## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Our principal physical assets consist of cable operating plant and equipment, including signal receiving, encoding and decoding devices, headend facilities and distribution systems and equipment at or near customers' homes for each of the systems. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headend facilities are located near the receiving devices. Our distribution system consists primarily of coaxial and fiber optic cables and related electronic equipment. Customer premise equipment consists of set-top devices and cable modems. Our cable plant and related equipment generally are attached to utility poles under pole rental agreements with local public utilities; although in some areas the distribution cable is buried in underground ducts or trenches. The physical components of the cable systems require maintenance and periodic upgrading to improve system performance and capacity. In addition, we maintain a network operations center with equipment necessary to monitor and manage the status of our HSD network.

We own and lease the real property housing our regional call centers, business offices and warehouses throughout our operating regions. Our headend facilities, signal reception sites and microwave facilities are located on owned and leased parcels of land, and we generally own the towers on which certain of our equipment is located. We own most of our service vehicles. We believe that our properties, both owned and leased, are in good condition and are suitable and adequate for our operations.

## ITEM 3. LEGAL PROCEEDINGS

Mediacom LLC, one of our wholly owned subsidiaries, is named as a defendant in a putative class action, captioned *Gary Ogg and Janice Ogg v. Mediacom LLC*, pending in the Circuit Court of Clay County, Missouri, originally filed in April 2001. The lawsuit alleges that Mediacom LLC, in areas where there was no cable franchise, failed to obtain permission from landowners to place its fiber interconnection cable notwithstanding the possession of agreements or permission from other third parties. While the parties continue to contest liability, there also remains a dispute as to the proper measure of damages. Based on a report by their experts, the plaintiffs claim compensatory damages of approximately $14.5 million. Legal fees, prejudgment interest, potential punitive damages and other costs could increase that estimate to approximately $26.0 million. The plaintiffs have recently proposed an alternative damage theory of $42.0 million in compensatory damages. We are unable to reasonably determine the amount of our final liability in this lawsuit, as our experts have estimated our liability to be within the range of approximately $0.1 million to $2.3 million. This estimate does not include any estimate of damages for prejudgment interest, attorneys' fees or punitive damages. We believe, however, that the amount of such liability, as stated by any of the parties, would not have a material effect on our consolidated financial position, results of operations, cash flows or business. There can be no assurance that the actual liability would not exceed this estimated range. As of March 9, 2009, the trial commenced for the claim by the class representatives, Gary and Janice Ogg. Mediacom LLC has tendered the lawsuit to our insurance carrier for defense and indemnification. The carrier has agreed to defend Mediacom LLC under a reservation of rights, and a declaratory judgment action is pending regarding the carrier's defense and coverage responsibilities. Mediacom LLC intends to vigorously defend against any claims made by the plaintiffs, including at trial, and on appeal, if necessary.

We are involved in various other legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these other matters will not have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2008.

## ITEM 4A. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following Directors and Executive Officers are as of February 28, 2009.

| Name | Age | Title |
|---|---|---|
| Rocco B. Commisso | 59 | Chairman and Chief Executive Officer |
| Mark E. Stephan | 52 | Executive Vice President and Chief Financial Officer |
| John G. Pascarelli | 47 | Executive Vice President, Operations |
| Italia Commisso Weinand | 55 | Senior Vice President, Programming & Human Resources |
| Joseph E. Young | 60 | Senior Vice President, General Counsel & Secretary |
| Charles J. Bartolotta | 54 | Senior Vice President, Customer Operations |
| Calvin G. Craib | 54 | Senior Vice President, Business Development |
| Brian M. Walsh | 43 | Senior Vice President & Corporate Controller |
| Thomas V. Reifenheiser | 73 | Director |
| Natale S. Ricciardi | 60 | Director |
| Robert L. Winikoff | 62 | Director |

*Rocco B. Commisso* has 30 years of experience with the cable industry and has served as our Chairman and Chief Executive Officer since founding our predecessor company in July 1995. From 1986 to 1995, he served as Executive Vice President, Chief Financial Officer and a director of Cablevision Industries Corporation. Prior to that time, Mr. Commisso served as Senior Vice President of Royal Bank of Canada's affiliate in the United States from 1981, where he founded and directed a specialized lending group to media and communications companies. Mr. Commisso began his association with the cable industry in 1978 at The Chase Manhattan Bank, where he managed the bank's lending activities to communications firms including the cable industry. He serves on the board of directors and executive committees of the National Cable Television Association and Cable Television Laboratories, Inc., and on the board of directors of C-SPAN and the National Italian American Foundation. Mr. Commisso holds a Bachelor of Science in Industrial Engineering and a Master of Business Administration from Columbia University.

*Mark E. Stephan* has 22 years of experience with the cable industry and has served as our Executive Vice President and Chief Financial Officer since July 2005. Prior to that he was Executive Vice President, Chief Financial Officer and Treasurer since November 2003 and our Senior Vice President, Chief Financial Officer and Treasurer since the commencement of our operations in March 1996. Before joining us, Mr. Stephan served as Vice President, Finance for Cablevision Industries from July 1993. Prior to that time, Mr. Stephan served as Manager of the telecommunications and media lending group of Royal Bank of Canada.

*John G. Pascarelli* has 28 years of experience in the cable industry and has served as our Executive Vice President, Operations since November 2003. Prior to that he was our Senior Vice President, Marketing and Consumer Services from June 2000 and our Vice President of Marketing from March 1998. Before joining us in March 1998, Mr. Pascarelli served as Vice President, Marketing for Helicon Communications Corporation from January 1996 to February 1998 and as Corporate Director of Marketing for Cablevision Industries from 1988 to 1995. Prior to that time, Mr. Pascarelli served in various marketing and system management capacities for Continental Cablevision, Inc., Cablevision Systems and Storer Communications. Mr. Pascarelli is a member of the board of directors of the Cable and Telecommunications Association for Marketing.

*Italia Commisso Weinand* has 32 years of experience in the cable industry. Before joining us in April 1996, Ms. Weinand served as Regional Manager for Comcast Corporation from July 1985. Prior to that time, Ms. Weinand held various management positions with Tele-Communications, Inc., Times Mirror Cable and Time Warner, Inc. Ms. Weinand is the sister of Mr. Commisso.

*Joseph E. Young* has 24 years of experience with the cable industry. Before joining us in November 2001 as Senior Vice President, General Counsel, Mr. Young served as Executive Vice President, Legal and Business Affairs, for LinkShare Corporation, an Internet-based provider of marketing services, from September 1999 to October 2001. Prior to that time, he practiced corporate law with Baker & Botts, LLP from January 1995 to September 1999. Previously, Mr. Young was a partner with the Law Offices of Jerome H. Kern and a partner with Shea & Gould.

*Charles J. Bartolotta* has 26 years of experience in the cable industry. Before joining us in October 2000, Mr. Bartolotta served as Division President for AT&T Broadband, LLC from July 1998, where he was responsible for managing an operating division serving nearly three million customers. Prior to that time, he served as Regional Vice President of Tele-Communications, Inc. from January 1997 and as Vice President and General Manager for TKR Cable Company from 1989. Prior to that time, Mr. Bartolotta held various management positions with Cablevision Systems Corporation.

*Calvin G. Craib* has 27 years of experience in the cable industry, and has served as our Senior Vice President, Business Development since August 2001. He also assumed responsibility of Corporate Finance in June 2008. Prior to that time, Mr. Craib was our Vice President, Business Development since April 1999. Before joining us in April 1999, he served as Vice President, Finance and Administration for Interactive Marketing Group from June 1997 to December 1998 and as Senior Vice President, Operations, and Chief Financial Officer for Douglas Communications from January 1990 to May 1997. Prior to that time, Mr. Craib served in various financial management capacities at Warner Amex Cable and Tribune Cable.

*Brian M. Walsh* has 21 years of experience in the cable industry and has served as our Senior Vice President and Corporate Controller since February 2005. Prior to that time, he was our Senior Vice President, Financial Operations from November 2003, our Vice President, Finance and Assistant to the Chairman from November 2001, our Vice President and Corporate Controller from February 1998 and our Director of Accounting from November 1996. Before joining us in April 1996, Mr. Walsh held various management positions with Cablevision Industries from 1988 to 1995.

*Thomas V. Reifenheiser* served for more than seven years as a Managing Director and Group Executive of the Global Media and Telecom Group of Chase Securities Inc. until his retirement in September 2000. He joined Chase in 1963 and had been the Global Media and Telecom Group Executive since 1977. He also had been a member of the Management Committee of The Chase Manhattan Bank. Mr. Reifenheiser is also a member of the board of directors of Cablevision Systems Corporation, Lamar Advertising Company and Citadel Broadcasting Corporation.

*Natale S. Ricciardi* has held various management positions with Pfizer Inc. for more than the past seven years. Mr. Ricciardi joined Pfizer in 1972 and currently serves as Senior Vice President, Pfizer Inc. and President, Pfizer Global Manufacturing, with responsibility for all of Pfizer's manufacturing and supply activities. He is a member of the Pfizer Executive Leadership Team.

*Robert L. Winikoff* has been a partner of the law firm of Sonnenschein Nath & Rosenthal, LLP since August 2000. Prior to that time, he was a partner of the law firm of Cooperman Levitt Winikoff Lester & Newman, P.C. for more than five years. Sonnenschein Nath & Rosenthal, LLP currently serves as our outside general counsel, and prior to such representation, Cooperman Levitt Winikoff Lester & Newman, P.C. served as our outside general counsel from 1995.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is traded on The Nasdaq Global Select Market under the symbol "MCCC." The following table sets forth, for the periods indicated, the high and low closing sales prices for our Class A common stock as reported by The Nasdaq Global Select Market:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Low | High | Low | High |
| First Quarter | $ 3.97 | $ 5.27 | $ 7.54 | $ 8.25 |
| Second Quarter | $ 4.15 | $ 6.52 | $ 8.20 | $ 10.03 |
| Third Quarter | $ 4.91 | $ 8.40 | $ 7.05 | $ 10.30 |
| Fourth Quarter | $ 2.00 | $ 5.81 | $ 3.93 | $ 7.36 |

As of February 28, 2009, there were approximately 2,348 holders of record of our Class A common stock and 2 holders of record of our Class B common stock. The number of Class A stockholders does not include beneficial owners holding shares through nominee names.

We have never declared or paid any dividends on our common stock. We currently anticipate that we will retain all of our future earnings for use in the expansion and operation of our business. Thus, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Our future dividend policy will be determined by our board of directors and will depend on various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

During the year ended December 31, 2008, we repurchased 4.8 million shares of our Class A common stock for an aggregate cost of $22.4 million. As of December 31, 2008, approximately $47.6 million remained available under our stock repurchase program. We did not repurchase any Class A common stock during the three months ended December 31, 2008.

## ITEM 6. SELECTED FINANCIAL DATA

In the table below, we provide you with selected historical consolidated statement of operations data and cash flow data for the years ended December 31, 2004 through 2008 and balance sheet data as of December 31, 2004 through 2008, which are derived from our audited consolidated financial statements (except other data and operating data).

See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

| | 2008[11] | 2007 | 2006[12] | 2005 | 2004 |
|---|---|---|---|---|---|
| | (Amounts in thousands, except per share data and operating data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Revenues | $ 1,401,894 | $ 1,293,375 | $ 1,210,400 | $ 1,098,822 | $ 1,057,226 |
| Costs and expenses: | | | | | |
| Service costs | 585,362 | 544,072 | 492,729 | 438,768 | 407,875 |
| Selling, general and administrative expenses | 278,942 | 264,006 | 252,688 | 232,514 | 216,394 |
| Corporate expenses | 30,824 | 27,637 | 25,445 | 22,287 | 19,276 |
| Depreciation and amortization | 227,910 | 235,331 | 215,918 | 220,567 | 217,262 |
| Operating income | 278,856 | 222,329 | 223,620 | 184,686 | 196,419 |
| Interest expense, net | (213,333) | (239,015) | (227,206) | (208,264) | (192,740) |
| Loss on early extinguishment of debt | — | — | (35,831) | (4,742) | — |
| (Loss) gain on derivative instruments, net | (54,363) | (22,902) | (15,798) | 12,555 | 16,125 |
| (Loss) gain on sale of cable systems, net | (21,308) | 11,079 | — | 2,628 | 5,885 |
| Other expense, net | (9,133) | (9,054) | (9,973) | (11,829) | (12,061) |
| (Loss) income before income taxes | (19,281) | (37,563) | (65,188) | (24,966) | 13,628 |
| Provision for income taxes | (58,213) | (57,566) | (59,734) | (197,262) | (76) |
| Net (loss) income | $ (77,494) | $ (95,129) | $ (124,922) | $ (222,228) | $ 13,552 |
| Basic and diluted (loss) earnings per share:[1] | | | | | |
| Basic and diluted (loss) earnings per share | $ (0.81) | $ (0.88) | $ (1.13) | $ (1.90) | $ 0.11 |
| Weighted average common shares outstanding[1] | | | | | |
| Basic weighted average shares outstanding | 95,548 | 107,828 | 110,971 | 117,194 | 118,534 |
| Diluted weighted average share outstanding | 95,548 | 107,828 | 110,971 | 117,194 | 118,543 |
| **Balance Sheet Data (end of period):** | | | | | |
| Total assets | $ 3,718,989 | $ 3,615,210 | $ 3,652,350 | $ 3,649,498 | $ 3,635,655 |
| Total debt | $ 3,316,000 | $ 3,215,033 | $ 3,144,599 | $ 3,059,651 | $ 3,009,632 |
| Total stockholders' (deficit) equity | $ (346,644) | $ (253,089) | $ (94,814) | $ 59,107 | $ 293,512 |
| **Cash Flow Data:** | | | | | |
| Net cash flows provided by (used in): | | | | | |
| Operating activities | $ 268,715 | $ 188,792 | $ 176,905 | $ 179,095 | $ 224,611 |
| Investing activities | $ (289,825) | $ (202,335) | $ (210,235) | $ (223,600) | $ (177,424) |
| Financing activities | $ 68,833 | $ (3,454) | $ 52,434 | $ 37,911 | $ (49,127) |
| **Other Data:** | | | | | |
| Adjusted OIBDA[2] | $ 511,951 | $ 462,979 | $ 444,255 | $ 406,610 | $ 413,729 |
| Adjusted OIBDA margin[3] | 36.5% | 35.8% | 36.7% | 37.0% | 39.1% |
| Ratio of earnings to fixed charges[4] | — | — | — | — | 1.06 |
| **Operating Data: (end of period)** | | | | | |
| Estimated homes passed[5] | 2,854,000 | 2,836,000 | 2,829,000 | 2,807,000 | 2,785,000 |
| Basic subscribers[6] | 1,318,000 | 1,324,000 | 1,380,000 | 1,423,000 | 1,458,000 |
| Digital customers[7] | 643,000 | 557,000 | 528,000 | 494,000 | 396,000 |
| HSD customers[8] | 737,000 | 658,000 | 578,000 | 478,000 | 367,000 |
| Phone customers[9] | 248,000 | 185,000 | 105,000 | 22,000 | — |
| RGUs[10] | 2,946,000 | 2,724,000 | 2,591,000 | 2,417,000 | 2,221,000 |

(1) Basic and diluted (loss) earnings per share is calculated based on the basic and diluted weighted average shares outstanding, respectively.

(2) "Adjusted OIBDA" is not a financial measure calculated in accordance with generally accepted accounting principles (GAAP) in the United States. We define Adjusted OIBDA as operating income before depreciation and amortization and non-cash, share-based compensation charges.

Adjusted OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. It is also a significant performance measure in our annual incentive compensation programs. We believe Adjusted OIBDA is useful for investors because it enables them to access our performance in a manner similar to the methods used by management, and provides a measure that can be used to analyze, value and compare the companies in the cable industry, which may have different depreciation and amortization policies, as well as different non-cash, share-based compensation programs. Adjusted OIBDA and similar measures are used in calculating compliance with the covenants of our debt arrangements. A limitation of Adjusted OIBDA, however, is that it excludes depreciation and amortization, which represents the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. Management utilizes a separate process to budget, measure and evaluate capital expenditures. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of our non-cash, share-based compensation charges.

Adjusted OIBDA should not be regarded as an alternative to either operating income or net income (loss) as an indicator of operating performance nor should it be considered in isolation or a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA.

The following represents a reconciliation of Adjusted OIBDA to operating income, which is the most directly comparable GAAP measure (dollars in thousands):

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Adjusted OIBDA | $ 511,951 | $ 462,979 | $ 444,255 | $ 406,610 | $ 413,729 |
| Non-cash, share-based compensation and other share-based awards(A) | (5,185) | (5,319) | (4,717) | (1,357) | (48) |
| Depreciation and amortization | (227,910) | (235,331) | (215,918) | (220,567) | (217,262) |
| Operating income | $ 278,856 | $ 222,329 | $ 223,620 | $ 184,686 | $ 196,419 |

(A) Includes approximately $17, $20, $239, $24, and $48 for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, respectively, related to the issuance of other share-based awards.

(3) Represents Adjusted OIBDA as a percentage of revenues. See note 2 above.

(4) Earnings were insufficient to cover fixed charges by $20.7 million, $38.3 million, $66.1 million and $26.4 million for the years ended December 31, 2008, 2007, 2006, and 2005, respectively. Refer to Exhibit 12.1.

(5) Represents an estimate of the number of single residence homes, apartments and condominium units passed by the cable distribution network. Estimated homes passed is based on the best available information.

(6) Represents a dwelling with one or more television sets that receives a package of over-the-air broadcast stations, local access channels or certain satellite-delivered cable services. Accounts that are billed on a bulk basis, which typically receive discounted rates, are converted into full-price equivalent basic subscribers by dividing total bulk billed basic revenues of a particular system by the average cable rate charged to basic subscribers in that system. This conversion method is consistent with the methodology used in determining payments to programmers. Basic subscribers include connections to schools, libraries, local government offices and employee households that may not be charged for limited and expanded cable services, but may be charged for digital cable, HSD, phone or other services. Customers who exclusively purchase HSD and/or phone service are not counted as basic subscribers. Our methodology of calculating the number of basic subscribers may not be identical to those used by other companies offering similar services.

(7) Represents customers that receive digital video services.

(8) Represents residential HSD customers and small to medium-sized commercial cable modem accounts billed at higher rates than residential customers. Small to medium-sized commercial accounts generally represent customers with bandwidth requirements of up to 20Mbps, and are converted to equivalent residential HSD customers by dividing their associated revenues by the applicable residential rate. Our HSD customers exclude large commercial accounts. Our methodology of calculating HSD customers may not be identical to those used by other companies offering similar services.

(9) Represents estimated number of homes to which we market phone service, and is based upon the best available information.

(10) Represents the sum of basic subscribers and digital, HSD and phone customers.

(11) Does not give effect to the completion of the Exchange Agreement on February 13, 2009. See Note 11 to our consolidated financial statements for more information.

(12) Effective January 1, 2006, we adopted SFAS No. 123(R). See Note 8 to our consolidated financial statements.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the "Risk Factors" in Item 1A for a discussion of important factors that could cause actual results to differ from expectations and any of our forward-looking statements contained herein. The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006.

### Overview

We are the nation's eighth largest cable company based on the number of basic video subscribers, and among the leading cable operators focused on serving the smaller cities and towns in the United States. Through our interactive broadband network, we provide our customers with a wide array of advanced products and services, including video services such as VOD, HDTV and DVRs, in addition to HSD and phone service. We offer triple-play bundles of video, HSD and voice to 91% of our estimated homes passed. Bundled products and services offer our customers a single provider contact for ordering, provisioning, billing and customer care.

As of December 31, 2008, our cable systems passed an estimated 2.85 million homes and served 1.32 million basic subscribers in 22 states. We provide digital video services to 643,000 customers, representing a digital penetration of 48.8% of our basic subscribers; HSD service to 737,000 customers, representing a HSD penetration of 25.8% of our estimated homes passed; and phone service to 248,000 customers, representing a penetration of 9.5% of our estimated marketable phone homes.

