerated or avoided an impairment charge had the change been applied in previous periods. Indefinite-lived intangible assets, primarily certain franchise assets, are tested annually as of July 1 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.

Revenues and Costs

Revenues are principally derived from video, high-speed data, and voice services 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 as a component of Subscription revenues as the connections are completed as installation revenues recognized are less than the related direct selling costs.

The Division 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 and voice costs as the services are provided. Video programming costs are based on the 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 market

2. Summary of Significant Accounting Policies (continued)

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, TWC estimates the programming costs during the period there is no contract in place. 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 the new contract. TWC 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 TWC when multiple services are purchased 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. Amounts allocated from TWC represent the direct costs incurred on behalf of the Division for these services.

Launch fees received by TWC from programming vendors are recognized as a reduction of expenses 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.

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. The Division has outsourced the sale of its advertising to TWC. TWC allocates advertising revenues to the Division based on the advertising placements made within the Honolulu designated market 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 Hawaii Divisions. Management believes that 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 approximately $198,000 in 2010.

2. Summary of Significant Accounting Policies (continued)

Gross Versus Net Revenue Recognition

In the normal course of business, the Division acts or uses an intermediary or agent in executing transactions with third parties. The accounting issue presented by 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 commissions and other payments to third parties. To the extent revenues are recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenues less expense) is reflected in Operating income. Accordingly, the impact on Operating income is the same whether the Division records revenue on a gross or net basis.

For example, the Division is assessed franchise fees by franchising authorities, which are passed on to the customer. The accounting issue presented by these arrangements is whether the Division should report revenues based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchising authorities. The Division has determined that these amounts should be reported on a gross basis. The Division's policy is that, in instances where the fees are being assessed directly to the Division, 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 revenues and amounts received from the customer are recorded as subscription revenues. The amount of such fees recorded on a gross basis related to video and voice services was $817,000 in 2010.

Accounting for Pension Plans

TWC sponsors qualified noncontributory defined benefit pension plans covering a majority of its employees, including those employed at the Division. TWC also provides a nonqualified noncontributory defined benefit pension plan for certain employees. Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. The pension expense recognized by the Division is allocated from TWC based on certain assumptions applicable to the Division's participants, 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.

2. Summary of Significant Accounting Policies (continued)

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, but no deferred tax assets or liabilities have been allocated to the Division.

Deferred Revenue

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

Legal Contingencies

The Division is subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. The division 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. The Division reviews outstanding claims with internal and external counsel to assess the probability and the estimates of loss. The Division 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 the Division's financial position but could possibly be material to the Division's results of operations or cash flow for any one period. Refer to Note 7 for further details.

Subsequent Events

The Division has considered subsequent events through April 28, 2011, the date the financial statements were available for issuance, in preparing the financial statements and notes thereto.

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 2010

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance that requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could potentially be significant to the variable interest entity. Under this guidance, ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity are required. This guidance became effective for the Division on January 1, 2010 and did not have an impact on the Division's financial statements.

Fair Value Measurements Disclosures

In January 2010, the FASB issued authoritative guidance that expands the required disclosures about fair value measurements. This guidance provides for new disclosures requiring the Division to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately information about purchases, sales, issuances and settlements in the reconciliation of

3. Recent Accounting Standards (continued)

Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring the Division to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. This guidance became effective for the Division on January 1, 2010, except for the presentation of purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements, which is effective for the Division on January 1, 2011, and did not have a material impact on the Division's financial statements. The guidance pertaining to the presentation of purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements is not expected to have a material impact on the Division's financial statements.

Accounting Standards Not Yet Adopted

Accounting for Revenue Arrangements with Multiple Deliverables

In September 2009, the FASB issued authoritative guidance that provides for a new methodology for establishing the fair value for a deliverable in a multiple-element arrangement. When vendor specific objective or third-party evidence for deliverables in a multiple-element arrangement cannot be determined, an enterprise is required to develop a best estimate of the selling price of separate deliverables and to allocate the arrangement consideration using the relative selling price method. This guidance will be effective for the Division on January 1, 2011 and is not expected to have a material impact on the Division's financial statements.

Accounting for Revenue Arrangements with Software Elements

In September 2009, the FASB issued authoritative guidance that provides for a new methodology for recognizing revenue for tangible products that are bundled with software products. Under the new guidance, tangible products that are bundled with software components that are essential to the functionality of the tangible product will no longer be accounted for under the software revenue recognition accounting guidance. Rather, such products will be accounted for under the new authoritative guidance surrounding multiple element arrangements described above. This guidance will be effective for the Division on January 1, 2011 and is not expected to have a material impact on the Division's financial statements.