We evaluate our performance, in part, by measuring the number of RGUs we serve. As of December 31, 2008, we served 2.95 million RGUs, representing an increase of 8.1% over the prior year.

#### *Revenues, Costs and Expenses*

Video revenues primarily represent monthly subscription fees charged to customers for our core cable products and services (including basic and digital cable programming services, wire maintenance, equipment rental and services to commercial establishments), pay-per-view charges, installation, reconnection and late payment fees and other ancillary revenues. HSD revenues primarily represent monthly fees charged to customers, including small to medium sized commercial establishments, for our HSD products and services and equipment rental fees, as well as fees charged to medium to large sized businesses for our scalable, fiber- based enterprise network products and services. Phone revenues primarily represent monthly fees charged to customers. Advertising revenues represent the sale of advertising time on various channels.

Significant service costs include: programming expenses; employee expenses related to wages and salaries of technical personnel who maintain our cable network, perform customer installation activities and provide customer support; HSD costs, including costs of bandwidth connectivity and customer provisioning; phone service costs, including delivery and other expenses; and field operating costs, including outside contractors, vehicle, utilities and pole rental expenses.

Video programming costs, which are generally paid on a per subscriber basis, represent our largest single expense and have historically increased due to both increases in the rates charged for existing programming services and the introduction of new programming services to our customers. These costs are expected to continue to grow principally because of contractual unit rate increases and the increasing demands of television broadcast station owners for retransmission consent fees. As a consequence, it is expected that our video gross margins will decline as increases in programming costs outpace growth in video revenues.

Significant selling, general and administrative expenses include: wages and salaries for our call centers, customer service and support and administrative personnel; franchise fees and taxes; marketing; bad debt; billing; advertising; and office costs related to telecommunications and office administration.

Corporate expenses reflect compensation of corporate employees and other corporate overhead.

*Adjusted OIBDA*

We define Adjusted OIBDA as operating income before depreciation and amortization and non-cash, share-based compensation charges. Adjusted OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results but is not a financial measure calculated in accordance with generally accepted accounting principles (GAAP) in the United States. It is also a significant performance measure in our annual incentive compensation programs. We believe Adjusted OIBDA is useful for investors because it enables them to assess our performance in a manner similar to the methods used by management, and provides a measure that can be used to analyze, value and compare the companies in the cable industry, which may have different depreciation and amortization policies, as well as different non-cash, share-based compensation programs. Adjusted OIBDA and similar measures are used in calculating compliance with the covenants of our debt arrangements. A limitation of Adjusted OIBDA, however, is that it excludes depreciation and amortization, which represents the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. Management utilizes a separate process to budget, measure and evaluate capital expenditures. In addition, Adjusted OIBDA has the limitation of not reflecting the effect of the non-cash, share-based compensation charges.

Adjusted OIBDA should not be regarded as an alternative to either operating income or net income (loss) as an indicator of operating performance nor should it be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA.

**Actual Results of Operations**

*Year Ended December 31, 2008 Compared to Year Ended December 31, 2007*

The following table sets forth the unaudited consolidated statements of operations for the years ended December 31, 2008 and 2007 (dollars in thousands and percentage changes that are not meaningful are marked NM):

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2008 | 2007 | $ Change | % Change |
| Revenues | $1,401,894 | $1,293,375 | $ 108,519 | 8.4% |
| Costs and expenses: | | | | |
| Service costs (exclusive of depreciation and amortization) | 585,362 | 544,072 | 41,290 | 7.6% |
| Selling, general and administrative expenses | 278,942 | 264,006 | 14,936 | 5.7% |
| Corporate expenses | 30,824 | 27,637 | 3,187 | 11.5% |
| Depreciation and amortization | 227,910 | 235,331 | (7,421) | (3.2)% |
| Operating income | 278,856 | 222,329 | 56,527 | 25.4% |
| Interest expense, net | (213,333) | (239,015) | 25,682 | (10.7)% |
| Loss on derivatives, net | (54,363) | (22,902) | (31,461) | NM |
| (Loss) gain on sale of cable systems, net | (21,308) | 11,079 | (32,387) | NM |
| Other expense, net | (9,133) | (9,054) | (79) | 0.9% |
| Loss before provision for income taxes | (19,281) | (37,563) | 18,282 | (48.7)% |
| Provision for income taxes | (58,213) | (57,566) | (647) | 1.1% |
| Net loss | $ (77,494) | $ (95,129) | $ 17,635 | (18.5)% |
| Adjusted OIBDA | $ 511,951 | $ 462,979 | $ 48,972 | 10.6% |

The following represents a reconciliation of Adjusted OIBDA to operating income, which is the most directly comparable GAAP measure (dollars in thousands):

| | Year Ended December 31, 2008 | Year Ended December 31, 2007 | $ Change | % Change |
|---|---|---|---|---|
| Adjusted OIBDA | $ 511,951 | $ 462,979 | $ 48,972 | 10.6% |
| Non-cash, share-based compensation and other share-based awards[1] | (5,185) | (5,319) | 134 | (2.5)% |
| Depreciation and amortization | (227,910) | (235,331) | 7,421 | (3.2)% |
| Operating income | $ 278,856 | $ 222,329 | $ 56,527 | 25.4% |

(1) Includes approximately $17 and $20 for the years ended December 31, 2008 and 2007, respectively, related to the issuance of other share-based awards.

*Revenues*

The following table sets forth revenue and selected subscriber, customer and average monthly revenue statistics for the years ended December 31, 2008 and 2007 (dollars in thousands, except per subscriber data):

| | Year Ended December 31, 2008 | Year Ended December 31, 2007 | $ Change | % Change |
|---|---|---|---|---|
| Video | $ 921,098 | $ 891,594 | $ 29,504 | 3.3% |
| HSD | 324,764 | 278,853 | 45,911 | 16.5% |
| Phone | 89,970 | 55,892 | 34,078 | 61.0% |
| Advertising | 66,062 | 67,036 | (974) | (1.5)% |
| Total | $1,401,894 | $1,293,375 | $ 108,519 | 8.4% |

| | Year Ended December 31, 2008 | Year Ended December 31, 2007 | Increase/ (Decrease) | % Change |
|---|---|---|---|---|
| Basic subscribers | 1,318,000 | 1,324,000 | (6,000) | (0.5)% |
| Digital customers | 643,000 | 557,000 | 86,000 | 15.4% |
| HSD customers | 737,000 | 658,000 | 79,000 | 12.0% |
| Phone customers | 248,000 | 185,000 | 63,000 | 34.1% |
| RGUs[1] | 2,946,000 | 2,724,000 | 222,000 | 8.1% |
| Average total monthly revenue per basic subscriber[2] | $ 88.44 | $ 79.72 | $ 8.72 | 10.9% |

(1) RGUs represent the total of basic subscribers and digital, HSD and phone customers.

(2) Represents total average monthly revenues for the year divided by total average basic subscribers during such period.

Revenues rose 8.4%, largely attributable to the growth in our HSD and phone customers, as well as basic video price increases. RGUs grew 8.1% and average total monthly revenue per basic subscriber was 10.9% higher than the prior year.

Video revenues increased 3.3%, primarily due to basic video rate increases and customer growth in our advanced video products and services, offset in part by a lower number of basic subscribers. During the year ended December 31, 2008, we lost 6,000 basic subscribers, compared to a reduction of 56,000 basic subscribers in the prior year, which includes a significant number of basic subscribers lost in connection with the retransmission consent dispute with an owner of a major television broadcast group and the sale during the period of cable systems serving on a net basis 6,300 basic subscribers. Digital customers grew by 86,000, as compared to an increase of 29,000 in the prior year. We ended the year with 643,000 digital customers, which represents a 48.8% penetration of basic subscribers. As of December 31, 2008, 33.2% of digital customers received DVR and/or HDTV services, as compared to 29.1% in the prior year.

HSD revenues rose 16.5%, principally due to a 12.0% increase in HSD customers and, to a lesser extent, growth in our enterprise network products and services. HSD customers grew by 79,000, as compared to a gain of 80,000 in the prior year. We ended the year with 737,000 customers, or a 25.8% penetration of estimated homes passed.

Phone revenues grew 61.0%, primarily due to a 34.1% increase in phone customers and, to a lesser extent, a reduction in discounted pricing. Phone customers grew by 63,000, as compared to a gain of 80,000 in the prior year. We ended the year with 248,000 customers, which represents a 9.5% penetration of our estimated marketable phone homes. As of December 31, 2008, our phone service was marketed to 91% of our 2.85 million estimated homes passed.

Advertising revenues decreased 1.5%, largely as a result of a sharp decrease in automotive advertising and, to a lesser extent, an unfavorable comparison to the prior year in which we benefitted from political advertising in certain of our service areas.

*Costs and Expenses*

Service costs rose 7.6%, primarily due to higher programming, phone service and field operating expenses, offset in part by lower HSD service costs. Programming expenses grew 7.6%, principally as a result of higher contractual rates charged by our programming vendors. Phone service costs rose 46.6%, mainly due to the growth in phone customers. Field operating expenses grew 13.4%, primarily due to greater vehicle fuel and repair expenses and lower capitalization of overhead costs, offset in part by non-recurring expenses in the prior year relating to the retransmission consent dispute noted above and lower insurance costs. HSD expenses decreased 23.3% due to a reduction in product delivery costs, offset in part by HSD customer growth. Service costs as a percentage of revenues were 41.8% and 42.1% for the years ended December 31, 2008 and 2007, respectively.

Selling, general and administrative expenses rose 5.7%, principally due to higher expenses related to marketing and customer service employee costs, offset in part by a decrease in billing expenses. Marketing expenses grew 12.8%, primarily due to higher staffing levels, more frequent direct mailing campaigns, greater expenses tied to sales activity and greater use of third-party sales support, offset in part by a reduction in other advertising. Customer service employee costs rose 14.9% as a result of higher staffing levels at our call centers. Billing expenses fell 5.0%, primarily due to more favorable rates charged by our billing service provider. Selling, general and administrative expenses as a percentage of revenues were 19.9% and 20.4% for the years ended December 31, 2008 and 2007, respectively.

Corporate expenses rose 11.5%, principally due to higher staffing levels. Corporate expenses as a percentage of revenues were 2.2% and 2.1% for the years ended December 31, 2008 and 2007, respectively.

Depreciation and amortization decreased 3.2%, largely as a result of an increase in the useful lives of certain fixed assets, offset in part by increased deployment of shorter-lived customer premise equipment.

*Adjusted OIBDA*

Adjusted OIBDA rose 10.6%, due to growth in HSD, phone and video revenues, offset in part by higher service costs and, to a lesser extent, selling, general and administrative expenses.

### *Operating Income*

Operating income grew 25.4%, primarily due to the increase in Adjusted OIBDA.

### *Interest Expense, Net*

Interest expense, net, decreased 10.7%, primarily due to lower market interest rates on variable rate debt, offset in part by higher average indebtedness.

### *Loss on Derivatives, Net*

We enter into interest rate exchange agreements, or "interest rate swaps," with counterparties to fix the interest rate on a portion of our variable rate debt to reduce the potential volatility in our interest expense that would otherwise result from changes in variable market interest rates. As of December 31, 2008, we had interest rate swaps with an aggregate notional amount of $2.3 billion, of which $1.0 billion and $0.1 billion are forward starting swaps, which commence during the years ending December 31, 2009 and 2010, respectively. These swaps have not been designated as hedges for accounting purposes. The changes in their mark-to-market values are derived primarily from changes in market interest rates and the decrease in their time to maturity. As a result of the quarterly mark-to-market valuation of these interest rate swaps, we recorded losses on derivatives amounting to $54.4 million and $22.9 million, based upon information provided by our counterparties, for the years ended December 31, 2008 and 2007, respectively.

### *(Loss) Gain on Sale of Cable Systems, Net*

During the year ended December 31, 2008, there was a $21.3 million loss on cable systems, principally due to a $17.7 million non-cash write-down in connection with the sale of certain cable systems in Western North Carolina and $4.0 million of related transaction costs paid, offset in part by miscellaneous net gains of $0.4 million. During the year ended December 31, 2007, we sold a cable system for $32.4 million and recorded a net gain on sale of $11.1 million.

### *Other Expense, Net*

Other expense, net was $9.1 million for each of the years ended December 31, 2008 and 2007. During the year ended December 31, 2008, other expense, net, included $4.6 million of revolving credit facility commitment fees and $4.1 million of deferred financing costs. During the year ended December 31, 2007, other expense, net, included $4.2 million of revolving credit facility commitment fees and $4.0 million of deferred financing costs.

### *Provision for Income Taxes*

The provision for income taxes was approximately $58.2 million for the year ended December 31, 2008, as compared to a provision for income taxes of $57.6 million for the year ended December 31, 2007. During the year ended December 31, 2008, based on our assessment of the facts and circumstances, we determined that an additional portion of our deferred tax assets from net operating loss carryforwards will not be realized under the more-likely-than-not standard required by SFAS No. 109, *"Accounting for Income Taxes."* As a result, we increased our valuation allowance and recognized a $58.2 million corresponding non-cash charge to income tax expense for the year ended December 31, 2008.

We periodically assess the likelihood of realization of our deferred tax assets considering all available evidence, both positive and negative, including our most recent performance, the scheduled reversal of deferred tax liabilities, our forecast of taxable income in future periods and the availability of prudent tax planning strategies. As a result of these assessments in prior periods and the current period, we have established valuation allowances on a portion of our deferred tax assets due to the uncertainty surrounding the realization of these assets.

### *Net Loss*

As a result of the factors described above, we incurred a net loss for the year ended December 31, 2008 of $77.5 million, as compared to a net loss of $95.1 million for the year ended December 31, 2007.

*Year Ended December 31, 2007 Compared to Year Ended December 31, 2006*

The following table sets forth the unaudited consolidated statements of operations for the years ended December 31, 2007 and 2006 (dollars in thousands and percentage changes that are not meaningful are marked NM):

| | Year Ended December 31, 2007 | Year Ended December 31, 2006 | $ Change | % Change |
|---|---|---|---|---|
| Revenues | $1,293,375 | $1,210,400 | $ 82,975 | 6.9% |
| Costs and expenses: | | | | |
| Service costs (exclusive of depreciation and amortization) | 544,072 | 492,729 | 51,343 | 10.4% |
| Selling, general and administrative expenses | 264,006 | 252,688 | 11,318 | 4.5% |
| Corporate expenses | 27,637 | 25,445 | 2,192 | 8.6% |
| Depreciation and amortization | 235,331 | 215,918 | 19,413 | 9.0% |
| Operating income | 222,329 | 223,620 | (1,291) | (0.6)% |
| Interest expense, net | (239,015) | (227,206) | (11,809) | 5.2% |
| Loss on early extinguishment of debt | — | (35,831) | 35,831 | NM |
| Loss on derivatives, net | (22,902) | (15,798) | (7,104) | 45.0% |
| Gain on sale of cable systems, net | 11,079 | — | 11,079 | NM |
| Other expense | (9,054) | (9,973) | 919 | (9.2)% |
| Loss before provision for income taxes | (37,563) | (65,188) | 27,625 | (42.4)% |
| Provision for income taxes | (57,566) | (59,734) | 2,168 | (3.6)% |
| Net loss | $ (95,129) | $ (124,922) | $ 29,793 | (23.8)% |
| Adjusted OIBDA | $ 462,979 | $ 444,255 | $ 18,724 | 4.2% |

The following represents a reconciliation of Adjusted OIBDA to operating income (dollars in thousands):

| | Year Ended December 31, 2007 | Year Ended December 31, 2006 | $ Change | % Change |
|---|---|---|---|---|
| Adjusted OIBDA | $ 462,979 | $ 444,255 | $ 18,724 | 4.2% |
| Non-cash, share-based compensation and other share-based awards[1] | (5,319) | (4,717) | (602) | 12.8% |
| Depreciation and amortization | (235,331) | (215,918) | (19,413) | 9.0% |
| Operating income | $ 222,329 | $ 223,620 | $ (1,291) | (0.6)% |

(1) Includes approximately $20 and $239 for the years ended December 31, 2007 and 2006, respectively, related to the issuance of other share-based awards.

*Revenues*

The following table sets forth revenue, and selected subscriber, customer and average monthly revenue statistics for the years ended December 31, 2007 and 2006 (dollars in thousands, except per subscriber data):

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2007 | 2006 | $ Change | % Change |
| Video | $ 891,594 | $ 881,530 | $ 10,064 | 1.1% |
| HSD | 278,853 | 237,542 | 41,311 | 17.4% |
| Phone | 55,892 | 26,996 | 28,896 | 107.0% |
| Advertising | 67,036 | 64,332 | 2,704 | 4.2% |
| Total | $1,293,375 | $1,210,400 | $ 82,975 | 6.9% |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2007 | 2006 | Increase/ (Decrease) | % Change |
| Basic subscribers | 1,324,000 | 1,380,000 | (56,000) | (4.1)% |
| Digital customers | 557,000 | 528,000 | 29,000 | 5.5% |
| HSD customers | 658,000 | 578,000 | 80,000 | 13.8% |
| Phone customers | 185,000 | 105,000 | 80,000 | 76.2% |
| RGUs(1) | 2,724,000 | 2,591,000 | 133,000 | 5.1% |
| Average total monthly revenue per basic subscriber(2) | $ 79.72 | $ 71.97 | $ 7.75 | 10.8% |

(1) RGUs represent the total of basic subscribers and digital, HSD and phone customers.

(2) Represents total average monthly revenues for the year divided by total average basic subscribers during such period.

Revenues rose 6.9% year-over-year, largely attributable to the growth in our HSD and phone customers. RGUs grew 5.1% and average total monthly revenue per RGU was 0.9% higher than the prior year.

Video revenues increased 1.1%, due to higher service fees from our advanced video products and services such as DVRs and HDTV, offset by a lower number of basic subscribers. During the year ended December 31, 2007, we lost 56,000 basic subscribers, including a significant number of basic subscribers lost in connection with the retransmission consent dispute with an owner of a major television broadcast group, and the sale of the period of cable systems serving on a net basis 6,300 basic subscribers, as compared to a loss of 43,000 basic subscribers in the prior year. Digital customers grew by 29,000, as compared to an increase of 34,000 in the prior year. We ended the year with 557,000 digital customers, representing a 42.1% penetration of basic subscribers. As of December 31, 2007, 29.1% of digital customers received DVR and/or HDTV services, as compared to 20.0% in the prior year.

HSD revenues rose 17.4%, primarily due to a 13.8% increase in HSD customers. HSD customers grew by 80,000, as compared to a gain of 100,000 in the prior year, ending the year with 658,000 customers, or a 23.2% penetration of estimated homes passed.

Phone revenues grew 107.0%, primarily due to a 76.2% increase in phone customers. Phone customers grew by 80,000, as compared to a gain of 83,000 in the prior year, ending the year with 185,000 customers, or a 7.3% penetration of estimated marketable phone homes.

Advertising revenues increased by 4.2%, as a result of stronger national advertising sales, despite a meaningful decline in political advertising from the prior year.

*Costs and Expenses*

Service costs rose 10.4%, primarily due to customer growth in our phone and HSD services and increases in programming and field operating expenses. Recurring expenses related to our phone and HSD services grew 43.0%, commensurate with the significant increase of our phone and HSD customers. Programming expense rose 5.6%, principally as a result of higher unit costs charged by our programming vendors, offset in part by a lower number of basic subscribers. Field operating costs rose 14.0%, primarily as a result of higher outside contractor usage, increases in utility, fuel and vehicle maintenance costs, costs associated with our mobile workforce management system and the purchase of antennas for distribution to our customers during the aforementioned retransmission consent dispute. Service costs as a percentage of revenues were 42.1% and 40.7% for the years ended December 31, 2007 and 2006, respectively.

Selling, general and administrative expenses rose 4.5%, principally due to higher marketing, bad debt and billing expenses, offset in part by reductions in telecommunication and employee benefit costs. Marketing costs rose by 14.5%, largely due to increases in direct mailing campaigns, higher salaries, sales commissions and recruiting costs and a greater use of outside contracted sales personnel. Bad debt expenses grew by 17.5%, primarily due to higher average write-offs per delinquent account, unusually low write-offs of uncollectable accounts in the prior year and increased collection expense. Billing expenses rose by 5.1%, largely due to increased processing, bank and credit card fees. Selling, general and administrative expenses as a percentage of revenues were 20.4% and 20.9% for the years ended December 31, 2007 and 2006, respectively.

Corporate expenses rose 8.6%, principally due to increases in non-cash, share-based compensation and legal fees. Corporate expenses as a percentage of revenues were 2.1% for each of the years ended December 31, 2007 and 2006.

Depreciation and amortization increased 9.0%, primarily due to increased deployment of customer premise equipment and related installation activities.

*Adjusted OIBDA*

Adjusted OIBDA rose 4.2%, due to revenue growth, especially in HSD and phone, offset in part by increases in service costs and selling, general and administrative expenses.

*Operating Income*

Operating income decreased 0.6% year-over-year, largely due to higher depreciation and amortization and service costs, substantially offset by the growth in Adjusted OIBDA.

*Interest Expense, Net*

Interest expense, net, increased by 5.2%, primarily due to higher average indebtedness, the expiration of certain interest rate hedging agreements with favorable rates and higher market interest rates on variable rate debt.

*Loss on Derivatives, Net*

As of December 31, 2007, we had interest rate swaps with an aggregate notional amount of $1.0 billion. These swaps have not been designated as hedges for accounting purposes. The changes in their mark-to-market values are derived primarily from changes in market interest rates and the decrease in their time to maturity. As a result of the quarterly mark-to-market valuation of these interest rate swaps, we recorded losses on derivatives amounting to $22.9 million and $15.8 million, based upon information provided by our counterparties, for the years ended December 31, 2007 and 2006, respectively.

*Loss on Early Extinguishment of Debt*

We incurred a loss of $35.8 million for the year ended December 31, 2006, as a result of our redemption of our 11% senior notes due 2013.

### *Provision for Income Taxes*

The provision for income taxes was approximately $57.6 million for the year ended December 31, 2007, as compared to a provision for income taxes of $59.7 million for the year ended December 31, 2006. During the year ended December 31, 2007, based on our assessment of the facts and circumstances, we determined that an additional portion of our deferred tax assets from net operating loss carryforwards will not be realized under the more-likely-than-not standard required by SFAS No. 109, *"Accounting for Income Taxes."* As a result, we increased our valuation allowance and recognized a $57.3 million corresponding non-cash charge to income tax expense for the year ended December 31, 2007.

### *Net Loss*

As a result of the factors described above, we incurred a net loss for the year ended December 31, 2007 of $95.1 million, as compared to a net loss of $124.9 million for the year ended December 31, 2006.

## Liquidity and Capital Resources

### *Overview*

We have invested, and will continue to invest, in our network to enhance our reliability and capacity in customer growth, and in the further deployment of advanced product and services. Our capital spending today is devoted primarily to customer growth and the deployment of advanced services. We have a high level of indebtedness and incur significant amounts of interest expense each year. We believe that we will meet interest expense and principal payments, capital spending and other requirements through a combination of our net cash flows from operating activities, borrowing availability under our bank credit facilities, and our ability to secure future external financing. However, there is no assurance that we will be able to obtain sufficient future financing, or, if we were able to do so, that the terms would be favorable to us.

As of December 31, 2008, our total debt was $3.316 billion. Of this amount, $124.5 million matures during the year ending December 31, 2009. During the year ended December 31, 2008, we paid cash interest of $209.2 million, net of capitalized interest. As of December 31, 2008, about 70% of our outstanding indebtedness was at fixed interest rates or subject to interest rate protection.

### *Recent Developments in the Credit Markets*

In light of the unprecedented volatility in financial markets, we continue to assess the impact, if any, of recent market developments, including the bankruptcy, restructuring or merging of certain banks and investment banks on our financial position. These assessments include a review of our continued access to liquidity in the credit markets and counterparty creditworthiness.

In this severely tightened credit environment, we believe we have sufficient liquidity to meet our requirements over the next two years. We fund our liquidity needs for capital investment, working capital, and other financial commitments through cash flow from continuing operations and available revolving credit commitments aggregating $762.2 million as of December 31, 2008. We have $124.5 million of debt maturities in 2009 and $92.0 million of debt maturities in 2010. At this time, we are not aware of any of our revolver banks being in a position where they would be unable to fund borrowings made under our revolving credit commitments. The turmoil in the financial markets may create additional risks in the foreseeable future, including the failure of additional banks, which could reduce amounts available to us under our revolving credit commitments. If the current economic conditions were to persist or worsen, we may not be able to replace the liquidity lost as each revolving credit facility expires, or refinance outstanding balances on maturing revolving credit facilities, term loans or senior notes at all or on acceptable terms. Even if we can secure refinancing, if prevailing credit market conditions persist or worsen, we would likely pay considerably higher interest rates on any refinancing or new financing than those we currently pay.

***Bank Credit Facilities***

We own our cable systems through two principal subsidiaries, Mediacom LLC and Mediacom Broadband LLC. The operating subsidiaries of Mediacom LLC ("LLC Group") have a $1.217 billion bank credit facility (the "LLC Credit Facility") expiring in 2015, of which $895.0 million was outstanding as of December 31, 2008. The LLC Credit Facility consists of a $400.0 million revolving credit commitment, a $180.0 million term loan and a $637.0 million term loan. The operating subsidiaries of Mediacom Broadband LLC ("Broadband Group") have a $1.755 billion bank credit facility (the "Broadband Credit Facility") expiring in 2016, of which $1.296 billion was outstanding as of December 31, 2008. The Broadband Credit Facility consists of a $516.7 million revolving credit commitment, a $106.5 million term loan, a $784.0 million term loan and a $348.3 million term loan. Continued access to our credit facilities is subject to our remaining in compliance with the covenants of these credit facilities, including covenants tied to our operating performance, principally the requirement that we maintain a maximum ratio of total senior debt to cash flow, as defined in our credit agreements, of 6.0 to 1.0. The average interest rates on outstanding debt under the bank credit facilities as of December 31, 2008 and 2007 were 4.3% and 6.7%, respectively, including the effect of the interest rate exchange agreements discussed below.

As of December 31, 2008, we had unused revolving credit commitments of approximately $762.2 million, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of our debt arrangements. As of the same date, $86.4 million of unused revolving credit commitments were subject to scheduled reductions terminating on March 31, 2010; $311.8 million and $364.0 million of our unused credit commitments expire on September 30, 2011 and December 31, 2012, respectively, and are not subject to scheduled reductions prior to maturity. Giving pro forma effect to the completion of the Exchange Agreement on February 13, 2009, we had unused revolving credit commitments of approximately $652.2 million as of December 31, 2008.

The LLC Credit Facility is collateralized by LLC Group's pledge of all its ownership interests in the operating subsidiaries owned by LLC Group and is guaranteed by LLC Group on a limited recourse basis to the extent of such ownership interests. The Broadband Credit Facility is collateralized by Broadband Group's pledge of all its ownership interests in the operating subsidiaries owned by Broadband Group and is guaranteed by Broadband Group on a limited recourse basis to the extent of such ownership interests.

As of December 31, 2008, approximately $19.3 million of letters of credit were issued under our bank credit facilities to various parties as collateral for our performance relating to insurance and franchise requirements.

***Interest Rate Swaps***

We use interest rate exchange agreements, or interest rate swaps, to fix the applicable Eurodollar portion of debt under our Broadband and LLC Credit Facilities. As of December 31, 2008, we had current interest rate swaps with various banks pursuant to which the interest rate on $1.2 billion is fixed at a weighted average rate of approximately 4.8%. As of the same date, about 70% of our outstanding indebtedness was at fixed interest rates or subject to interest rate protection. These agreements have been accounted for on a mark-to-market basis as of, and for the year ended December 31, 2008. Our current interest rate swaps are scheduled to expire in the amounts of: $800 million, $300 million and $100 million during the years ended December 31, 2009, 2010 and 2011, respectively.

In 2008, we entered into forward starting interest rate swaps that fixed rates for two years at a weighted average of approximately 3.2% on $400.0 million of floating rate debt, commencing in 2009 and approximately 2.9% on $100.0 million of floating rate debt, commencing in 2010. We also entered forward starting interest rate swaps that fixed rates for three years at a weighted average rate of approximately 3.3% on $600.0 million of floating rate debt, commencing in 2009. These agreements have been accounted for on a mark-to-market basis as of, and for the year ended December 31, 2008.

Although we may be exposed to future losses in the event of counterparties' non-performance, we do not expect such losses, if any, to be material.

### *Senior Notes*

We have issued senior notes through Mediacom LLC and Mediacom Broadband LLC totaling $1.125 billion as of December 31, 2008. The indentures governing our senior notes also contain financial and other covenants, though they are generally less restrictive than those found in our bank credit facilities and do not require us to maintain any financial ratios. Principal covenants include a limitation on the incurrence of additional indebtedness based upon a maximum ratio of total indebtedness to cash flow, as defined in these debt agreements, ranging from 7.0 to 1.0 at Mediacom LLC to 8.5 to 1.0 at Mediacom Broadband. These agreements also contain limitations on dividends, investments and distributions.

### *Covenant Compliance and Debt Ratings*

For all periods through December 31, 2008, we were in compliance with all of the covenants under our bank credit facilities and senior note arrangements. We believe that we will not have any difficulty complying with any of the applicable covenants in the foreseeable future.

Our future access to the debt markets and the terms and conditions we receive are influenced by our debt ratings. Our corporate credit ratings are B1, with a stable outlook, by Moodys, and B+, with a stable outlook, by Standard and Poors. There are no covenants, events of default, borrowing conditions or other terms in our credit facilities or our other debt arrangements that are based on changes in our credit ratings assigned by any rating agency. Any future downgrade to our credit ratings could increase the interest rate on future debt issuance and adversely impact our ability to raise additional funds.

### *Operating Activities*

Net cash flows provided by operating activities were $268.7 million for the year ended December 31, 2008, primarily due to Adjusted OIBDA of $512.0 million, offset in part by interest expense of $213.3 million and the $22.4 million net change in our operating assets and liabilities. The net change in our operating assets and liabilities was principally due to a decrease in accounts payable and accrued expenses of $22.0 million and a decrease of other non-current liabilities of $3.2 million, offset in part by an increase in deferred revenue of $3.3 million.

Net cash flows provided by operating activities were $188.8 million for the year ended December 31, 2007, primarily due to Adjusted OIBDA of $463.0 million, offset in part by interest expense of $239.0 million and the $30.8 million net change in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily due to an decrease in accounts payable and accrued expenses of $21.8 million, an increase in our accounts receivable, net, of $6.3 million, an increase in our prepaid expenses and other assets of $5.4 million, offset in part by an increase in deferred revenue of $4.7 million.

### *Investing Activities*

Net cash flows used in investing activities were $289.8 million for the year ended December 31, 2008. Capital expenditures were higher by $62.4 million over the prior year, and represented all of the net cash flows used in investing activities. The increase in capital expenditures was largely due to higher spending on customer premise equipment as a result of customer growth, upgrades and rebuilds of existing plant to increase bandwidth capacity and scalable infrastructure for digital equipment. In 2009, we expect to see a reduction in capital expenditures of $55 — $70 million, primarily due to the completion in 2008 of non-recurring projects related to system upgrades, all-digital system launches and the broadcast digital transition, as well as lower spending on customer premise equipment.

Net cash flows used in investing activities were $202.3 million for the year ended December 31, 2007, a decrease of $7.9 million over the prior year. Capital expenditures of $227.4 million represented most of the net cash flows used in investing activities and were offset in part by proceeds received from the sale of cable systems, net of acquisitions, of approximately $25.1 million. The increase in capital expenditures was primarily due to higher spending on customer premise equipment and related installation activities as a result of customer growth, as well as on scalable infrastructure for HSD and digital equipment.

*Financing Activities*

Net cash flows provided by financing activities were $68.8 million for the year ended December 31, 2008, principally due to net bank financing of $101.0 million, offset in part by repurchases of our Class A common stock totaling $22.4 million and financing costs of $10.9 million.

Net cash flows used in financing activities were $3.5 million for the year ended December 31, 2007, primarily due to repurchases of our Class A common stock totaling $69.0 million and other financing activities of $5.8 million, which were funded by net bank financing of $70.4 million.

On September 7, 2008, we entered into a Share Exchange Agreement (the "Exchange Agreement") with Shivers Investments, LLC ("Shivers") and Shivers Trading & Operating Company ("STOC"). Both STOC and Shivers are affiliates of Morris Communications Company, LLC ("Morris Communications"). STOC, Shivers and Morris Communications are controlled by William S. Morris III, who together with another Morris Communications representative, Craig S. Mitchell, held two seats on our Board of Directors.

On February 13, 2009, we completed the Exchange Agreement pursuant to which we exchanged 100% of the shares of stock of a wholly-owned subsidiary, which held approximately $110 million of cash and non-strategic cable systems serving approximately 25,000 basic subscribers, for 28,309,674 shares of Mediacom Class A common stock held by Shivers Investments. As of December 31, 2008, after giving effect to the completion of this transaction, our total Class A and Class B outstanding shares were approximately 66.5 million. Effective upon closing of the transaction, Messrs. Morris and Mitchell resigned from our Board of Directors.

**Contractual Obligations and Commercial Commitments**

The following table summarizes our contractual obligations and commercial commitments, and the effects they are expected to have on our liquidity and cash flow, for the five years subsequent to December 31, 2008 and thereafter (dollars in thousands)*:

| | Debt | Operating Leases | Interest Expense(1) | Purchase Obligations(2) | Total |
|---|---|---|---|---|---|
| 2009 | $ 124,500 | $ 6,212 | $ 195,313 | $ 49,101 | $ 375,126 |
| 2010-2011 | 365,000 | 9,930 | 339,666 | 23,152 | 737,748 |
| 2012-2013 | 647,250 | 5,282 | 236,507 | 250 | 889,289 |
| Thereafter | 2,179,250 | 8,531 | 145,919 | — | 2,333,700 |
| Total cash obligations | $3,316,000 | $ 29,955 | $ 917,405 | $ 72,503 | $ 4,335,863 |

* Refer to Note 7 to our consolidated financial statements for a discussion of our long-term debt, and to Note 12 for a discussion of our operating leases and other commitments and contingencies.

(1) Interest payments on floating rate debt and interest rate swaps are estimated using amounts outstanding as of December 31, 2008 and the average interest rates applicable under such debt obligations.

(2) We have contracts with programmers who provide video programming services to our subscribers. Our contracts typically provide that we have an obligation to purchase video programming for our subscribers as long as we deliver cable services to such subscribers. We have no obligation to purchase these services if we are not providing cable services, except when we do not have the right to cancel the underlying contract or for contracts with a guaranteed minimum commitment. We have included such amounts in our Purchase Obligations above, as follows: $18.4 million for 2009, $0.6 million for 2010-2011 and $0.3 million for 2012-2013.

**Critical Accounting Policies**

The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Periodically, we evaluate our estimates, including those related to doubtful accounts, long-lived assets, capitalized costs and accruals. We base our estimates on historical experience and on various other assumptions that we believe are reasonable. Actual results may differ from these estimates under different assumptions or conditions. We believe that the application of the critical accounting policies discussed below requires significant judgments and estimates on the part of management. For a summary of our accounting policies, see Note 3 of our consolidated financial statements.

***Property, Plant and Equipment***

We capitalize the costs of new construction and replacement of our cable transmission and distribution facilities and new service installation in accordance with SFAS No. 51, "*Financial Reporting by Cable Television Companies.*" Costs associated with subsequent installations of additional services not previously installed at a customer's dwelling are capitalized to the extent such costs are incremental and directly attributable to the installation of such additional services. Capitalized costs include all direct labor and materials as well as certain indirect costs. Capitalized costs are recorded as additions to property, plant and equipment and depreciated over the average life of the related assets. We use standard costing models, developed from actual historical costs and relevant operational data, to determine our capitalized amounts. These models include labor rates, overhead rates and standard time inputs to perform various installation and construction activities. The development of these standards involves significant judgment by management, especially in the development of standards for our newer, advanced products and services in which historical data is limited. Changes to the estimates or assumptions used in establishing these standards could be material. We perform periodic evaluations of the estimates used to determine the amount of costs that are capitalized. Any changes to these estimates, which may be significant, are applied in the period in which the evaluations were completed.

***Valuation and Impairment Testing of Indefinite-lived Intangibles***

As of December 31, 2008, we had approximately \$2.0 billion of unamortized intangible assets, including goodwill of \$220.7 million and franchise rights of \$1.8 billion on our consolidated balance sheets. These intangible assets represented approximately 54% of our total assets.

Our cable systems operate under non-exclusive cable franchises, or franchise rights, granted by state and local governmental authorities for varying lengths of time. We acquired these franchise rights through acquisitions of cable systems over the past several years. These acquisitions were accounted for using the purchase method of accounting. The value of a franchise is derived from the economic benefits we receive from the right to solicit new subscribers and to market new products and services, such as advanced digital television, HSD and phone, in a specific market territory. We concluded that our franchise rights have an indefinite useful life since, among other things, there are no legal, regulatory, contractual, competitive, economic or other factors limiting the period over which these franchise rights contribute to our revenues and cash flows. Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. In accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets,*" we do not amortize franchise rights and goodwill. Instead, such assets are tested annually for impairment or more frequently if impairment indicators arise.

We follow the provisions of SFAS No. 142 to test our goodwill and franchise rights for impairment. We assess the fair values of each cable system cluster using discounted cash flow methodology, under which the fair value of cable franchise rights are determined in a direct manner. This assessment involves significant judgment, including certain assumptions and estimates that determine future cash flow expectations and other future benefits, which are consistent with the expectations of buyers and sellers of cable systems in determining fair value. These assumptions and estimates include discount rates, revenues per customer, market penetration as a percentage of homes passed and operating margin. We also consider market transactions, market valuations and other valuations using multiples of operating income before depreciation and amortization to confirm the reasonableness of fair values determined by the discounted cash flow methodology. Significant impairment in value resulting in impairment charges may result if the estimates and assumptions used in the fair value determination change in the future, and such impairments could potentially be material.

Based on the guidance outlined in EITF No. 02-7, *"Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets,"* we determined that the unit of accounting, or reporting unit, for testing goodwill and franchise rights for impairment resides at a cable system cluster level. Such level reflects the financial reporting level managed and reviewed by the corporate office (i.e., chief operating decision maker) as well as how we allocated capital resources and utilize the assets. Lastly, the reporting unit level reflects the level at which the purchase method of accounting for our acquisitions was originally recorded. We have two reporting units for the purpose of applying SFAS No. 142, Mediacom Broadband and Mediacom LLC.

In accordance with SFAS No. 142, we are required to determine goodwill impairment using a two-step process. The first step compares the fair value of a reporting unit with our carrying amount, including goodwill. If the fair value of the reporting unit exceeds our carrying amount, goodwill of the reporting unit is considered not impaired and the second step is unnecessary. If the carrying amount of a reporting unit exceeds our fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill, calculated using the residual method, with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value, the excess is recognized as an impairment loss.

The impairment test for our franchise rights and other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, the excess is recognized as an impairment loss.

Since our adoption of SFAS No. 142 in 2002, we have not recorded any impairments as a result of our impairment testing. We completed our most recent impairment test as of October 1, 2008, which reflected no impairment of our franchise rights, goodwill or other intangible assets.