4. Intangible Assets

Intangible assets deemed to have indefinite useful lives, primarily the Division's cable franchise rights, are tested for impairment annually or upon occurrence of a triggering event. 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, 2010 totaled $27,000. 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:	
2011	$ 25
Total	$ 25

4. Intangible Assets (continued)

As of December 31, 2010, intangible assets and related accumulated amortization consisted of the following (in thousands):

	December 31, 2010		
	Gross	Accumulated Amortization	Net
Intangible assets not subject to amortization:			
Cable television franchises	$ 3,101		
Intangible assets subject to amortization:			
Renewal of cable television franchise contracts	$ 242	$ (217)	$ 25

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 sponsored by TWC and cover substantially all employees.

Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Pension expense totaled $38,000 for the year ended December 31, 2010.

The Division is not required to report a liability beyond the contributions currently due and unpaid to the Pension Plan, in accordance with accounting guidance. The Pension Plan requires the Division to contribute the net periodic costs applicable to employees of the Division participating in the plan.

The Division's contribution 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 $130,000 for the year ended December 31, 2010.

6. Related-Party Transactions

In the normal course of conducting its business, the Division has various transactions with TWC, and TWC's consolidated subsidiaries equity-method investees and affiliates.

The Division outsources its programming arrangements to TWC. Total programming expense allocated to the Division for the year ended December 31, 2010 is $7,193,317. Included within these programming costs are $574,187 of charges allocated from TWC for programming transactions with TWC equity affiliates. Total amounts due to TWC as of December 31, 2010 related to these arrangements are $42,537.

TWC enters into long-term programming arrangements on behalf of the Division a portion of which will be allocated to the Division based on its subsidiaries. These contracts may include future commitments to purchase programming services that will be allocated to the Division based on its actual number of subscribers and contractual rates as incurred.

The Division purchases high-speed data services for its subscribers from TWC. The costs are charged by TWC to the Division based on the volume of revenues received from the Division's subscribers for high-speed data services. The total charges incurred by the Division related to this arrangement were $337,865 for the year ended December 31, 2010, and no amounts were due as of December 31, 2010.

The Division also purchases voice services for its subscribers from TWC. The costs are charged by the TWC to the Division based on the number of subscribers receiving these services and the usage of these services. The total charges incurred by the Division related to this arrangement were $655,865 for the year ended December 31, 2010.

The Division is allocated a portion of selling, general and administrative expenses and cost of revenues incurred by TWE. The allocation of selling, general, and administrative expenses and cost of revenues is based upon revenues. For the year ended December 31, 2010, the expense allocated to the Division totaled $1,647,074.

6. Related-Party Transactions (continued)

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, 2010, net interest income totaled $46,000. No interest was capitalized during 2010.

7. Commitments and Contingencies

Leases

Rental expense under operating leases, primarily related to 2010 office, equipment, and pole attachments, was $757,000 for the year ended December 31, 2010. Future minimum rental commitments as of December 31, 2010 under noncancelable operating leases are as follows (in thousands):

Years Ending December 31:		
2011	$	356
2012		358
2013		355
2014		328
2015		254
Thereafter		1,022
Total	$	2,673

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 $62,500

7. Commitments and Contingencies (continued)

As of December 31, 2010, future contributions required under the franchise agreement are payable as follows (in thousands):

Years Ending December 31:	
2011	$ 63
Total	$ 63

Exhibit 2

Financial Statements (Unaudited)
Oceanic Time Warner Cable (Kona)
Year Ended December 31, 2010
With Independent Accountants' Review Report

FINANCIAL STATEMENTS (UNAUDITED)

Oceanic Time Warner Cable (Kona)
Year Ended December 31, 2010
With Independent Accountants' Review Report

Ernst & Young LLP

ERNST & YOUNG

Oceanic Time Warner Cable
(Kona)

Financial Statements
(Unaudited)

Year Ended December 31, 2010

Contents

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

Tel: +1 704 372 6300
Fax: +1 704 331 2073
www.ey.com

Independent Accountants' Review Report

The Partners
Time Warner Entertainment Company, L.P.

We have reviewed the accompanying balance sheet of Oceanic Time Warner Cable (Kona) (the Division), a division of Time Warner Entertainment Company, L.P., as of December 31, 2010, and the related statement of income 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 generally accepted auditing standards, 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 generally accepted accounting principles.