Our Class A common stock price has had significant volatility during the fourth quarter of 2008, along with a precipitous drop in equity securities' prices across all sectors of the United States. Because there has not been a change in the fundamentals of our business, we do not believe that our stock price is the sole indicator of the underlying value of the assets in our reporting units. We have therefore determined that this short-term volatility in our stock price does not qualify as a triggering event under SFAS No. 142, and as such, no interim impairment test is required as of December 31, 2008.

We could record impairments in the future if there are changes in the long-term fundamentals of our business, in general market conditions or in the regulatory landscape that could prevent us from recovering the carrying value of our long-lived intangible assets. In the near term, the economic conditions currently affecting the U.S. economy and how that may impact the fundamentals of our business, together with the recent volatility in our stock price, may have a negative impact on the fair values of the assets in our reporting units. For illustrative purposes, if there were a hypothetical decline of 5%, 10% and 20% in the fair values determined for cable franchise rights at our Mediacom Broadband reporting unit, an impairment loss of $0, $64.7 million and $196.1 million would result as of our impairment testing date of October 1, 2008, respectively. In addition, a hypothetical decline of 20% in the fair values determined for goodwill and other finite-lived intangible assets at the same reporting unit, would not result in any impairment loss as of October 1, 2008. A hypothetical decline of 20% in the fair values determined for goodwill, cable franchise rights and other finite-lived intangible assets at our Mediacom LLC reporting unit, would not result in any impairment loss as of October 1, 2008.

***Income Taxes***

We account for income taxes using the liability method as stipulated by SFAS No. 109. This method generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities and anticipated benefit of utilizing net operating loss carryforwards.

In evaluating our ability to recover our deferred tax assets and net operating loss carryforwards, we assess all available positive and negative evidence including our most recent performance, the scheduled reversal of deferred tax liabilities, our forecast of taxable income in future periods and available prudent tax planning strategies. In forecasting future taxable income we use assumptions that require significant judgment and are consistent with the estimates we use to manage our business. During 2008, we increased our valuation allowance against deferred tax assets by $58.2 million and recognized a corresponding non-cash charge to the provision for income taxes. At December 31, 2008, the valuation allowance had a balance of approximately $677.4 million. We will continue to monitor the need for the deferred tax asset valuation allowance in accordance with SFAS No. 109. We expect to add to our valuation allowance any increase in deferred tax liabilities relating to indefinite-lived intangible assets. We will also adjust our valuation allowance if we assess that there is sufficient change in our ability to recover our deferred tax assets. Our income tax expense in future periods will be reduced or increased to the extent of offsetting decreases or increases, respectively, in our valuation allowance. These changes could have a significant impact on our future earnings.

***Share-based Compensation***

We estimate the fair value of stock options granted using the Black-Scholes option-pricing model. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the periods the estimates are revised. Actual results, and future changes in estimates, may differ substantially from our current estimates.

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *"Fair Value* Measurements. " SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Effective January 1, 2008, we adopted SFAS No. 157 for our financial assets and liabilities. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. We are evaluating the impact of our nonfinancial assets and liabilities which include goodwill and other intangible assets. SFAS No. 157 establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. The adoption of SFAS No. 157 on January 1, 2008 did not have a material effect on our consolidated financial statements.

The following sets forth our financial assets and liabilities measured at fair value on a recurring basis at December 31, 2008. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by SFAS No. 157, which prioritizes the inputs used in measuring fair value.

- Level 1 — Quoted market prices in active markets for identical assets or liabilities.
- Level 2 — Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 — Unobservable inputs that are not corroborated by market data.

As of December 31, 2008, our interest rate swap liabilities, net, were valued at $80.2 million using Level 2 inputs.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115."* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We adopted SFAS No. 159 as of January 1, 2008. We did not elect the fair value option of SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141 (R), *"Business Combinations,"* which continues to require the treatment that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole, at their fair value as of the acquisition date. Under SFAS No. 141 (R), all transaction costs are expensed as incurred. SFAS No. 141 (R) replaces SFAS No. 141. The guidance in SFAS No. 141 (R) will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51."* SFAS No. 160 requires that a noncontrolling interest (previously referred to as a minority interest) be separately reported in the equity section of the consolidated entity's balance sheet. SFAS No. 160 also established accounting and reporting standards for: (i) ownership interests in subsidiaries held by parties other than the parent, (ii) the amount of consolidated net income attributable to the parent and to the noncontrolling interest, (iii) changes in a parent's ownership interest, (iv) the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated and (v) sufficient disclosures to identify the interest of the parent and the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently assessing the potential impact that the adoption of SFAS No. 160 will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133."* SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We have not completed our evaluation of SFAS No. 161 to determine the impact that adoption will have on our consolidated financial condition or results of operations.

**Inflation and Changing Prices**

Our systems' costs and expenses are subject to inflation and price fluctuations. Such changes in costs and expenses can generally be passed through to subscribers. Programming costs have historically increased at rates in excess of inflation and are expected to continue to do so. We believe that under the FCC's existing cable rate regulations we may increase rates for cable services to more than cover any increases in programming. However, competitive conditions and other factors in the marketplace may limit our ability to increase our rates.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we use interest rate swaps with counterparties to fix the interest rate on a portion of our variable interest rate debt. As of December 31, 2008, we had $1.2 billion of interest rate swaps with various banks with a weighted average fixed rate of approximately 4.8%. We also had several forward starting interest rate swaps with a fixed rate of approximately 3.2%, $1.0 billion and $0.1 billion of which commence during the years ended December 31, 2009 and 2010, respectively. The fixed rates of the interest rate swaps are offset against the applicable Eurodollar rate to determine the related interest expense. Under the terms of the interest rate swaps, we are exposed to credit risk in the event of nonperformance by the other parties; however, we do not anticipate the nonperformance of any of our counterparties. At December 31, 2008, based on the mark-to-market valuation, we would have paid approximately $80.2 million, including accrued interest, if we terminated these interest rate swaps. Our current interest rate swaps are scheduled to expire in the amounts of $800.0 million, $300.0 million and $100.0 million during the years ended December 31, 2009, 2010 and 2011 respectively. See Notes 3 and 7 to our consolidated financial statements.

Our interest rate swaps and financial contracts do not contain credit rating triggers that could affect our liquidity.

The table below provides the expected maturity and estimated fair value of our debt as of December 31, 2008 (all dollars in thousands).

| | Senior Notes | Bank Credit Facilities | Total |
|---|---|---|---|
| Expected Maturity: | | | |
| January 1, 2009 to December 31, 2009 | $ — | $ 124,500 | $ 124,500 |
| January 1, 2010 to December 31, 2010 | — | 92,000 | 92,000 |
| January 1, 2011 to December 31, 2011 | 125,000 | 148,000 | 273,000 |
| January 1, 2012 to December 31, 2012 | — | 72,000 | 72,000 |
| January 1, 2013 to December 31, 2013 | 500,000 | 75,250 | 575,250 |
| Thereafter | 500,000 | 1,679,250 | 2,179,250 |
| Total | $ 1,125,000 | $ 2,191,000 | $ 3,316,000 |
| Fair Value | $ 790,000 | $ 1,420,773 | $ 2,210,773 |
| Weighted Average Interest Rate | 8.9% | 4.3% | 5.8% |

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**Contents**

**Report of Independent Registered Public Accounting Firm**

To the Shareholders of Mediacom Communications Corporation:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Mediacom Communications Corporation and its subsidiaries (the "Company") at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting, appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
New York, New York
March 13, 2009

## MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| | (Amounts in thousands) | |
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash | $ 67,111 | $ 19,388 |
| Accounts receivable, net of allowance for doubtful accounts of $2,774 and $2,107 respectively | 81,086 | 81,509 |
| Prepaid expenses and other current assets | 17,615 | 20,630 |
| Deferred tax assets | 8,260 | 2,424 |
| Assets held for sale | 1,693 | 649 |
| Total current assets | 175,765 | 124,600 |
| Investment in cable television systems: | | |
| Property, plant and equipment, net of accumulated depreciation of $1,765,319 and $1,564,583, respectively | 1,476,287 | 1,412,139 |
| Franchise rights | 1,793,579 | 1,793,549 |
| Goodwill | 220,646 | 220,646 |
| Subscriber lists and other intangible assets, net of accumulated amortization of $155,721 and $153,184 respectively | 7,994 | 10,532 |
| Assets held for sale | 10,933 | 28,927 |
| Total investment in cable television systems | 3,509,439 | 3,465,793 |
| Other assets, net of accumulated amortization of $21,922 and $27,172 , respectively | 33,785 | 24,817 |
| Total assets | $ 3,718,989 | $ 3,615,210 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses and other current liabilities | $ 268,574 | $ 246,915 |
| Deferred revenue | 54,316 | 51,015 |
| Current portion of long-term debt | 124,500 | 94,533 |
| Liabilities held for sale | 2,020 | 570 |
| Total current liabilities | 449,410 | 393,033 |
| Long-term debt, less current portion | 3,191,500 | 3,120,500 |
| Deferred tax liabilities | 380,650 | 316,602 |
| Other non-current liabilities | 44,073 | 38,164 |
| Total liabilities | 4,065,633 | 3,868,299 |
| Commitments and contingencies (Note 8) | | |
| STOCKHOLDERS' DEFICIT | | |
| Class A common stock, $.01 par value; 300,000,000 shares authorized; 94,984,989 shares issued and 67,784,366 shares outstanding as of December 31, 2008 and 93,825,218 shares issued and 82,761,606 shares outstanding as of December 31, 2007 | 950 | 943 |
| Class B common stock, $.01 par value; 100,000,000 shares authorized; 27,001,944 shares issued and outstanding as of December 31, 2008 and December 31, 2007, respectively | 270 | 270 |
| Additional paid-in capital | 1,004,334 | 997,404 |
| Accumulated deficit | (1,198,734) | (1,121,242) |
| Treasury stock, at cost, 27,200,623 and 22,281,222 shares of Class A common stock, as of December 31, 2008 and December 31, 2007, respectively | (153,464) | (130,464) |
| Total stockholders' deficit | (346,644) | (253,089) |
| Total liabilities and stockholders' deficit | $ 3,718,989 | $ 3,615,210 |

The accompanying notes are an integral part of these statements.

## MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| | (Amounts in thousands) | | |
| Revenues | $1,401,894 | $1,293,375 | $1,210,400 |
| Costs and expenses: | | | |
| Service costs (exclusive of depreciation and amortization) | 585,362 | 544,072 | 492,729 |
| Selling, general and administrative expenses | 278,942 | 264,006 | 252,688 |
| Corporate expenses | 30,824 | 27,637 | 25,445 |
| Depreciation and amortization | 227,910 | 235,331 | 215,918 |
| Operating income | 278,856 | 222,329 | 223,620 |
| Interest expense, net | (213,333) | (239,015) | (227,206) |
| Loss on early extinguishment of debt | — | — | (35,831) |
| Loss on derivatives, net | (54,363) | (22,902) | (15,798) |
| (Loss) gain on sale of cable systems, net | (21,308) | 11,079 | — |
| Other expense, net | (9,133) | (9,054) | (9,973) |
| Loss before income taxes | (19,281) | (37,563) | (65,188) |
| Provision for income taxes | (58,213) | (57,566) | (59,734) |
| Net loss | $ (77,494) | $ (95,129) | $ (124,922) |
| Basic — weighted average shares outstanding | 95,548 | 107,828 | 110,971 |
| Basic — loss per share | $ (0.81) | $ (0.88) | $ (1.13) |
| Diluted — weighted average shares outstanding | 95,548 | 107,828 | 110,971 |
| Diluted — loss per share | $ (0.81) | $ (0.88) | $ (1.13) |

The accompanying notes are an integral part of these statements.

## MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY

| | Class A Common Stock | Class B Common Stock | Additional Paid-In Capital | Accumulated Deficit | Treasury Stock | Deferred Compensation | Total |
|---|---|---|---|---|---|---|---|
| | | | (All dollar amounts in thousands) | | | | |
| **Balance, December 31, 2005** | $ 933 | $ 274 | $ 990,584 | $ (901,191) | $ (26,636) | $ (4,857) | $ 59,107 |
| Net loss | — | — | — | (124,922) | — | — | (124,922) |
| Share-based compensation | — | — | 4,478 | — | — | — | 4,478 |
| Issuance of common stock in employee stock purchase plan | 2 | — | 908 | — | — | — | 910 |
| Issuance of restricted stock units, net of forfeitures | — | — | — | — | (60) | — | (60) |
| Deferred compensation | 3 | — | (4,860) | — | — | 4,857 | — |
| Treasury stock, at cost | — | — | — | — | (34,327) | — | (34,327) |
| Transfer of stock | — | (3) | 3 | — | — | — | — |
| **Balance, December 31, 2006** | $ 938 | $ 271 | $ 991,113 | $ (1,026,113) | $ (61,023) | $ — | $ (94,814) |
| Net loss | — | — | — | (95,129) | — | — | (95,129) |
| Share-based compensation | — | — | 5,299 | — | — | — | 5,299 |
| Issuance of common stock in employee stock purchase plan | 2 | — | 962 | — | (3) | — | 961 |
| Issuance of restricted stock units, net of forfeitures | 2 | — | (2) | — | (402) | — | (402) |
| Exercise of stock options, net | — | — | 32 | — | — | — | 32 |
| Treasury stock, at cost | — | — | — | — | (69,036) | — | (69,036) |
| Transfer of stock | 1 | (1) | — | — | — | — | — |
| **Balance, December 31, 2007** | $ 943 | $ 270 | $ 997,404 | $ (1,121,242) | $ (130,464) | $ — | $ (253,089) |
| Net loss | — | — | — | (77,494) | — | — | (77,494) |
| Share-based compensation | — | — | 5,168 | — | — | — | 5,168 |
| Issuance of common stock in employee stock purchase plan | 2 | — | 1,012 | — | — | — | 1,014 |
| Issuance of restricted stock units, net of forfeitures | — | — | — | — | (609) | — | (609) |
| Exercise of stock options, net | — | — | 755 | — | — | — | 755 |
| Treasury stock, at cost | — | — | — | — | (22,389) | — | (22,389) |
| Transfer of stock | 5 | — | (5) | 2 | (2) | — | — |
| **Balance, December 31, 2008** | $ 950 | $ 270 | $ 1,004,334 | $ (1,198,734) | $ (153,464) | $ — | $ (346,644) |

The accompanying notes are an integral part of these statements.

## MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| | (Amounts in thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $ (77,494) | $ (95,129) | $ (124,922) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | |
| Depreciation and amortization | 227,910 | 235,331 | 215,918 |
| Loss on derivatives, net | 54,363 | 22,902 | 15,798 |
| Write-down — assets held for sale | 17,680 | — | — |
| Loss (gain) on sale of cable systems, net | 170 | (11,079) | — |
| Loss on early extinguishment of debt | — | — | 11,206 |
| Amortization of deferred financing costs | 5,070 | 4,884 | 5,998 |
| Share-based compensation | 5,168 | 5,299 | 4,478 |
| Deferred income taxes | 58,213 | 57,345 | 59,527 |
| Changes in assets and liabilities, net of effects from acquisitions: | | | |
| Accounts receivable, net | (778) | (6,342) | (11,877) |
| Prepaid expenses and other assets | 338 | (5,360) | 118 |
| Accounts payable and accrued expenses | (21,983) | (21,767) | 400 |
| Deferred revenue | 3,301 | 4,722 | 5,220 |
| Other non-current liabilities | (3,243) | (2,014) | (4,959) |
| Net cash flows provided by operating activities | $ 268,715 | $ 188,792 | $ 176,905 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | $ (289,825) | $ (227,409) | $ (210,235) |
| Acquisition of cable system | — | (7,274) | — |
| Proceeds from sales of cable systems | — | 32,348 | — |
| Net cash flows used in investing activities | $ (289,825) | $ (202,335) | $ (210,235) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| New borrowings | $1,035,000 | $ 412,525 | $2,181,000 |
| Repayment of debt | (934,033) | (342,091) | (1,823,552) |
| Redemption/repayment of senior notes | — | — | (572,500) |
| Issuance of senior notes | — | — | 300,000 |
| Repurchases of Class A common stock | (22,389) | (69,036) | (34,386) |
| Proceeds from issuance of common stock in employee stock purchase plan | 1,012 | 962 | 909 |
| Other financing activities — book overdrafts | 130 | (5,814) | 3,916 |
| Financing costs | (10,887) | — | (2,953) |
| Net cash flows provided by (used in) financing activities | $ 68,833 | $ (3,454) | $ 52,434 |
| Net increase (decrease) in cash | 47,723 | (16,997) | 19,104 |
| CASH, beginning of period | 19,388 | 36,385 | 17,281 |
| CASH, end of period | $ 67,111 | $ 19,388 | $ 36,385 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | | |
| Cash paid during the period for interest, net of amounts capitalized | $ 209,164 | $ 245,143 | $ 247,507 |

The accompanying notes are an integral part of these statements.

**MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## (1) ORGANIZATION

Mediacom Communications Corporation ("MCC," and collectively with our direct and indirect subsidiaries, the "Company") was organized in November 1999, and is involved in the development of cable systems serving smaller cities and towns in the United States. Through these cable systems, we provide entertainment, information and telecommunications services to our subscribers and customers. As of December 31, 2008, we were operating cable systems in 22 states, principally Alabama, California, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Minnesota, Missouri, North Carolina and South Dakota.

## (2) LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2008, we had unused revolving credit commitments of $762.2 million, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of our debt arrangements.

## (3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Basis of Preparation of Consolidated Financial Statements*

The consolidated financial statements include the accounts of MCC and our subsidiaries. All significant intercompany transactions and balances have been eliminated. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management's most difficult and subjective judgments include: assessment and valuation of intangibles, accounts receivable allowance, useful lives of property, plant and equipment, share-based compensation, and the recognition and measurement of income tax assets and liabilities. Actual results could differ from those and other estimates. Effective January 1, 2006, we adopted SFAS No. 123(R), *"Share-Based Payment."* See Note 8.

### *Revenue Recognition*

Revenues from video, HSD and phone services are recognized when the services are provided to our customers. Credit risk is managed by disconnecting services to customers who are deemed to be delinquent. Installation revenues are recognized as customer connections are completed because installation revenues are less than direct installation costs. Advertising sales are recognized in the period that the advertisements are exhibited. Under the terms of our franchise agreements, we are required to pay local franchising authorities up to 5% of our gross revenues derived from providing cable services. We normally pass these fees through to our customers. Franchise fees are reported in their respective revenue categories and included in selling, general and administrative expenses.

Franchise fees imposed by local governmental authorities are collected on a monthly basis from our customers and are periodically remitted to the local governmental authorities. Because franchise fees are our obligation, we present them on a gross basis with a corresponding operating expense. Franchise fees reported on a gross basis amounted to approximately $36.8 million, $36.6 million and $36.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

### *Allowance for Doubtful Accounts*

The allowance for doubtful accounts represents our best estimate of probable losses in the accounts receivable balance. The allowance is based on the number of days outstanding, customer balances, historical experience and other currently available information. During the year ended December 31, 2006, we revised our estimate of probable losses in the accounts receivable of our advertising business to better reflect historical collection experience. The change in estimate resulted in a benefit to the consolidated statement of operations of $0.4 million for the year ended December 31, 2006.

During the years ended December 31, 2008 and 2006, we revised our estimate of probable losses in the accounts receivable of our video, HSD and phone business to better reflect historical collection experience. The change in estimate resulted in a loss of $0.6 million and income of $1.0 million in our consolidated statement of operations for the years ended December 31, 2008 and 2006, respectively.

*Concentration of Credit Risk*

Our accounts receivable are comprised of amounts due from subscribers in varying regions throughout the United States. Concentration of credit risk with respect to these receivables is limited due to the large number of customers comprising our customer base and their geographic dispersion. We invest our cash with high quality financial institutions.

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost. Additions to property, plant and equipment generally include material, labor and indirect costs. Depreciation is calculated on a straight-line basis over the following useful lives:

| | |
|---|---|
| Buildings | 40 Years |
| Leasehold improvements | Life of respective lease |
| Cable systems and equipment and subscriber devices | 5 to 20 years |
| Vehicles | 3 to 5 years |
| Furniture, fixtures and office equipment | 5 years |

We capitalize improvements that extend asset lives and expense repairs and maintenance as incurred. At the time of retirements, write-offs, sales or other dispositions of property, the original cost and related accumulated depreciation are removed from the respective accounts and the gains or losses are included in depreciation and amortization expense in the consolidated statement of operations.

We capitalize the costs associated with the construction of cable transmission and distribution facilities, new customer installations and indirect costs associated with our telephony product. Costs include direct labor and material, as well as certain indirect costs including interest. We perform periodic evaluations of certain estimates used to determine the amount and extent that such costs that are capitalized. Any changes to these estimates, which may be significant, are applied in the period in which the evaluations were completed. The costs of disconnecting service at a customer's dwelling or reconnecting to a previously installed dwelling are charged as expense in the period incurred. Costs associated with subsequent installations of additional services not previously installed at a customer's dwelling are capitalized to the extent such costs are incremental and directly attributable to the installation of such additional services. See also Note 5.

*Capitalized Software Costs*

We account for internal-use software development and related costs in accordance with AICPA Statement of Position No. 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* Software development and other related costs consist of external and internal costs incurred in the application development stage to purchase and implement the software that will be used in our telephony business. Costs incurred in the development of application and infrastructure of the software is capitalized and will be amortized over our respective estimated useful life of 5 years. During the years ended December 31, 2008 and 2007, we capitalized approximately $2.5 million and $1.2 million, respectively of software development costs. Capitalized software had a net book value of $18.7 million and $16.5 million as of December 31, 2008 and 2007, respectively.

*Marketing and Promotional Costs*

Marketing and promotional costs are expensed as incurred and were $29.3 million, $30.1 million and $28.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

*Intangible Assets*

Our cable systems operate under non-exclusive cable franchises, or franchise rights, granted by state and local governmental authorities for varying lengths of time. We acquired these cable franchises through acquisitions of cable systems and were accounted for using the purchase method of accounting. As of December 31, 2008, we held 1,368 franchises in areas located throughout the United States. The value of a franchise is derived from the economic benefits we receive from the right to solicit new subscribers and to market new products and services, such as advanced digital television, HSD and phone, in a specific market territory. We concluded that our franchise rights have an indefinite useful life since, among other things, there are no legal, regulatory, contractual, competitive, economic or other factors limiting the period over which these franchise rights contribute to our revenues and cash flows. Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. In accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets*," we do not amortize franchise rights and goodwill. Instead, such assets are tested annually for impairment or more frequently if impairment indicators arise.

We follow the provisions of SFAS No. 142 to test our goodwill and franchise rights for impairment. We assess the fair values of each cable system cluster using discounted cash flow methodology, under which the fair value of cable franchise rights are determined in a direct manner. This assessment involves significant judgment, including certain assumptions and estimates that determine future cash flow expectations and other future benefits, which are consistent with the expectations of buyers and sellers of cable systems in determining fair value. These assumptions and estimates include discount rates, revenues per customer, market penetration as a percentage of homes passed and operating margin. We also consider market transactions, market valuations and other valuations using multiples of operating income before depreciation and amortization to confirm the reasonableness of fair values determined by the discounted cash flow methodology. Significant impairment in value resulting in impairment charges may result if the estimates and assumptions used in the fair value determination change in the future, and such impairments could potentially be material.

Based on the guidance outlined in EITF No. 02-7, "*Unit of Accounting for Testing Impairment of Indefinite-Lived Intangible Assets,*" we determined that the unit of accounting, or reporting unit, for testing goodwill and franchise rights for impairment resides at a cable system cluster level. Such level reflects the financial reporting level managed and reviewed by the corporate office (i.e., chief operating decision maker) as well as how we allocated capital resources and utilize the assets. Lastly, the reporting unit level reflects the level at which the purchase method of accounting for our acquisitions was originally recorded. We have two reporting units for the purpose of applying SFAS No. 142, Mediacom Broadband and Mediacom LLC.

In accordance with SFAS No. 142, we are required to determine goodwill impairment using a two-step process. The first step compares the fair value of a reporting unit with our carrying amount, including goodwill. If the fair value of the reporting unit exceeds our carrying amount, goodwill of the reporting unit is considered not impaired and the second step is unnecessary. If the carrying amount of a reporting unit exceeds our fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill, calculated using the residual method, with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value, the excess is recognized as an impairment loss.

The impairment test for our franchise rights and other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, the excess is recognized as an impairment loss.

Since our adoption of SFAS No. 142 in 2002, we have not recorded any impairments as a result of our impairment testing. We completed our most recent impairment test as of October 1, 2008, which reflected no impairment of our franchise rights, goodwill or other intangible assets.

Our Class A common stock price has had significant volatility during the fourth quarter of 2008, along with a precipitous drop in equity securities' prices across all sectors of the United States. Because there has not been a change in the fundamentals of our business, we do not believe that our stock price is the sole indicator of the underlying value of the assets in our reporting units. We have therefore determined that this short-term volatility in our stock price does not qualify as a triggering event under SFAS No. 142, and as such, no interim impairment test is required as of December 31, 2008.

Other finite-lived intangible assets, which consist primarily of subscriber lists and covenants not to compete, continue to be amortized over their useful lives of 5 to 10 years and 5 years, respectively. Amortization expense for the years ended December 31, 2008, 2007 and 2006 was approximately \$2.6 million, \$2.5 million and \$2.1 million, respectively. Our estimated aggregate amortization expense for 2009 through 2011 and beyond are \$2.6 million, \$2.6 million, \$2.6 million and \$0.2 million, respectively.

***Other Assets***

Other assets, net, primarily include financing costs and original issue discount incurred to raise debt. Financing costs are deferred and amortized as other expense and original issue discounts are deferred and amortized as interest expense over the expected term of such financings.

***Segment Reporting***

SFAS No. 131, *"Disclosure about Segments of an Enterprise and Related Information,"* requires the disclosure of factors used to identify an enterprise's reportable segments. Our operations are organized and managed on the basis of cable system clusters that represent operating segments within our service area. Each operating segment derives our revenues from the delivery of similar products and services to a customer base that is also similar. Each operating segment deploys similar technology to deliver our products and services and operates within a similar regulatory environment. In addition, each operating segment has similar economic characteristics. Management evaluated the criteria for aggregation of the operating segments under SFAS No. 131 and believes that we meet each of the respective criteria set forth. Accordingly, management has identified broadband services as our one reportable segment.

***Accounting for Derivative Instruments***

We account for derivative instruments in accordance with SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* SFAS No. 138, *"Accounting for Certain Derivative Instruments and Certain Hedging Activities-an amendment of FASB Statement No. 133,"* and SFAS No. 149 *"Amendment of Statement 133 on Derivative Instruments and Hedging Activities."* These pronouncements require that all derivative instruments be recognized on the balance sheet at fair value. We enter into interest rate swaps to fix the interest rate on a portion of our variable interest rate debt to reduce the potential volatility in our interest expense that would otherwise result from changes in market interest rates. Our derivative instruments are recorded at fair value and are included in other current assets, other assets and other liabilities of our consolidated balance sheet. Our accounting policies for these instruments are based on whether they meet our criteria for designation as hedging transactions, which include the instrument's effectiveness, risk reduction and, in most cases, a one-to-one matching of the derivative instrument to our underlying transaction. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in the consolidated statement of operations. We have no derivative financial instruments designated as hedges. Therefore, changes in fair value for the respective periods were recognized in the consolidated statement of operations.

***Accounting for Asset Retirement***

We adopted SFAS No. 143, *"Accounting for Asset Retirement Obligations,"* on January 1, 2003. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We reviewed our asset retirement obligations to determine the fair value of such liabilities and if a reasonable estimate of fair value could be made. This entailed the review of leases covering tangible long-lived assets as well as our rights-of-way under franchise agreements. Certain of our franchise agreements and leases contain provisions that require restoration or removal of equipment if the franchises or leases are not renewed. Based on historical experience, we expect to renew our franchise or lease agreements. In the unlikely event that any franchise or lease agreement is not expected to be renewed, we would record an estimated liability. However, in determining the fair value of our asset retirement obligation under our franchise agreements, consideration will be given to the Cable Communications Policy Act of 1984, which generally entitles the cable operator to the "fair market value" for the cable system covered by a franchise, if renewal is denied and the franchising authority acquires ownership of the cable system or effects a transfer of the cable system to another person. Changes in these assumptions based on future information could result in adjustments to estimated liabilities.

Upon adoption of SFAS No. 143, we determined that in certain instances, it is obligated by contractual terms or regulatory requirements to remove facilities or perform other remediation activities upon the retirement of our assets. We initially recorded a $7.8 million asset in property, plant and equipment and a corresponding liability of $7.8 million. As of December 31, 2008 and 2007, the corresponding asset, net of accumulated amortization, was $2.1 million and $2.9 million, respectively.

***Accounting for Long-Lived Assets***

In accordance with SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets,"* we periodically evaluate the recoverability and estimated lives of our long-lived assets, including property and equipment and intangible assets subject to amortization, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. The measurement for such impairment loss is based on the fair value of the asset, typically based upon the future cash flows discounted at a rate commensurate with the risk involved. Unless presented separately, the loss is included as a component of either depreciation expense or amortization expense, as appropriate.

***Programming Costs***

We have various fixed-term carriage contracts to obtain programming for our cable systems from content suppliers whose compensation is generally based on a fixed monthly fee per customer. These programming contracts are subject to negotiated renewal. Programming costs are recognized when we distribute the related programming. These programming costs are usually payable each month based on calculations performed by us and are subject to adjustments based on the results of periodic audits by the content suppliers. Historically, such audit adjustments have been immaterial to our total programming costs. Some content suppliers offer financial incentives to support the launch of a channel and ongoing marketing support. When such financial incentives are received, we defer them within non-current liabilities in our consolidated balance sheets and recognizes such amounts as a reduction of programming costs (which are a component of service costs in the consolidated statement of operations) over the carriage term of the programming contract.

***Share-based Compensation***

We adopted SFAS No. 123(R) on January 1, 2006 (see Note 8). We estimate the fair value of stock options granted using the Black-Scholes option-pricing model. This fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. This option-pricing model requires the input of highly subjective assumptions, including the option's expected life and the price volatility of the underlying stock. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the periods the estimates are revised. Actual results, and future changes in estimates, may differ substantially from our current estimates.

***Income Taxes***

We account for income taxes using the liability method as stipulated by SFAS No. 109, *"Accounting for Income Taxes."* This method generally provides that deferred tax assets and liabilities be recognized for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities and anticipated benefit of utilizing net operating loss carryforwards.

In evaluating our ability to recover our deferred tax assets and net operating loss carryforwards, we assess all available positive and negative evidence including recent performance, the scheduled reversal of deferred tax liabilities, forecasts of taxable income in future periods and available prudent tax planning strategies. In forecasting future taxable income, we use assumptions that require significant judgment and are consistent with the estimates used to manage the business. At December 31, 2008, we recorded a net deferred tax asset valuation allowance of approximately $677.4 million. We will continue to monitor the need for the deferred tax asset valuation allowance in accordance with SFAS No. 109. Should there be a sufficient change in our assessment of our ability to recover our deferred tax assets, we will adjust our valuation allowance accordingly.

***Comprehensive Income***

SFAS No. 130, *"Reporting Comprehensive Income,"* requires companies to classify items of other comprehensive income by their nature in the financial statements and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. We have had no other comprehensive income items to report.

***Reclassifications***

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

***Recent Accounting Pronouncements***

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, *"Fair Value Measurements."* SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Effective January 1, 2008, we adopted SFAS No. 157 for our financial assets and liabilities. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS No. 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. We are evaluating the impact of our nonfinancial assets and liabilities which include goodwill and other intangible assets. SFAS No. 157 establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurement. The adoption of SFAS No. 157 on January 1, 2008 did not have a material effect on our consolidated financial statements.

The following sets forth our financial assets and liabilities measured at fair value on a recurring basis at December 31, 2008. These assets and liabilities have been categorized according to the three-level fair value hierarchy established by SFAS No. 157, which prioritizes the inputs used in measuring fair value.

- Level 1 — Quoted market prices in active markets for identical assets or liabilities.
- Level 2 — Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 — Unobservable inputs that are not corroborated by market data.

As of December 31, 2008, our interest rate swap liabilities, net, were valued at $80.2 million using Level 2 inputs.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115."* SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We adopted SFAS No. 159 as of January 1, 2008. We did not elect the fair value option of SFAS No. 159.

In December 2007, the FASB issued SFAS No. 141(R), *"Business Combinations,"* which continues to require the treatment that all business combinations be accounted for by applying the acquisition method. Under the acquisition method, the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, and any contingent consideration and contractual contingencies, as a whole, at their fair value as of the acquisition date. Under SFAS No. 141(R), all transaction costs are expensed as incurred. SFAS No. 141 (R) replaces SFAS No. 141. The guidance in SFAS No. 141 (R) will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning after December 15, 2008. Any impact will be dependent on the terms of future business combinations.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51."* SFAS No. 160 requires that a noncontrolling interest (previously referred to as a minority interest) be separately reported in the equity section of the consolidated entity's balance sheet. SFAS No. 160 also established accounting and reporting standards for: (i) ownership interests in subsidiaries held by parties other than the parent; (ii) the amount of consolidated net income attributable to the parent and to the noncontrolling interest; (iii) changes in a parent's ownership interest; (iv) the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated; and (v) sufficient disclosures to identify the interest of the parent and the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently assessing the potential impact that the adoption of SFAS No. 160 will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133."* SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We have not completed our evaluation of SFAS No. 161 to determine the impact that adoption will have on our consolidated financial condition or results of operations.

## (4) EARNINGS PER SHARE

We calculate earnings per share in accordance with SFAS No. 128, *"Earnings per Share."* SFAS No. 128 computes basic earnings (loss) per share by dividing the net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding during the period plus the effects of any dilutive securities. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Our potentially dilutive securities include common shares which may be issued upon exercise of our stock options, conversion of convertible senior notes or vesting of restricted stock units. Diluted earnings per share excludes the impact of potential common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our Class A common stock during the period.

For the year ended December 31, 2008, we generated net losses, and so the inclusion of the potential common shares would have been anti-dilutive. Accordingly, diluted loss per share equaled basic loss per share. For the year ended December 31, 2008, the calculation of diluted loss per share excludes 3.3 million potential common shares related to our stock options and restricted stock units.

For the year ended December 31, 2007, we generated net losses, and so the inclusion of the potential common shares would have been anti-dilutive. Accordingly, diluted loss per share equaled basic loss per share. For the year ended December 31, 2007, the calculation of diluted loss per share excludes 2.1 million potential common shares related to our stock options and restricted stock units.

For the year ended December 31, 2006, we generated net losses, and so the inclusion of the potential common shares would have been anti-dilutive. Accordingly, diluted loss per share equaled basic loss per share. For the year ended December 31, 2006, the calculation of diluted loss per share excludes 1.5 million potential common shares related to our stock options and restricted stock units, and 9.2 million potential common shares related to our convertible senior notes.

The following table reconciles the numerator and denominator of the computations of diluted loss per share for the years ended December 31, 2008, 2007 and 2006 (amounts in thousands, except per share amounts):

| | For the Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | 2007 | | | 2006 | | |
| | Net Loss | Shares | Amount per Share | Net Loss | Shares | Amount per Share | Net Loss | Shares | Amount per Share |
| Basic loss per share | $(77,494) | 95,548 | $ (0.81) | $(95,129) | 107,828 | $ (0.88) | $(124,922) | 110,971 | $ (1.13) |
| Effect of dilutive securities: | | | | | | | | | |
| Conversion of convertible senior notes | — | — | — | — | — | — | — | — | — |
| Assumed exercise of stock options | — | — | — | — | — | — | — | — | — |
| Diluted loss per share | $(77,494) | 95,548 | $ (0.81) | $(95,129) | 107,828 | $ (0.88) | $(124,922) | 110,971 | $ (1.13) |

## (5) PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2008 and 2007, property, plant and equipment consisted of (dollars in thousands):

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| Cable systems, equipment and subscriber devices | $ 3,059,325 | $ 2,808,187 |
| Vehicles | 72,759 | 67,468 |
| Furniture, fixtures and office equipment | 60,028 | 53,005 |
| Buildings and leasehold improvements | 41,941 | 40,880 |
| Land and land improvements | 7,553 | 7,182 |
| | $ 3,241,606 | $ 2,976,722 |
| Accumulated depreciation | (1,765,319) | (1,564,583) |
| Property, plant and equipment, net | $ 1,476,287 | $ 1,412,139 |

### *Change in Estimate — Useful lives*

Effective July 1, 2008, we changed the estimated useful lives of certain plant and equipment within our cable systems due to the initial deployment of all digital video technology both in the network and at the customer's home. These changes in asset lives were based on our plans and our experience thus far in executing such plans, to deploy all digital video technology across certain of our cable systems. This technology affords us the opportunity to increase network capacity without costly upgrades and, as such, extends the useful lives of cable plant by four years. We have also begun to provide all digital set-top boxes to our customer base as part of this all digital network deployment. In connection with the all digital set-top launch, we have reviewed the asset lives of our customer premise equipment and determined that their useful lives should be extended by two years. While the timing and extent of current deployment plans are subject to modification, management believes that extending the useful lives is appropriate and will be subject to ongoing analysis. The weighted average useful lives of such fixed assets changed as follows:

| | Useful Lives (in years) | |
|---|---|---|
| | From | To |
| Plant and equipment | 12 | 16 |
| Customer premise equipment | 5 | 7 |

These changes were made on a prospective basis effective July 1, 2008 and resulted in a reduction of depreciation expense and a corresponding increase in net income of approximately $11.6 million and an increase to basic and diluted earnings per share of $0.12 per share for the year ended December 31, 2008.

Depreciation expense for the years ended December 31, 2008, 2007 and 2006 was approximately $225.3 million, $232.8 million, and $213.8 million, respectively. As of December 31, 2008 and 2007, we had property under capitalized leases of $0 million and $10.1 million, respectively, before accumulated depreciation, and $0 million and $1.9 million, respectively, net of accumulated depreciation. During the years ended December 31, 2008 and 2007, we incurred gross interest costs of $217.8 million and $243.2 million, respectively, of which $4.3 million and $3.8 million was capitalized. See Note 2.

## (6) ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (dollars in thousands):

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| Accrued interest | $ 45,265 | $ 39,588 |
| Liability under interest rate exchange agreements | 45,208 | — |
| Accrued programming costs | 37,848 | 43,596 |
| Accrued taxes and fees | 31,198 | 27,617 |
| Accrued payroll and benefits | 30,590 | 25,165 |
| Book overdrafts[(1)] | 16,827 | 16,971 |
| Accrued service costs | 14,320 | 18,114 |
| Accrued property, plant and equipment | 13,606 | 11,588 |
| Subscriber advance payments | 11,236 | 11,471 |
| Accrued telecommunications | 5,058 | 15,687 |
| Accounts payable | 464 | 18,528 |
| Other accrued expenses | 16,954 | 18,590 |
| Accounts payable, accrued expenses and other current liabilities | $ 268,574 | $ 246,915 |

(1) Book overdrafts represent outstanding checks in excess of funds on deposit at our disbursement accounts. We transfer funds from our depository accounts to our disbursement accounts upon daily notification of checks presented for payment. Changes in book overdrafts are reported as part of cash flows from financing activities in our consolidated statement of cash flows.