Ernst + Young LLP

April 29, 2011

1103-1239814

Oceanic Time Warner Cable
(Kona)

Balance Sheet
(Unaudited)

December 31, 2010

Assets	
Current assets:	
Cash and cash equivalents, including restricted cash	$ 252,042
Accounts receivable, net of allowances of $121,678	2,273,040
Prepaid expenses	19,156
Total current assets	2,544,238
Property, plant and equipment, net	23,899,712
Intangible assets not subject to amortization	17,266,819
Intangible assets subject to amortization, net	28,057
Total assets	$ 43,738,826
Liabilities and net assets	
Current liabilities:	
Accounts payable and subscriber related liabilities	$ 3,284,984
Deferred revenue	2,522,095
Payable to affiliated parties	35,090
Total current liabilities	5,842,169
Other long-term liabilities	9,611
Total liabilities	5,851,780
Partners' capital	37,887,046
Total liabilities and partners' capital	$ 43,738,826

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Kona)

Statement of Income
(Unaudited)

Year Ended December 31, 2010

Revenues	$ 29,999,176
Costs and expenses	
Cost of revenues (a)	10,127,855
Selling, general and administrative (a)	7,739,029
Depreciation and amortization	3,840,802
Total costs and expenses	21,707,686
Operating income	8,291,490
Interest income, net	114,370
Income before charge equivalent to income taxes	8,405,860
Charge equivalent to income taxes	(3,278,285)
Net income	5,127,575
Partners' capital at beginning of year	39,944,606
Net payments to TWE	(7,185,135)
Partners' capital at end of year	$ 37,887,046

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

See independent accountants' review report and accompanying notes.

Oceanic Time Warner Cable
(Kona)

Statement of Cash Flows
(Unaudited)

Year Ended December 31, 2010

Operating activities	
Net income	$ 5,127,575
Adjustments for noncash and nonoperating items:	
Depreciation and amortization	3,840,802
Changes in operating assets and liabilities:	
Accounts receivable and prepaid expenses	(82,704)
Accounts payable and accrued liabilities, payable to affiliated parties, and other liabilities	407,419
Deferred revenue	149,448
Net cash provided by operating activities	9,442,540
Investing activities	
Capital expenditures	(2,202,202)
Net cash used by investing activities	(2,202,202)
Financing activities	
Net payments to TWE	(7,185,135)
Net cash used by financing activities	(7,185,135)
Net increase in cash and cash equivalents	55,203
Cash and cash equivalents at beginning of period	196,839
Cash and cash equivalents at end of period	$ 252,042

See independent accountants' review report and accompanying notes.

1. Description of Business and Basis of Presentation

Description of Business

Oceanic Time Warner Cable, "Kona" (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 over broadband cable systems to residential and commercial customers. The Division markets its services separately and in bundled packages of multiple services and features. The Division also sells advertising to a variety of local, regional and national advertisers. The Division operates in the communities of North and South Kona and North and South Kohala on the island of Hawaii. The Division has been granted two separate cable franchises for the Kona and Kohala areas which expire during 2011. 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). Management believes that such allocations have been made on a reasonable basis.

Accounts and transactions between the Division and its affiliates are disclosed as related party transactions and 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.

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

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 asset impairments, allowances for doubtful accounts, depreciation and amortization, pension benefits, income taxes, contingencies and certain programming arrangements. Allocation methodologies used to prepare the financial statements are based on estimates and have been described in the notes, where appropriate.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include money market funds, overnight deposits and other 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 funds collected from subscribers that are owed to the Hawaii Public Television Foundation for franchise fees. 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, 2010, the balance of restricted cash was $234,000.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The Division 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, the Division capitalizes

2. Summary of Significant Accounting Policies (continued)

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. The Division uses standard capitalization rates 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. The Division generally capitalizes expenditures for tangible fixed assets having a useful life of greater than one year. Depreciation on these assets is provided generally using the straight-line method over their estimated useful lives.

As of December 31, 2010, the Division's property, plant and equipment and related accumulated depreciation included the following (in thousands):

			Estimated Useful Lives
Land and building (a)	$	6,069	10–20 years
Leasehold improvements		297	10 years
Distributions systems		46,880	3–25 years
Vehicles and other equipment		2,782	3–11 years
Construction in progress and asset clearing		91	
		56,119	
Less accumulated depreciation		(32,220)	
	$	23,899	

(a) Land is not depreciated.

Depreciation expense for the year ended December 31, 2010 was $3.8 million.

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

The Division has significant intangible assets, primarily cable franchises. Cable franchises acquired in business combinations were accounted for under the purchase method of accounting and were 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.