## (7) DEBT

Debt consisted of the following (dollars in thousands):

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| Bank credit facilities | $ 2,191,000 | $ 2,090,000 |
| 7 ⅞% senior notes due 2011 | 125,000 | 125,000 |
| 9 ½% senior notes due 2013 | 500,000 | 500,000 |
| 8 ½% senior notes due 2015 | 500,000 | 500,000 |
| Capital lease obligations | — | 33 |
| | $ 3,316,000 | $ 3,215,033 |
| Less: Current portion | 124,500 | 94,533 |
| Total long-term debt | $ 3,191,500 | $ 3,120,500 |

*Bank Credit Facilities*

The operating subsidiaries of Mediacom LLC, one of our two principal subsidiaries, maintain a $1.217 billion senior secured credit facility (the "LLC credit facility"). The LLC credit facility originally consisted of a revolving credit facility (the "LLC revolver") with a $400.0 million revolving credit commitment, a $200.0 million term loan (the "LLC term loan A") and a $550.0 million term loan (the "LLC term loan B"). In May 2006, we refinanced the LLC term loan B with a new term loan (the "LLC term loan C") in the amount of $650.0 million. Borrowings under the LLC term loan C bear interest at a rate that is 0.50% less than the interest rate of the LLC term loan B that it replaced. The LLC revolver expires on September 30, 2011, and its commitment amount is not subject to scheduled reductions prior to maturity.

The LLC term loan A matures on September 30, 2012, and beginning on March 31, 2008, has been subject to quarterly reductions ranging from 2.50% to 9.00% of the original amount. The LLC term loan C matures on January 31, 2015, and is subject to quarterly reductions of 0.25% that began on March 31, 2007 and extend through December 31, 2014, with a final payment at maturity representing 92.00% of the original principal amount.

As of December 31, 2008, the maximum commitment available under the LLC revolver was $400.0 million and the revolver had an outstanding balance of $78.0 million. As of the same date, the LLC term loans A and C had outstanding balances of $180.0 million and $637.0 million, respectively.

The credit agreement of the LLC credit facility (the "LLC credit agreement") provides for interest at varying rates based upon various borrowing options and certain financial ratios, and for commitment fees of ½% to ⅝% per annum on the unused portion of the available revolving credit commitment. Interest on outstanding LLC revolver and LLC term loan A balances is payable at either the Eurodollar rate plus a floating percentage ranging from 1.00% to 2.00% or the base rate plus a floating percentage ranging from 0% to 1.00%. Interest on the LLC term loan C is payable at either the Eurodollar rate plus a floating percentage ranging from 1.50% to 1.75% or the base rate plus a floating percentage ranging from 0.50% to 0.75%.

For the year ended December 31, 2008, the outstanding debt under the LLC term loan A was reduced by $20.0 million, or 10.00% of the original principal amount, and the outstanding debt under the LLC term loan C was reduced by $6.5 million, or 1.00% of the original principal amount.

For the year ending December 31, 2009, the outstanding debt under the LLC term loan A will be reduced by $24.0 million, or 12.00% of the original principal amount, and the outstanding debt under the LLC term loan C will be reduced by $6.5 million, or 1.00% of the original principal amount.

The operating subsidiaries of Mediacom Broadband LLC, our other principal subsidiary, maintain a $1.755 billion senior secured credit facility (the "Broadband credit facility"). The Broadband credit facility originally consisted of a revolving credit facility (the "Broadband revolver"), a $300.0 million term loan A (the "Broadband term loan A") and a $500.0 million term loan B (the "Broadband term loan B").

In October 2005, we amended the Broadband revolver: (i) to increase the revolving credit commitment from approximately $543.0 million to approximately $650.5 million, of which approximately $430.3 million is not subject to scheduled reductions prior to the termination date; and (ii) to extend the termination date of the commitments not subject to reductions from March 31, 2010 to December 31, 2012. In May 2005, we refinanced the Broadband term loan B with a new term loan (the "Broadband term loan C") in the amount of $500.0 million. In May 2006, we refinanced the Broadband term loan C with a new term loan (the "Broadband term loan D") in the amount of $800.0 million. Borrowings under the term loan D bear interest at a rate that is 0.25% less than the interest rate of the term loan that it replaced. In May 2008, we entered into an incremental facility agreement that provides for a new term loan ("Broadband term loan E") under our credit facility in the principal amount of $350.0 million. Approximately $335.0 million of the proceeds from the new term loan were used to repay the outstanding balance of the revolving credit portion of our credit facility without any reduction in the revolving credit commitments.

The Broadband term loan A matures on March 31, 2010 and, since September 30, 2004, has been subject to quarterly reductions ranging from 1.00% to 8.00% of the original principal amount. The Broadband term loan D matures on January 31, 2015, and is subject to quarterly reductions of 0.25% that began on March 31, 2007 and extend through December 31, 2014, with a final payment at maturity representing 92.00% of the original principal amount. The Broadband term loan E matures on January 3, 2016, and beginning on June 30, 2008, has been subject to quarterly reductions of 0.25%, with a final payment at maturity representing 92.50% of the original principal amount.

As of December 31, 2008, the maximum commitment available under the Broadband revolver was $516.7 million, and the revolver had an outstanding balance of $57.3 million. As of the same date, the Broadband term loans A, D and E had outstanding balances of $106.5 million, $784.0 million, and $348.3 million, respectively.

The credit agreement of the Broadband credit facility (the "Broadband credit agreement") provides for interest at varying rates based upon various borrowing options and certain financial ratios, and for commitment fees of ⅜% to ⅝% per annum on the unused portion of the available revolving credit commitment. Interest on outstanding Broadband revolver and Broadband term loan A balances is payable at either the Eurodollar rate plus a floating percentage ranging from 1.00% to 2.50% or the base rate plus a floating percentage ranging from 0.25% to 1.50%. Interest on the Broadband term loan D is payable at either the Eurodollar rate plus a floating percentage ranging from 1.50% to 1.75% or the base rate plus a floating percentage ranging from 0.50% to 0.75%. Interest on the Broadband term loan E is payable at either the Eurodollar Rate plus a margin of 3.50% or the base rate plus a margin of 2.50%. For the first four years of the term loan E, applicable Eurodollar and base rates are subject to a minimum of 3.00% and 4.00, respectively.

For the year ended December 31, 2008, the maximum commitment amount under the portion of the Broadband revolver subject to reduction was reduced by $48.7 million. The outstanding debt under the Broadband term loan A was reduced by $60.0 million, or 20.00% of the original principal amount, the outstanding debt under the Broadband term loan D was reduced by $8.0 million, or 1.00% of the original principal amount, and the outstanding debt under the Broadband term loan E was reduced by $1.75 million, or 0.50% of the original principal amount.

For the year ended December 31, 2009, the maximum commitment amount under the portion of the Broadband revolver subject to reduction will be reduced by $66.9 million, the outstanding debt under the Broadband term loan A will be reduced by $60.0 million, or 20.00% of the original principal amount, the outstanding debt under the Broadband term loan D will be reduced by $8.0 million, or 1.00% of the original principal amount and the outstanding debt under the Broadband term loan E will be reduced by $3.5 million, or 1.00% of the original principal amount.

The LLC and Broadband credit agreements require compliance with certain financial covenants, including the requirement that we maintain a ratio of senior indebtedness (as defined) to annualized system cash flow (as defined) of no more than 6.0 to 1.0. The credit agreements also require compliance with other covenants including, but not limited to, limitations on mergers and acquisitions, consolidations and sales of certain assets, liens, the incurrence of additional indebtedness, certain restricted payments and certain transactions with affiliates.

The LLC credit agreement is collateralized by Mediacom LLC's pledge of all our ownership interests in our operating subsidiaries, and is guaranteed by Mediacom LLC on a limited recourse basis to the extent of such ownership interests. The Broadband credit agreement is collateralized by Mediacom Broadband LLC's pledge of all out ownership interests in our operating subsidiaries, and is guaranteed by Mediacom Broadband LLC on a limited recourse basis to the extent of such ownership interests.

The average interest rates on outstanding debt under the bank credit facilities as of December 31, 2008 and 2007 were 4.3% and 6.7%, respectively, including the effect of the interest rate swaps discussed below. As of December 31, 2008, we had unused credit commitments of approximately $762.2 million under our bank credit facilities, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of our debt arrangements. Giving pro forma effect to the completion of the Exchange Agreement on February 13, 2009, we had unused revolving credit commitments of approximately $652.2 million as of December 31, 2008. See Note 11.

As of December 31, 2008, approximately $19.3 million of letters of credit were issued to various parties as collateral for our performance relating primarily to insurance and franchise requirements. The amount paid to obtain these letters of credit was immaterial.

*Interest Rate Swaps*

We use interest rate exchange agreements, or interest rate swaps, to fix the applicable Eurodollar portion of debt under our Broadband and LLC Credit Facilities. As of December 31, 2008, we had current interest rate swaps with various banks pursuant to which the interest rate on $1.2 billion is fixed at a weighted average rate of approximately 4.8%. As of the same date, about 70% of our outstanding indebtedness was at fixed interest rates or subject to interest rate protection. Our swaps have not been designated as hedges for accounting purposes and have been accounted for on a mark-to-market basis as of, and for the year ended December 31, 2008. Our current interest rate swaps are scheduled to expire in the amounts of: $800 million, $300 million and $100 million during the years ended December 31, 2009, 2010 and 2011, respectively.

In 2008, we entered into forward starting interest rate swaps that fixed rates for two years at a weighted average of approximately 3.2% on $400.0 million of floating rate debt, commencing in 2009 and approximately 2.9% on $100.0 million of floating rate debt, commencing in 2010. We also entered forward starting interest rate swaps that fixed rates for three years at a weighted average rate of approximately 3.3% on $600.0 million of floating rate debt, commencing in 2009. These agreements have been accounted for on a mark-to-market basis as of, and for the year ended December 31, 2008.

Although we may be exposed to future losses in the event of counterparties' non-performance, we do not expect such losses, if any, to be material.

The fair value of the interest rate swaps is the estimated amount that we would receive or pay to terminate such agreements, taking into account market interest rates and the remaining time to maturities. As of December 31, 2008, based on the mark-to-market valuation, we recorded on our consolidated balance sheet a net accumulated liability for derivatives of $80.2 million. As a result of the mark-to-market valuations on these interest rate swaps, we recorded a loss on derivatives of $54.4 million and $22.9 million for the years ended December 31, 2008 and 2007, respectively.

*Senior Notes*

On February 26, 1999, Mediacom LLC and its affiliate, Mediacom Capital Corporation, a Delaware corporation, jointly issued $125.0 million aggregate principal amount of 7 ⅞% senior notes due February 2011 (the "7 ⅞% Senior Notes"). The 7 ⅞% Senior Notes are unsecured obligations of Mediacom LLC, and the indenture for the 7 ⅞% Senior Notes stipulates, among other things, restrictions on incurrence of indebtedness, distributions, mergers and asset sales and has cross-default provisions related to other debt of Mediacom LLC.

On January 24, 2001, Mediacom LLC and Mediacom Capital Corporation jointly issued $500.0 million aggregate principal amount of 9 ½% senior notes due January 2013 (the "9 ½% Senior Notes"). The 9 ½% Senior Notes are unsecured obligations of Mediacom LLC, and the indenture for the 9 ½% Senior Notes stipulates, among other things, restrictions on incurrence of indebtedness, distributions, mergers, and asset sales and has cross-default provisions related to other debt of Mediacom LLC.

On June 29, 2001, Mediacom Broadband LLC and its affiliate, Mediacom Broadband Corporation, a Delaware corporation, jointly issued $400.0 million aggregate principal amount of 11% notes due July 2013 (the "11% Senior Notes"). The 11% Senior Notes are unsecured obligations of Mediacom Broadband LLC and the indenture for the 11% Senior Notes stipulates, among other things, restrictions on incurrence of indebtedness, distributions, mergers, and asset sales and has cross-default provisions related to other debt of Mediacom Broadband LLC.

On August 30, 2005, Mediacom Broadband LLC and Mediacom Broadband Corporation jointly issued $200.0 million aggregate principal amount of 8 ½% senior notes due October 2015 (the "8 ½% Senior Notes"). The 8 ½% Senior Notes are unsecured obligations of Mediacom Broadband LLC, and the indenture for the 8 ½% Senior Notes stipulates, among other things, restrictions on incurrence of indebtedness, distributions, mergers and asset sales and has cross-default provisions related to other debt of Mediacom Broadband LLC. The proceeds were used to reduce amounts outstanding under the revolving credit portion of our credit facilities.

On July 17, 2006, we redeemed all of the outstanding 11% Senior Notes. We funded the redemption with drawdowns on the revolving credit portions of our subsidiary credit facilities.

On October 5, 2006, Mediacom Broadband LLC and Mediacom Broadband Corporation jointly issued an additional $300.0 million aggregate principal amount of 8 ½% Senior Notes. The proceeds were used to reduce amounts outstanding under the revolving credit portion of our credit facilities.

Our senior notes contain financial and other covenants, though they are generally less restrictive than those found in our bank credit facilities. Principal covenants include a limitation on the incurrence of additional indebtedness based upon a maximum ratio of total indebtedness to cash flow, as defined in these debt agreements, of 7.0 to 1.0 in the case of Mediacom LLC's senior notes, and 8.5 to 1.0 in the case of Mediacom Broadband LLC's senior notes. These agreements also contain limitations on dividends, investments and distributions.

For all periods through December 31, 2008, we were in compliance with all of the covenants under our bank credit and senior note agreements. There are no covenants, events of default, borrowing conditions or other terms in our credit facilities or our other debt arrangements that are based on changes in our credit ratings assigned by any rating agency.

***Convertible Senior Notes***

On June 29, 2001, we issued $172.5 million aggregate principal amount of 5 ¼% convertible senior notes due July 2008 (the "Convertible Senior Notes"). On June 29, 2006, we paid the entire outstanding principal amount of our Convertible Senior Notes, plus accrued and unpaid interest, with borrowings under the Broadband term loan D.

***Loss on Early Extinguishment of Debt***

For the year ended December 31, 2006, we recorded in our consolidated statement of operations a loss on early extinguishment of debt of $35.8 million as a result of our redemption of our 11% senior notes. This change reflected representing $22.0 million of call premium, $2.6 million of bank fees and the write-off of $11.2 million of unamortized deferred financing costs. There was no loss on early extinguishment of debt in the years ended December 31, 2007 and 2008.

***Fair Value and Debt Maturities***

As of December 31, 2008, the fair values of our Senior Notes and Bank Credit Facilities are as follows (dollars in thousands):

| | |
|---|---|
| 7 ⅞% senior notes due 2011 | $ 97,500 |
| 9 ½% senior notes due 2013 | 375,000 |
| 8 ½% senior notes due 2015 | 317,500 |
| | $ 790,000 |
| Bank credit facilities | $ 1,420,773 |

The stated maturities of all debt outstanding as of December 31, 2008 are as follows (dollars in thousands):

| | |
|---|---|
| 2009 | $ 124,500 |
| 2010 | 92,000 |
| 2011 | 273,000 |
| 2012 | 72,000 |
| 2013 | 575,250 |
| Thereafter | 2,179,250 |
| Total | $ 3,316,000 |

## (8) STOCKHOLDERS' DEFICIT

We have authorized 300,000,000 shares of Class A common stock, $.01 par value and 100,000,000 shares of Class B common stock, $.01 par value. The holders of Class A and Class B common stock are entitled to vote as a single class on each matter in which our shareholders are entitled to vote. Each Class A share is entitled to one vote and each Class B share is entitled to ten votes.

### *Stock Repurchase Plans*

In November 2007, the Board of Directors authorized an additional $50.0 million Class A common stock repurchase program. During the years ended December 31, 2008, 2007 and 2006, we repurchased approximately 4.9 million, 11.2 million, and 5.8 million shares for an aggregate cost of $22.4 million, $69.0 million and $34.4 million, respectively, at an average price per share of $4.68, $6.18 and $5.90, respectively. As of December 31, 2008, approximately $47.6 million remained available under the Class A common stock repurchase program.

### *Share-based Compensation*

In April 2003, our Board of Directors adopted our 2003 Incentive Plan, or "2003 Plan," which amended and restated our 1999 Stock Option Plan and incorporated into the 2003 Plan options that were previously granted outside the 1999 Stock Option Plan. The 2003 Plan was approved by our stockholders in June 2003 and provides for the grant of incentive stock options, nonqualified stock options, restricted shares, and other stock-based awards, in addition to annual incentive awards. The contractual life of share-based awards granted under the 2003 Plan is no more than 10 years. We deliver shares from treasury upon the exercise of stock options or the conversion of restricted stock units. The 2003 Plan has 21.0 million shares of common stock available for issuance in settlement of awards. As of December 31, 2008, approximately 13.8 million shares remained available for issuance under the 2003 Plan.

Effective January 1, 2006, we adopted SFAS No. 123(R) using the modified prospective method. SFAS No. 123(R) revises SFAS No. 123, *"Accounting for Stock-Based Compensation"* and supersedes APB Opinion No. 25, *"Accounting for Stock Issued to Employees."* SFAS No. 123(R) requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values at the grant date, or the date of later modification, over the requisite service period. In addition, SFAS 123(R) requires unrecognized cost, based on the amounts previously disclosed in our pro forma footnote disclosure, related to options vesting after the date of initial adoption to be recognized in the financial statements over the remaining requisite service period.

Under this method, prior periods are not restated and the amount of compensation cost recognized includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2008, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123; and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2008, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). We use the Black-Scholes option pricing model which requires extensive use of accounting judgment and financial estimates, including estimates of the expected term employees will retain their vested stock options before exercising them, the estimated volatility of our stock price over the expected term, and the number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of share-based compensation and consequently, the related amounts recognized in the consolidated statements of operations. The provisions of SFAS No. 123(R) apply to new stock awards and stock awards outstanding, but not yet vested, on the effective date. In March 2005, the SEC issued SAB No. 107, *"Share-Based Payment,"* relating to SFAS No. 123(R). We have applied the provisions of SAB No. 107 in our adoption.

**Impact of the Adoption of SFAS No. 123(R)**

Upon adoption of SFAS 123(R), we recognize share-based compensation expenses associated with share awards on a straight-line basis over the requisite service period using the fair value method. The incremental share-based compensation expense recognized due to the adoption of SFAS 123(R) was approximately $2.2 million for the year ended December 31, 2006. Compensation expense related to restricted stock units was recognized before the implementation of SFAS No. 123(R). Results for prior periods have not been restated.

Total share-based compensation expense was as follows (dollars in thousands, except per share data):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2008 | 2007 | 2006 |
| Share-based compensation expense by type of award: | | | |
| Employee stock options | $ 1,638 | 1,920 | 2,240 |
| Employee stock purchase plan | 299 | 284 | 287 |
| Restricted stock units | 3,231 | 3,095 | 1,951 |
| Total share-based compensation expense | 5,168 | 5,299 | 4,478 |
| Tax effect on stock-based compensation expense | — | — | — |
| Effect on net loss | $ (5,168) | $ (5,299) | $ (4,478) |
| Effect on loss per share: | | | |
| Basic and diluted | $ (0.05) | $ (0.05) | $ (0.04) |

As required by SFAS No. 123(R), we made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. The total future compensation cost related to unvested share-based awards that are expected to vest was $12.5 million as of December 31, 2008, which will be recognized over a weighted average period of 1.0 years.

In November 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, *"Transition Election Related to Accounting for Tax Effects of Shared-Based Payment Awards."* We have elected the "short-cut" method to calculate the historical pool of windfall tax benefits.

### Valuation Assumptions

As required by SFAS 123(R), we estimated the fair value of stock options and shares purchased under our employee stock purchase plan, using the Black-Scholes valuation model and the straight-line attribution approach with the following weighted average assumptions:

| | Employee Stock Option Plans Year Ended December 31, | | | Employee Stock Purchase Plans Year Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% |
| Expected volatility | 48.0% | 38.0% | 55.3% | 33.0% | 33.0% | 33.0% |
| Risk free interest rate | 2.9% | 4.5% | 4.8% | 3.0% | 4.3% | 4.7% |
| Expected option life (in years) | 6.2 | 6.1 | 4.1 | 0.5 | 0.5 | 0.5 |
| Forfeiture rate | 11.5% | 14.0% | 14.0% | — | — | — |

We do not expect to declare dividends. Expected volatility is based on a combination of implied and historical volatility of our Class A common stock. For the years ended December 31, 2006, and 2007, we elected the simplified method in accordance with SAB 107 to estimate the option life of share-based awards. For the year ended December 31, 2008, we estimated the option life of share-based awards using historical data and other factors. The risk free interest rate is based on the U.S. Treasury yield in effect at the date of grant. The forfeiture rate is based on trends in actual option forfeitures. The awards are subject to annual vesting periods not to exceed 6 years from the date of grant.

The following table summarizes the activity of our option plans for the years ended December 31, 2008, 2007 and 2006:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (In years) | Aggregate Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Outstanding at January 1, 2006 | 4,931,915 | $ 14.12 | | |
| Granted | 415,000 | 5.73 | | |
| Exercised | (14,000) | 6.94 | | |
| Forfeited | (234,670) | 13.85 | | |
| Expired | — | — | | |
| Outstanding at December 31, 2006 | 5,098,245 | $ 13.35 | 4.5 | $ 2,508 |
| Vested or expected to vest at December 31, 2006 | 4,954,230 | 13.54 | 4.5 | $ 2,252 |
| Exercisable at December 31, 2006 | 4,069,569 | $ 15.06 | 4.3 | $ 679 |
| Outstanding at January 1, 2007 | 5,098,245 | $ 13.35 | | |
| Granted | 580,000 | 8.06 | | |
| Exercised | (83,250) | 7.01 | | |
| Forfeited | (215,687) | 14.75 | | |
| Expired | — | — | | |
| Outstanding at December 31, 2007 | 5,379,308 | $ 12.82 | 4.1 | $ — |
| Vested or expected to vest at December 31, 2007 | 5,233,676 | 12.98 | 4.0 | $ — |
| Exercisable at December 31, 2007 | 4,339,078 | $ 14.20 | 3.4 | $ — |
| Outstanding at January 1, 2008 | 5,379,308 | $ 12.82 | | |
| Granted | 1,676,000 | 4.07 | | |
| Exercised | (29,000) | 5.90 | | |
| Forfeited | (176,415) | 12.95 | | |
| Expired | — | — | | |
| Outstanding at December 31, 2008 | 6,849,893 | $ 10.70 | 4.7 | $ 420 |
| Vested or expected to vest at December 31, 2008 | 6,537,651 | 10.98 | 4.5 | $ 361 |
| Exercisable at December 31, 2008 | 4,619,593 | $ 13.52 | 2.6 | $ — |

The aggregate intrinsic values in the table above represent the total pre-tax intrinsic value, based on our stock price of $4.30, $4.59 and $8.04 per share as of December 31, 2008, 2007 and 2006, respectively, which would have been received by the option holders had all option holders exercised their options as of that date.

The weighted average exercise price at the date of grant of a Class A common stock option granted under our option plan during the years ended December 31, 2008, 2007 and 2006 was $4.07, $8.06, and $5.73, respectively. During the years ended December 31, 2008, 2007 and 2006, approximately 413,333, 404,369 and 670,621 stock options vested with a weighted average exercise price of $6.72, $6.98 and $9.15, respectively. The proceeds we received resulting from the exercise of stock options during 2008, 2007 and 2006 were immaterial.

The following table summarizes information concerning stock options outstanding as of December 31, 2008:

| | Options Outstanding | | | | Options Exercisable | | | |
|---|---|---|---|---|---|---|---|---|
| Range of Exercise Prices | Number of Shares Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Aggregate Intrinsic Value (In thousands) | Number of Shares Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Aggregate Intrinsic Value (In thousands) |
| $ 3.00 — $12.00 | 4,470,410 | 6.4 years | $ 6.43 | $ 420 | 2,240,110 | 4.1 years | $ 8.00 | $ — |
| $12.01 — $18.00 | 374,935 | 2.3 years | 17.22 | — | 374,935 | 2.3 years | 17.22 | — |
| $18.01 — $22.00 | 2,004,548 | 1.1 years | 19.01 | — | 2,004,548 | 1.1 years | 19.01 | — |
| | 6,849,893 | 4.7 years | $ 10.70 | $ 420 | 4,619,593 | 2.6 years | $ 13.52 | $ — |

*Restricted Stock Units*

We grant restricted stock units ("RSUs") to certain employees and directors (together, the "participants") in Class A common stock. Awards of RSUs are valued by reference to shares of common stock that entitle participants to receive, upon the settlement of the unit, one share of common stock for each unit. The awards are subject to annual vesting periods not exceeding 4 years from the date of grant. We made estimates of expected forfeitures based on historic voluntary termination behavior and trends of actual RSU forfeitures and recognized compensation costs for equity awards expected to vest. The aggregate intrinsic value of outstanding RSUs was $12.7 million based on the closing stock price of $4.30 per share of our Class A common stock at December 31, 2008.

The following table summarizes the activity of our restricted stock unit awards for the year ended December 31, 2008:

| | Number of Non-Vested Share Unit Awards | Weighted Average Grant Date Fair Value |
|---|---|---|
| Unvested Awards at January 1, 2006 | 1,132,300 | $ 5.46 |
| Granted | 484,700 | 5.77 |
| Awards Vested | (41,250) | 5.78 |
| Forfeited | (96,325) | 5.54 |
| Unvested Awards at December 31, 2006 | 1,479,425 | $ 5.55 |
| Granted | 553,000 | 8.05 |
| Awards Vested | (163,275) | 5.71 |
| Forfeited | (36,675) | 6.94 |
| Unvested Awards at December 31, 2007 | 1,832,475 | $ 6.26 |
| Granted | 1,631,200 | 4.20 |
| Awards Vested | (386,250) | 6.54 |
| Forfeited | (126,175) | 6.11 |
| Unvested Awards at December 31, 2008 | 2,951,250 | $ 5.09 |

*Employee Stock Purchase Plan*

We maintain an employee stock purchase plan ("ESPP"). Under the plan, eligible employees are allowed to participate in the purchase of shares of our Class A common stock at a minimum 15% discount on the date of the allocation. Shares purchased by employees amounted to 270,878, 157,999, and 183,906 for the years ended December 31, 2008, 2007 and 2006, respectively. The net proceeds to us were approximately $1.0 million, $0.9 million and $0.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

## (9) INCOME TAXES

Income tax expense is attributable to an increase in the valuation allowance against certain deferred tax assets. The reconciliation of the income tax expense at the United States federal statutory rate to the actual income tax expense is as follows (dollars in thousands):

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Tax benefit at the United States statutory rate | $ (6,499) | $ (13,353) | $ (22,808) |
| State taxes, net of federal tax benefit | 7,765 | 8,549 | 9,124 |
| Valuation allowance | 55,031 | 61,552 | 72,450 |
| Permanent items and other | 1,916 | 818 | 968 |
| Total income tax expense | $ 58,213 | $ 57,566 | $ 59,734 |

For the year ended December 31, 2008, total income tax expense differed from the tax benefit at the U.S. statutory rate primarily due to an increase in the valuation allowance against certain deferred tax assets (see below). State tax expense primarily represents the change in the state valuation allowance.

During the year ended December 31, 2008, we have again determined that deferred tax assets from net operating loss carryforwards, that were created in the respective periods, will not be realized under the more-likely-than-not standard required by SFAS No. 109, *"Accounting for Income Taxes."* As a result, we increased our valuation allowance recorded against these assets. A tax provision of $58.2 million, $57.6 million and $59.7 million was recorded for the years ended December 31, 2008, 2007 and 2006, respectively. The respective tax provision amounts substantially represent the increase in the deferred tax liabilities related to the basis differences of our indefinite-lived intangible assets.

Our net deferred tax liability consists of the following (dollars in thousands):

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Current deferred tax assets: | | | |
| Accrued liabilities | $ 8,133 | $ 6,884 | $ 6,383 |
| Unrealized loss on interest rate exchange agreements | 18,258 | — | — |
| Allowance for doubtful accounts | 1,106 | 790 | 848 |
| Current deferred tax assets | 27,497 | 7,674 | 7,231 |
| Less: Valuation allowance | (19,237) | (5,250) | (4,764) |
| Current deferred tax assets, net | $ 8,260 | $ 2,424 | $ 2,467 |
| Long-term deferred tax assets: | | | |
| Net operating losses | $ 918,061 | $ 897,921 | $ 812,970 |
| Capital loss | 4,593 | 10,300 | 9,997 |
| Unrealized loss on interest rate exchange agreements | 14,133 | — | — |
| Other assets | 4,031 | 6,382 | 7,310 |
| Valuation allowance | (658,211) | (625,757) | (547,023) |
| Long-term deferred tax assets | $ 282,607 | $ 288,846 | $ 283,254 |
| Long-term deferred tax liabilities: | | | |
| Investment in cable television systems: | | | |
| Tangible fixed assets and definite-lived intangible assets | $ 290,867 | $ 291,270 | $ 285,720 |
| Indefinite-lived intangible assets | 372,390 | 314,178 | 256,834 |
| Long-term deferred tax liabilities | $ 663,257 | $ 605,448 | $ 542,554 |
| Long-term deferred tax liabilities, net | $ 380,650 | $ 316,602 | $ 259,300 |

As of December 31, 2008 and 2007, we had deferred tax assets of $968.3 million and $922.3 million, respectively, with valuation allowances of $677.4 million and $631.0 million, respectively. Most of the deferred tax assets relate to pre-tax net operating loss carryforwards for federal and state purposes. These federal net operating loss carryforwards had a balance of approximately $2.3 billion and $2.2 billion as of December 31, 2008 and 2007, respectively, and if not utilized will expire in the years 2021 through 2028. The state net operating loss carryforwards had a balance of approximately $2.1 billion and $2.0 billion as of December 31, 2008 and 2007, respectively, and if not utilized will expire in the years 2009 through 2028. For the year ended December 31, 2008, we changed our methodology for calculating our deferred tax asset for state net operating loss carryforwards, by using a more accurate state-by-state calculation rather than applying a blended state rate. This change resulted in a decrease to our deferred tax assets of approximately $10.4 million. As a result of certain realization requirements of SFAS No. 123(R), the table of deferred tax assets and liabilities shown above does not include a portion of the net operating loss deferred tax asset at December 31, 2008 and 2007 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Equity would be increased by approximately $0.2 million, if and when such deferred tax asset is ultimately realized.

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. We periodically assess the likelihood of realization of our deferred tax assets considering all available evidence, both positive and negative, including our most recent performance, the scheduled reversal of deferred tax liabilities, our forecast of taxable income in future periods and the availability of prudent tax planning strategies. As a result of these assessments in prior periods, we have established valuation allowances on a portion of our deferred tax assets due to the uncertainty surrounding the realization of these assets.

During the years ended December 31, 2008, 2007, and 2006, based on our assessment of the facts and circumstances, we concluded that an additional portion of our deferred tax assets from net operating loss carryfowards would not be realized under the more-likely-than-not standard of SFAS No. 109. As a result, we increased our valuation allowance against deferred tax assets by $58.2 million, $57.3 million, and $59.5 million in these years, respectively, and recognized a corresponding non-cash charge to income tax expense in each year. These amounts related to the portion of deferred tax liabilities based upon the book vs. tax basis difference of our indefinite-lived intangible assets. Our assessment of the facts and circumstances took into account our history of losses, the reduced likelihood of future taxable income and the limited availability of prudent tax planning strategies.

We expect to continue to increase our valuation allowance for any increase in the deferred tax liabilities relating to certain goodwill and indefinite-lived intangible assets. We will adjust our valuation allowance if we assess that there is sufficient change in our ability to recover our deferred tax assets. Our income tax expense in future periods will be reduced or increased to the extent of offsetting decreases or increases, respectively, in our valuation allowance. These changes could have a significant impact on our future earnings. In the event of a change in control, our net operating losses would be subject to Internal Revenue Code Section 382 limitations.

In June 2006, the FASB issued Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes- An Interpretation of FASB Statement No. 109."* FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. We adopted the provisions of FIN 48 on January 1, 2007. As of December 31, 2008, we have not recorded any liability for unrecognized tax benefits. We do not think it is reasonably possible that the total amount of unrealized tax benefits will significantly change in the next twelve months.

We file U.S. federal consolidated income tax returns and income tax returns in various state and local jurisdictions. Our 2005, 2006, and 2007 U.S. federal tax years and various state and local years from 2004 through 2007 remain subject to income tax examinations by tax authorities.

We classify interest and penalties associated with uncertain tax positions as a component of income tax expense. During the years ended December 31, 2008, 2007 and 2006, respectively, no interest and penalties were accrued.

## (10) RELATED PARTY TRANSACTIONS

Mediacom Management Corporation ("Mediacom Management"), a Delaware corporation, holds a 1% direct ownership interest in Mediacom California LLC, which in turn holds a 1% interest in Mediacom Arizona LLC. Revenues related to these ownership interests represent less than 1% of our total revenues. Mediacom Management is wholly-owned by our Chairman and CEO.

One of our directors is a partner of a law firm that performs various legal services for us. For the years ended December 31, 2008, 2007 and 2006, we paid this law firm approximately $0.5 million, $1.2 million and $0.6 million, respectively, for services performed.

On September 7, 2008, we entered into a Share Exchange Agreement (the "Exchange Agreement") with Shivers Investments, LLC ("Shivers") and Shivers Trading & Operating Company ("STOC"). Both STOC and Shivers are affiliates of Morris Communications Company, LLC ("Morris Communications"), and STOC, Shivers and Morris Communications are controlled by William S. Morris III, a member of the our Board of Directors (the "Board"). Effective upon closing of the transaction, Messrs. Morris and Mitchell resigned from our Board of Directors. See Note 11.

## (11) REPURCHASE OF MEDIACOM CLASS A COMMON STOCK

On February 13, 2009, we completed the Exchange Agreement pursuant to which we exchanged all of the capital stock of a wholly-owned subsidiary, which held approximately $110 million of cash and non-strategic cable systems serving approximately 25,000 basic subscribers, for 28,309,674 shares of Mediacom Class A common stock held by Shivers. As of December 31, 2008, after giving effect to the completion of this transaction, our total Class A and Class B outstanding shares were approximately 66.5 million.

The $110 million cash portion of the Exchange Agreement was funded with borrowings made under the revolving commitments of our bank credit facilities. The effective rate of this borrowing was 1.79% as of February 12, 2009, and was based on our Eurodollar rate plus a spread of 1.44%. The revolving commitments under the bank credit facilities mature in September 2011.

The results of operations for the sale of assets were as follows (dollars in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | 2008 | 2007 |
| Revenues | $ 22,499 | $ 21,380 |
| Pre-tax net income | $ 2,271 | $ 1,933 |

The sale assets from the Exchange Agreement are presented below under the caption "Assets held for sale" and "Liabilities held for sale" in the accompanying consolidated balance sheets at December 31, 2008 and 2007 respectively (dollars in thousands):

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| **Assets held for sale – current:** | | |
| Cash | $ 53 | $ — |
| Accounts receivable, net | 1,618 | 587 |
| Prepaid and other current assets | 22 | 62 |
| Total assets held for sale – current | $ 1,693 | $ 649 |
| **Assets held for sale – long term:** | | |
| Property, plant and equipment, net | 6,396 | 24,154 |
| Franchise rights, net | 4,532 | 4,773 |
| Other assets | 5 | — |
| Total assets held for sale – long term | $ 10,933 | $ 28,927 |
| **Liabilities held for sale – current:** | | |
| Accounts payable and accrued expenses | $ 2,020 | $ 570 |
| Total liabilities held for sale – current | $ 2,020 | $ 570 |

Based upon the $4.30 closing price per share of our Class A common stock on December 31, 2008, we recorded a non-cash write-down on the sale assets of approximately $17.7 million for the year ended December 31, 2008. This unrealized loss is included in our statements of operations for the year ended December 31, 2008 under the caption loss on sale of cable systems, net. This loss on sale of cable systems, net includes approximately $4.0 million in advisory and consulting fees paid in connection with the Exchange Agreement.

The closing price of our Class A common stock on February 13, 2009 was $4.92. As a result, we expect to realize a gain on the sale of cable systems, net of approximately $18 million in the first quarter of 2009. This amount, along with other closing adjustments, will be recorded in our results of operations for the three months ended March 31, 2009.

## (12) EMPLOYEE BENEFIT PLANS

Substantially all of our employees are eligible to participate in a defined contribution plan pursuant to the Internal Revenue Code Section 401(k) (the "Plan"). Under such Plan, eligible employees may contribute up to 15% of their current pre-tax compensation. The Plan permits, but does not require, matching contributions and non-matching (profit sharing) contributions to be made by us up to a maximum dollar amount or maximum percentage of participant contributions, as we determine annually. We presently match 50% on the first 6% of employee contributions. Our contributions under the Plan totaled approximately $2.5 million, $2.4 million and $2.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

## (13) COMMITMENTS AND CONTINGENCIES

### *Lease and Rental Agreements*

Under various lease and rental agreements for offices, warehouses and computer terminals, we had rental expense of approximately $6.5 million, $6.3 million and $5.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. Future minimum annual rental payments are as follows (dollars in thousands):

| | | |
|---|---|---|
| 2009 | $ | 6,212 |
| 2010 | | 5,392 |
| 2011 | | 4,538 |
| 2012 | | 3,464 |
| 2013 | | 1,818 |
| Thereafter | | 8,531 |
| Total | $ | 29,955 |

In addition, we rent utility poles in our operations generally under short-term arrangements, but we expect these arrangements to recur. Total rental expense for utility poles was approximately $11.0 million, $9.8 million and $10.4 million for the years ended December 31, 2008, 2007 and 2006, respectively.

### *Letters of Credit*

As of December 31, 2008, approximately $19.3 million of letters of credit were issued to various parties to secure our performance relating to insurance and franchise requirements. The fair value of such letters of credit was immaterial.

### *Legal Proceedings*

Mediacom LLC, one of our wholly owned subsidiaries, is named as a defendant in a putative class action, captioned *Gary Ogg and Janice Ogg v. Mediacom LLC*, pending in the Circuit Court of Clay County, Missouri, originally filed in April 2001. The lawsuit alleges that Mediacom LLC, in areas where there was no cable franchise, failed to obtain permission from landowners to place its fiber interconnection cable notwithstanding the possession of agreements or permission from other third parties. While the parties continue to contest liability, there also remains a dispute as to the proper measure of damages. Based on a report by their experts, the plaintiffs claim compensatory damages of approximately $14.5 million. Legal fees, prejudgment interest, potential punitive damages and other costs could increase that estimate to approximately $26.0 million. The plaintiffs have recently proposed an alternative damage theory of $42.0 million in compensatory damages. We are unable to reasonably determine the amount of our final liability in this lawsuit, as our experts have estimated our liability to be within the range of approximately $0.1 million to $2.3 million. This estimate does not include any estimate of damages for prejudgment interest, attorneys' fees or punitive damages. We believe, however, that the amount of such liability, as stated by any of the parties, would not have a material effect on our consolidated financial position, results of operations, cash flows or business. There can be no assurance that the actual liability would not exceed this estimated range. As of March 9, 2009, the trial commenced for the claim by the class representatives, Gary and Janice Ogg. Mediacom LLC has tendered the lawsuit to our insurance carrier for defense and indemnification. The carrier has agreed to defend Mediacom LLC under a reservation of rights, and a declaratory judgment action is pending regarding the carrier's defense and coverage responsibilities. Mediacom LLC intends to vigorously defend against any claims made by the plaintiffs, including at trial, and on appeal, if necessary.