Asset Impairments

Long-Lived Assets

Long-lived assets (e.g., 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. 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 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 2010, there were no significant long-lived asset impairment charges.

2. Summary of Significant Accounting Policies (continued)

Indefinite-Lived Intangible Assets

During the first quarter of 2010, the annual impairment testing date was changed to July 1 to coincide more closely with TWC's annual preparation of long range projections (LRP's), which are a significant component used in the impairment analysis. Prior to TWC's separation from Time Warner, Inc. (Time Warner), the LRPs were prepared during the fourth quarter of each year, consistent with Time Warner's other business units. After the separation, TWC began preparing its LRPs in the middle of each year. Accordingly, management believes the change in the annual impairment testing date to be preferable in its circumstances. This change was applied on a prospective basis. TWC does not believe this change would have delayed, accelerated or avoided an impairment charge had the change been applied in previous periods. Indefinite-lived intangible assets, primarily certain franchise assets, are tested annually as of July 1 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 the use of significant estimates and assumptions. For more information, see Note 4.

Revenues and Costs

Revenues are principally derived from video, high-speed data, and voice services 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 as a component of subscription revenues as the connections are completed as installation revenues recognized are less than the related direct selling costs.

The Division 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 and voice costs as the services are provided. Video programming costs are based on the 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 market rates based on the number of subscribers to which the Division provides the programming

2. Summary of Significant Accounting Policies (continued)

service. If a programming contract expires prior to the parties' entry into a new agreement and the Division continues to distribute the service, TWC estimates the programming costs during the period there is no contract in place. 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 the new contract. TWC 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 TWC when multiple services are purchased 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. Amounts allocated from TWC represent the direct costs incurred on behalf of the Division for these services.

Launch fees received by TWC from programming vendors are recognized as a reduction of expenses 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.

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. The Division has outsourced the sale of its advertising to TWC. TWC allocates advertising revenues to the Division based on the advertising placements made within the Honolulu designated market 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 Hawaii Divisions. Management believes that 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 approximately $205,000 in 2010.

2. Summary of Significant Accounting Policies (continued)

Gross Versus Net Revenue Recognition

In the normal course of business, the Division acts or uses an intermediary or agent in executing transactions with third parties. The accounting issue presented by 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 commissions and other payments to third parties. To the extent revenues are recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenues less expense) is reflected in Operating income. Accordingly, the impact on Operating income is the same whether the Division records revenue on a gross or net basis.

For example, the Division is assessed franchise fees by franchising authorities, which are passed on to the customer. The accounting issue presented by these arrangements is whether the Division should report revenues based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchising authorities. The Division has determined that these amounts should be reported on a gross basis. The Division's policy is that, in instances where the fees are being assessed directly to the Division, 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 revenues and amounts received from the customer are recorded as Subscription revenues. The amount of such fees recorded on a gross basis related to video and voice services was $854,000 in 2010.

Accounting for Pension Plans

TWC sponsors qualified noncontributory defined benefit pension plans covering a majority of its employees, including those employed at the Division. TWC also provides a nonqualified noncontributory defined benefit pension plan for certain employees. Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. The pension expense recognized by the Division is allocated from TWC based on certain assumptions applicable to the Division's participants, 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.

2. Summary of Significant Accounting Policies (continued)

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, but no deferred tax assets or liabilities have been allocated to the Division.

Deferred Revenue

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

Legal Contingencies

The Division is subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. The division 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. The Division reviews outstanding claims with internal and external counsel to assess the probability and the estimates of loss. The Division 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 the Division's financial position but could possibly be material to the Division's results of operations or cash flow for any one period. Refer to Note 7 for further details.

Subsequent Events

The Division has considered subsequent events through April 28, 2011, the date the financial statements were available for issuance, in preparing the financial statements and notes thereto.

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 2010

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance that requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as the enterprise that has both of the following characteristics, among others: (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity, or the right to receive benefits from the entity, that could potentially be significant to the variable interest entity. Under this guidance, ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity are required. This guidance became effective for the Division on January 1, 2010 and did not have an impact on the Division's financial statements

Fair Value Measurements Disclosures

In January 2010, the FASB issued authoritative guidance that expands the required disclosures about fair value measurements. This guidance provides for new disclosures requiring the Division to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately information about purchases, sales, issuances and settlements in the reconciliation of

3. Recent Accounting Standards (continued)

Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring the Division to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. This guidance became effective for the Division on January 1, 2010, except for the presentation of purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements, which is effective for the Division on January 1, 2011, and did not have a material impact on the Division's financial statements. The guidance pertaining to the presentation of purchases, sales, issuances, and settlements in the reconciliation of Level 3 fair value measurements is not expected to have a material impact on the Division's financial statements.

Accounting Standards Not Yet Adopted

Accounting for Revenue Arrangements with Multiple Deliverables

In September 2009, the FASB issued authoritative guidance that provides for a new methodology for establishing the fair value for a deliverable in a multiple-element arrangement. When vendor specific objective or third-party evidence for deliverables in a multiple-element arrangement cannot be determined, an enterprise is required to develop a best estimate of the selling price of separate deliverables and to allocate the arrangement consideration using the relative selling price method. This guidance will be effective for the Division on January 1, 2011 and is not expected to have a material impact on the Division's financial statements.

Accounting for Revenue Arrangements with Software Elements

In September 2009, the FASB issued authoritative guidance that provides for a new methodology for recognizing revenue for tangible products that are bundled with software products. Under the new guidance, tangible products that are bundled with software components that are essential to the functionality of the tangible product will no longer be accounted for under the software revenue recognition accounting guidance. Rather, such products will be accounted for under the new authoritative guidance surrounding multiple element arrangements described above. This guidance will be effective for the Division on January 1, 2011 and is not expected to have a material impact on the Division's financial statements.

4. Intangible Assets

Intangible assets deemed to have indefinite useful lives, primarily the Division's cable franchise rights, are tested for impairment annually or upon occurrence of a triggering event. 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, 2010 was approximately $31,000. 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:	
2011	$ 28
Total	$ 28

As of December 31, 2010, intangible assets and related accumulated amortization consisted of the following (in thousands):

	December 31, 2010		
	Gross	Accumulated Amortization	Net
Intangible assets not subject to amortization:			
Cable television franchises	$ 17,267		
Intangible assets subject to amortization:			
Renewal of cable television franchise contracts	$ 273	$ (245)	$ 28

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 sponsored by TWC and cover substantially all employees.

Pension benefits are based on formulas which reflect employees' years of service and compensation during their employment period. Pension expense totaled $105,000 for the year ended December 31, 2010.

The Division is not required to report a liability beyond the contributions currently due and unpaid to the Pension Plan, in accordance with accounting guidance. The Pension Plan requires the Division to contribute the net periodic costs applicable to employees of the Division participating in the plan.

The Division's contribution 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 $115,000 for the year ended December 31, 2010.

6. Related Party Transactions

In the normal course of conducting its business, the Division has various transactions with TWC and TWC's consolidated subsidiaries equity-method investees and affiliates

The Division outsources its programming arrangements to TWC. Total programming expense allocated to the Division for the year ended December 31, 2010 is $7,550,004. Included within these programming costs are $482,960 of charges allocated from TWC for programming transactions with TWC equity affiliates. Total amounts due to the Division as of December 31, 2010 related to these arrangements are ($35,090).

TWC enters into long-term programming arrangements on behalf of the Division a portion of which will be allocated to the Division based on its subscribers. These contracts may include future commitments to purchase programming services that will be allocated to the Division based on its actual number of subscribers and contractual rates as incurred.

6. Related Party Transactions (continued)

The Division purchases high-speed data services for its subscribers from TWC. The costs are charged by TWC to the Division based on the volume of revenues received from the Division's subscribers for high-speed data services. The total charges incurred by the Division related to this arrangement were $442,603 for the year ended December 31, 2010, and no amounts were due as of December 31, 2010.

The Division also purchases voice services for its subscribers from TWC. The costs are charged by the TWC to the Division based on the number of subscribers receiving these services and the usage of these services. Thc total charges incurred by the Division related to this arrangement were $606,729 for the year ended December 31, 2010.

The Division is allocated a portion of selling, general and administrative expenses and cost of revenues incurred by TWE. The allocation of selling, general, and administrative expenses and cost of revenues is based upon revenues. For the year ended December 31, 2010, the expense allocated to the Division totaled $1,719,188.

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, 2010, net interest income totaled $114,370. No interest was capitalized during 2010.

7. Commitments and Contingencies

Leases

Rental expense under operating leases, primarily related to office, equipment, and pole attachments, was $259,042 for the year ended December 31, 2010. Future minimum rental commitments as of December 31, 2010 under non-cancelable operating leases are as follows (in thousands):

Year Ending December 31:		
2011	$	17
2012		17
2013		18
2014		18
2015		18
Thereafter		235
Total	$	323

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 approximately $62,500.

As of December 31, 2010, future contributions under the franchise agreement are payable as follows (in thousands):

Year Ending December 31:		
2011	$	63
Total	$	63