We are involved in various other legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these other matters will not have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

## (14) SALE OF CABLE SYSTEMS, NET

We recorded a net gain on sale of assets, amounting to $11.1 million, for the year ended December 31, 2007, due to the sale of certain cable systems in Iowa and South Dakota. See Note 11.

## (15) SELECTED QUARTERLY FINANCIAL DATA (all amounts in thousands, except per share data):

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| | | (Unaudited) | | |
| **2008** | | | | |
| Revenues | $ 339,679 | $ 349,501 | $ 352,553 | $ 360,161 |
| Operating income | 64,616 | 69,332 | 71,179 | 73,729 |
| Net (loss) income | $ (30,635) | $ 20,932 | $ 2,197 | $ (69,988) |
| Basic and diluted net (loss) income per share | (0.31) | 0.22 | 0.02 | (0.74) |
| Basic weighted average common shares outstanding | 97,645 | 95,137 | 94,628 | 94,781 |
| Diluted weighted average common shares outstanding | 97,645 | 97,257 | 96,916 | 94,781 |
| **2007** | | | | |
| Revenues | $ 307,876 | $ 324,734 | $ 328,252 | $ 332,513 |
| Operating income | 52,327 | 60,961 | 55,439 | 53,602 |
| Net loss | $ (16,880) | $ (6,644) | $ (34,733) | $ (36,872) |
| Basic and diluted net loss per share | (0.15) | (0.06) | (0.32) | (0.35) |
| Basic and diluted weighted average common shares outstanding | 109,890 | 109,758 | 108,013 | 103,649 |
| **2006**[(1)] | | | | |
| Revenues | $ 289,348 | $ 302,421 | $ 305,556 | $ 313,075 |
| Operating income | 52,696 | 59,850 | 55,963 | 55,111 |
| Net (loss) income | $ (37,208) | $ 5,725 | $ (89,827) | $ (3,612) |
| Basic and diluted net (loss) income per share | (0.33) | 0.05 | (0.82) | (0.03) |
| Basic weighted average common shares outstanding | 113,529 | 110,922 | 109,689 | 109,798 |
| Diluted weighted average common shares outstanding | 113,529 | 121,690 | 109,689 | 109,798 |

(1) Effective January 1, 2006 we adopted SFAS No. 123(R) (see Note 8).

## (16) SUBSEQUENT EVENTS

On February 13, 2009, we completed the Exchange Agreement pursuant to which we exchanged all of the capital stock of a wholly-owned subsidiary, which held approximately $110 million of cash and non-strategic cable systems serving approximately 25,000 basic subscribers, for 28,309,674 shares of Mediacom Class A common stock held by Shivers. As of December 31, 2008, after giving effect to the completion of this transaction, our total Class A and Class B outstanding shares were approximately 66.5 million. See Notes 10 and 11.

## MEDIACOM COMMUNICATIONS CORPORATION AND SUBSIDIARIES

## VALUATION AND QUALIFYING ACCOUNTS

| | | Additions | | Deductions | | |
|---|---|---|---|---|---|---|
| | Balance at Beginning of Period | Charged to Costs and Expenses | Charged to Other Accounts | Charged to Costs and Expenses | Charged to Other Accounts | Balance at end of Period |
| **December 31, 2006** | | | | | | |
| Allowance for doubtful accounts: | | | | | | |
| Current receivables | $ 3,078 | $ 4,148 | $ — | $ 5,053 | $ — | $ 2,173 |
| Valuation allowance | | | | | | |
| Deferred tax assets | $ 429,480 | $ 122,307 | $ — | $ — | $ — | $ 551,787 |
| **December 31, 2007** | | | | | | |
| Allowance for doubtful accounts: | | | | | | |
| Current receivables | $ 2,173 | $ 5,416 | $ — | $ 5,482 | | $ 2,107 |
| Valuation allowance | | | | | | |
| Deferred tax assets | $ 551,787 | $ 79,220 | $ — | $ — | $ — | $ 631,007 |
| **December 31, 2008** | | | | | | |
| Allowance for doubtful accounts: | | | | | | |
| Current receivables | $ 2,107 | $ 3,165 | $ — | $ 2,456 | $ 42 | $ 2,774 |
| Valuation allowance | | | | | | |
| Deferred tax assets | $ 631,007 | $ 46,441 | $ — | $ — | $ — | $ 677,448 |

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

None.

### ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2008.

There has not been any change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Management of our company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of our principal executive and principal financial officers and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of our inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, management determined that, as of December 31, 2008, our company's internal control over financial reporting was effective.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

**ITEM 9B. OTHER INFORMATION**

None

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information called for by Item 10 is set forth under the heading "Directors and Executive Officers of the Registrant" in Item 4A of this annual report and in our proxy statement relating to the 2009 Annual Meeting of Stockholders (the "Proxy Statement"), which information is incorporated herein by this reference.

### ITEM 11. EXECUTIVE COMPENSATION

Information called for by Item 11 is set forth in our Proxy Statement, which information is incorporated herein by this reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information called for by Item 12 is set forth in our Proxy Statement, which information is incorporated herein by this reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information called for by Item 13 is set forth in our Proxy Statement, which information is incorporated herein by this reference.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information called for by Item 14 is set forth in our Proxy Statement, which information is incorporated herein by this reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

*(a) Financial Statements*

Our financial statements as set forth in the Index to Consolidated Financial Statements under Part II, Item 8 of this Form 10-K are hereby incorporated by reference.

*(b) Exhibits*

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, incorporated by reference herein:

| Exhibit Number | Exhibit Description |
|---|---|
| 2.1 | Share Exchange Agreement, dated as of September 7, 2008, by and between Mediacom Communications Corporation, Shivers Investments, LLC, and Shivers Trading & Operating Company(1) |
| 2.2 | Significant Stockholder Agreement, dated as of September 7, 2008 by and between Mediacom Communications Corporation and Rocco B. Commisso(1) |
| 2.3 | Asset Transfer Agreement, dated February 11, 2009, by and among Mediacom Communications Corporation, certain operating subsidiaries of Mediacom LLC and the operating subsidiaries of Mediacom Broadband LLC |
| 3.1 | Restated Certificate of Incorporation of Mediacom Communications Corporation(2) |
| 3.2 | Amended and Restated By-laws of Mediacom Communications Corporation(3) |
| 4.1 | Form of certificate evidencing share of Class A common stock(2) |
| 4.2 | Indenture relating to 7 ⅞% senior notes due 2011 of Mediacom LLC and Mediacom Capital Corporation(4) |
| 4.3 | Indenture relating to 9 ½% senior notes due 2013 of Mediacom LLC and Mediacom Capital Corporation(5) |
| 4.4 | Indenture relating to 8 ½% senior notes due 2015 of Mediacom Broadband LLC and Mediacom Broadband Corporation(6) |
| 10.1(a) | Credit Agreement, dated as of October 21, 2004, among the operating subsidiaries of Mediacom LLC, the lenders thereto and JPMorgan Chase Bank, as administrative agent for the lenders(7) |
| 10.1(b) | Amendment No. 1, dated as of May 5, 2006, to the Credit Agreement, dated as of October 21, 2004, among the operating subsidiaries of Mediacom LLC, the lenders thereto and JPMorgan Chase Bank, as administrative agent for the lenders(8) |
| 10.1(c) | Amendment No. 2, dated as of June 11, 2007, to the Credit Agreement, dated as of October 21, 2004, among the operating subsidiaries of Mediacom LLC, the lenders party thereto and JPMorgan Chase Bank as administrative agent for the lenders(9) |
| 10.1(d) | Amendment No. 3, dated as of June 11, 2007, to the Credit Agreement, dated of October 21, 2004, among the operating subsidiaries of Mediacom LLC, the lenders party thereto and JPMorgan Chase Bank, as administrative agent for the lenders(9) |
| 10.2(a) | Amendment and Restatement, dated December 16, 2004, of Credit Agreement, dated as of July 18, 2001, among the operating subsidiaries of Mediacom Broadband LLC, the lenders thereto and JPMorgan Chase Bank, as administrative agent for the lenders(10) |
| 10.2(b) | Amendment No. 1, dated as of October 11, 2005, to the Amendment and Restatement, dated as of December 16, 2004, of Credit Agreement, dated as of July 18, 2001, among the operating subsidiaries of Mediacom Broadband LLC, the lenders thereto and JP Morgan Chase Bank, as administrative agent for the lenders(11) |

| | |
|---|---|
| 10.2(c) | Amendment No. 2, dated as of May 5, 2006, to the Amendment and Restatement, dated as of December 16, 2004, of Credit Agreement, dated as of July 18, 2001, among the operating subsidiaries of Mediacom Broadband LLC, the lenders thereto and JPMorgan Chase Bank, as administrative agent for the lenders(8) |
| 10.2(d) | Amendment No. 3, dated as of June 11, 2007, to the Amendment and Restatement, dated as of December 16, 2004, of Credit Agreement, dated as of July 18, 2001, among the operating subsidiaries of Mediacom Broadband LLC, the lenders party thereto and JPMorgan Chase Bank, as administrative agent for the lenders(9) |
| 10.2(e) | Amendment No. 4, dated as of June 11, 2007, to the Amendment and Restatement, dates as of December 16, 2004, of Credit Agreement, dated as of July 18, 2001, among the operating subsidiaries of Mediacom Broadband LLC, the lenders party thereto and JPMorgan Chase Bank, as administrative agent for the lenders(9) |
| 10.3 | Incremental Facility Agreement, dated as of May 5, 2006, between the operating subsidiaries of Mediacom LLC, the lenders signatory thereto and JPMorgan Chase Bank, N.A., as administrative agent(8) |
| 10.4 | Incremental Facility Agreement, dated as of May 5, 2006, between the operating subsidiaries of Mediacom Broadband LLC, the lenders signatory thereto and JPMorgan Chase Bank. N.A., as administrative agent(8) |
| 10.5 | Incremental Facility Agreement, dated as of May 29, 2008, between the operating subsidiaries of Mediacom Broadband LLC, the lenders signatory thereto and JPMorgan Chase Bank, N.A., as administrative agent(12) |
| 10.6* | Form of Amended and Restated Registration Rights Agreement by and among Mediacom Communications Corporation, Rocco B. Commisso, BMO Financial, Inc., CB Capital Investors, L.P., Chase Manhattan Capital, L.P., Morris Communications Corporation, Private Market Fund, L.P. and U.S. Investor, Inc.(2) |
| 10.7 | Fifth Amended and Restated Operating Agreement of Mediacom LLC(13) |
| 10.8 | Amended and Restated Limited Liability Company Operating Agreement of Mediacom Broadband LLC(14) |
| 10.9* | Compensation Agreement of Rocco Commisso(15) |
| 10.10 | 2001 Employee Stock Purchase Plan(16) |
| 10.11(a)* | 2003 Incentive Plan(17) |
| 10.11(b)* | Form of Stock Option Agreement for Executive Officers |
| 10.11(c)* | Form of Restricted Stock Unit Award Agreement for Executive Officers |
| 10.12(a) | Non-Employee Directors Equity Incentive Plan(18) |
| 10.12(b) | Form of Stock Option Agreement for Non-Employee Directors |
| 10.12(c) | Form of Restricted Stock Unit Award Agreement for Non-Employee Directors |
| 12.1 | Schedule of Computation of Ratio of Earnings to Fixed Charges |
| 21.1 | Subsidiaries of Mediacom Communications Corporation |
| 23.1 | Consent of PricewaterhouseCoopers LLP |
| 31.1 | Rule 13a-14(a) Certifications |
| 32.1 | Section 1350 Certifications |

*(c) Financial Statement Schedule*

The financial statement schedule — Schedule II — Valuation and Qualifying Accounts — is part of this Form 10-K.

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* Compensatory Plan

(1) Filed as an exhibit to the Current Report on Form 8-K, dated September 7, 2008, of Mediacom Communications Corporation and incorporated herein by reference.

(2) Filed as an exhibit to the Registration Statement on Form S-1 (File No. 333-90879) of Mediacom Communications Corporation and incorporated herein by reference.

(3) Filed as an exhibit to the Current Report on Form 8-K, dated December 21, 2007, of Mediacom Communications Corporation and incorporated herein by reference.

(4) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 1998 of Mediacom LLC and Mediacom Capital Corporation and incorporated herein by reference.

(5) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 2000 of Mediacom Communications Corporation and incorporated herein by reference.

(6) Filed as an exhibit to the Current Report on Form 8-K, dated August 30, 2005, of Mediacom Broadband LLC and Mediacom Broadband Corporation and incorporated herein by reference.

(7) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004 of Mediacom Communications Corporation and incorporated herein by reference.

(8) Filed as an exhibit to the Quarterly Report of Form 10-Q for the quarterly period ended March 31, 2006 of Mediacom Communications Corporation and incorporated herein by reference.

(9) Filed as an exhibit to the Quarterly Report of Form 10-Q for the quarterly period ended June 30, 2007 of Mediacom Communications Corporation and incorporated herein by reference.

(10) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 2004 of Mediacom Communications Corporation and incorporated herein by reference.

(11) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2005 of Mediacom Communications Corporation and incorporated herein by reference.

(12) Filed as an exhibit to the Current Report on Form 8-K, dated May 29, 2008, of Mediacom Broadband LLC and incorporated herein by reference.

(13) Filed as an exhibit to the Annual Report on Form 10-K for the fiscal year ended December 31, 1999 of Mediacom Communications Corporation and incorporated herein by reference.

(14) Filed as an exhibit to the Registration Statement on Form S-4 (File No. 333-72440) of Mediacom Broadband LLC and Mediacom Broadband Corporation and incorporated herein by reference.

(15) Filed as an exhibit to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2004 of Mediacom Communications Corporation and incorporated herein by reference.

(16) Filed as an exhibit to the Registration Statement on Form S-8 (File No. 333-68306) of Mediacom Communications Corporation and incorporated herein by reference.

(17) Filed as Exhibit A to the definitive Proxy Statement of Mediacom Communications Corporation on April 30, 2003 and incorporated herein by reference.

(18) Filed as Exhibit A to the definitive Proxy Statement of Mediacom Communications Corporation on April 29, 2004 and incorporated herein by reference.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

**Mediacom Communications Corporation**

March 13, 2009

By: /s/ ROCCO B. COMMISSO
**Rocco B. Commisso**
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ ROCCO B. COMMISSO<br>**Rocco B. Commisso** | Chairman and Chief Executive Officer (principal executive officer) | March 13, 2008 |
| /s/ MARK E. STEPHAN<br>**Mark E. Stephan** | Executive Vice President, Chief Financial Officer and Director (principal financial officer and principal accounting officer) | March 13, 2008 |
| /s/ THOMAS V. REIFENHEISER<br>**Thomas V. Reifenheiser** | Director | March 13, 2008 |
| /s/ NATALE S. RICCIARDI<br>**Natale S. Ricciardi** | Director | March 13, 2008 |
| /s/ ROBERT L. WINIKOFF<br>**Robert L. Winikoff** | Director | March 13, 2008 |

Exhibit 12.1

## Mediacom Communications Corporation and Subsidiaries

### Schedule of Computation of Ratio of Earnings to Fixed Charges

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| | (In thousands, except ratio amounts) | | | | |
| Earnings: | | | | | |
| (Loss) income before income taxes | $ (19,281) | $ (37,563) | $ (65,188) | $ (24,966) | $ 13,628 |
| Interest expense, net | 213,333 | 239,015 | 227,206 | 208,264 | 192,740 |
| Amortization of capitalized interest | 2,872 | 3,069 | 2,678 | 2,357 | 2,055 |
| Amortization of debt issuance costs | 5,070 | 4,884 | 5,998 | 8,613 | 8,725 |
| Interest component of rent expense[1] | 6,289 | 5,787 | 5,755 | 5,267 | 4,931 |
| Earnings available for fixed charges | $ 208,283 | $ 215,192 | $ 176,449 | $ 199,535 | $ 222,079 |
| Fixed Charges: | | | | | |
| Interest expense, net | $ 213,333 | $ 239,015 | $ 227,206 | $ 208,264 | $ 192,740 |
| Capitalized interest | 4,273 | 3,818 | 3,603 | 3,756 | 3,012 |
| Amortization of debt issuance cost | 5,070 | 4,884 | 5,998 | 8,613 | 8,725 |
| Interest component of rent expense[1] | 6,289 | 5,787 | 5,755 | 5,267 | 4,931 |
| Total fixed charges | $ 228,965 | $ 253,504 | $ 242,562 | $ 225,900 | $ 209,408 |
| Ratio of earnings to fixed charges | — | — | — | — | 1.06 |
| Deficiency of earnings over fixed charges | $ (20,682) | $ (38,312) | $ (66,113) | $ (26,365) | $ 12,671 |

(1) A reasonable approximation (one-third) is deemed to be the interest factor included in rental expense.

**Exhibit 23.1**

## Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-82124) and Form S-8 (File Nos. 333-41360, 333-68306, 333-122787 and 333-129008) of Mediacom Communications Corporation of our report dated March 13, 2009 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York
March 13, 2009

**Exhibit 31.1**

## CERTIFICATIONS

I, Rocco B. Commisso, certify that:

(1) I have reviewed this report on Form 10-K of Mediacom Communications Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROCCO B. COMMISSO

**Rocco B. Commisso**
Chairman and Chief Executive Officer

March 13, 2009

**Exhibit 31.1**

I, Mark E. Stephan, certify that:

(1) I have reviewed this report on Form 10-K of Mediacom Communications Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MARK E. STEPHAN

**Mark E. Stephan**

Executive Vice President and Chief Financial Officer

March 13, 2009

Exhibit 32.1

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Mediacom Communications Corporation (the "Company") on Form 10-K for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rocco B. Commisso, Chief Executive Officer, and Mark E. Stephan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ ROCCO B. COMMISSO
**Rocco B. Commisso**
Chairman and Chief Executive Officer

By: /s/ MARK E. STEPHAN
**Mark E. Stephan**
Executive Vice President and
Chief Financial Officer

March 13, 2009

# Directors and Officers

## BOARD OF DIRECTORS

**Rocco B. Commisso**
*Chairman and Chief Executive Officer,*
*Mediacom Communications Corporation*

**Thomas V. Reifenheiser**
*Retired Managing Director,*
*JP Morgan Chase & Co.*

**Natale S. Ricciardi**
*President,*
*Global Manufacturing,*
*Pfizer Inc.*

**Scott W. Seaton**
*Partner,*
*Londonderry Capital LLC*

**Mark E. Stephan**
*Executive Vice President and*
*Chief Financial Officer*
*Mediacom Communications Corporation*

**Robert L. Winikoff**
*Partner,*
*Sonnenschein Nath & Rosenthal LLP*

## OFFICERS AND KEY MANAGEMENT

**Rocco B. Commisso**
*Chairman and Chief Executive Officer*

**Charles J. Bartolotta**
*Senior Vice President,*
*Enterprise Solutions and*
*Field Service Operations*

**Italia Commisso Weinand**
*Senior Vice President,*
*Programming and Human Resources*

**Calvin G. Craib**
*Senior Vice President,*
*Corporate Finance and*
*Business Development*

**Tapan Dandnaik**
*Senior Vice President,*
*Customer Service and*
*Financial Operations*

**Steve Litwer**
*Senior Vice President,*
*Advertising Sales,*
*OnMedia Division*

**Edward S. Pardini**
*Senior Vice President,*
*Divisional Operations,*
*North Central Division*

**John G. Pascarelli**
*Executive Vice President,*
*Operations*

**Michael Rahimi**
*Senior Vice President,*
*Marketing and Consumer Services*

**Mark E. Stephan**
*Executive Vice President and*
*Chief Financial Officer*

**J.R. Walden**
*Senior Vice President,*
*Technology*

**Brian M. Walsh**
*Senior Vice President,*
*Corporate Controller*

**Joseph E. Young**
*Senior Vice President,*
*General Counsel and Secretary*

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