QUARTERLY REPORT
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

INSIGHT COMMUNICATIONS COMPANY, INC.
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Pursuant to Section 4.14(a) of the indenture, dated as of July 7, 2010, between Insight Communications Company, Inc., a Delaware corporation, and U.S. Bank National Association, as trustee, relating to the 9 3/8% Senior Notes due 2018, the information contained herein is being furnished to said trustee.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report contains certain statements that are, or may be deemed to be, forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects,” “anticipates,” “believes,” “estimates” and other similar expressions or future or conditional verbs such as “will,” “should,” “would,” and “could” are intended to identify such forward-looking statements. Readers should not rely solely on the forward-looking statements and should consider all uncertainties and risks throughout this quarterly report including those described below. The forward-looking statements are representative only as of the date on which this quarterly report is posted on our website (www.myinsight.com), and we undertake no obligation to update any forward-looking statement.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. We face risks that are inherent in the businesses and the marketplaces in which we operate. While management believes these forward-looking statements are accurate and reasonable, uncertainties, risks and other factors including those described below could cause actual results to differ materially from those reflected in the forward-looking statements.

Factors that may cause the actual outcome and results to differ materially from those expressed in, or implied by, these forward-looking statements include, but are not necessarily limited to the following:

- all of the services offered by our company face a wide range of competition that could adversely affect our future results of operations;
- general economic conditions including unemployment levels and a continued downturn in the housing market may negatively impact our future results of operations;
- we have substantial debt and have significant debt service requirements, which may adversely affect our ability to obtain financing in the future to fund our operations and our ability to react to changes in our business;
- the terms of Insight Midwest Holdings, LLC’s (“Insight Midwest Holdings”) indebtedness limits our ability to access the cash flow of Insight Midwest Holdings’ subsidiaries for debt service and other purposes;
- advances in technology have intensified the risks relating to competition for leisure and entertainment time of audiences;
- our ability to respond to technological developments and meet customer demands for new products and services;
- our ability to pass on increasing programming and retransmission costs to our customers;
- our ability to comply with government regulations and changes in government regulation;
- unanticipated increases in the use of bandwidth-intensive Internet-based services;
- our dependence on third-party service providers, suppliers and licensors;
- risks related to the telephone and commercial businesses;
- intellectual property rights and claims made against us for intellectual property infringement; and
- our ability to successfully integrate the companies, products and technologies that we acquire.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

INSIGHT COMMUNICATIONS COMPANY, INC.

**AS OF SEPTEMBER 30, 2011 AND DECEMBER 31, 2010 AND
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

INSIGHT COMMUNICATIONS COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(dollars in thousands, except per share amounts)

	September 30, 2011	December 31, 2010
Assets		
Cash and cash equivalents	$ 65,327	$ 48,259
Trade accounts receivable, net of allowance for doubtful accounts of $2,994 and $2,546 as of September 30, 2011 and December 31, 2010	35,651	33,784
Prepaid expenses and other assets	13,904	12,824
Deferred tax asset – current	8,823	6,833
Total current assets	123,705	101,700
Fixed assets, net of accumulated depreciation of $1,577,975 and $1,440,582 as of September 30, 2011 and December 31, 2010	664,371	669,966
Goodwill	355,750	355,750
Franchise rights	1,169,907	1,169,907
Customer relationships, net of accumulated amortization of $49,584 and $39,836 as of September 30, 2011 and December 31, 2010	14,449	24,197
Other intangible assets, net of accumulated amortization of $3,320 and $2,542 as of September 30, 2011 and December 31, 2010	2,332	3,110
Deferred financing costs, net of accumulated amortization of $12,781and $10,750 as of September 30, 2011 and December 31, 2010	14,155	16,182
Other noncurrent assets	4,024	3,654
Total assets	$ 2,348,693	$ 2,344,466
Liabilities and equity		
Accounts payable	$ 13,412	$ 21,369
Accrued expenses and other current liabilities	38,985	38,361
Accrued bonus	7,615	10,355
Accrued property taxes	15,326	11,798
Accrued programming costs	30,471	30,678
Deferred revenue	15,998	15,918
Interest payable	16,482	29,528
Interest rate swaps – current	—	31
Total current liabilities	138,289	158,038
Long-term debt	1,730,924	1,754,384
Deferred tax liability – noncurrent	125,800	152,455
Interest rate swaps – noncurrent	32,105	34,979
Other noncurrent liabilities	1,101	1,084
Commitments and contingencies (Note 13)		
Equity:		
Voting preferred stock, $.01 par value:		
Series A – 1,000,000 shares authorized; 848,945 shares issued and outstanding as of September 30, 2011 and December 31, 2010	8	8
Series B – 5,000,000 shares authorized; 465,000 shares issued and outstanding as of September 30, 2011 and December 31, 2010	5	5
Nonvoting preferred stock, $.01 par value:		
Series C – 15,000,000 shares authorized; 6,789,021 shares issued and outstanding as of September 30, 2011 and December 31, 2010	68	68
Series D – 55,000,000 shares authorized; 48,451,206 shares issued and outstanding as of September 30, 2011 and December 31, 2010	484	484
Nonvoting common stock, $.01 par value:		
Series E – 15,000,000 shares authorized; 11,793,892 and 11,268,526 shares issued and outstanding as of September 30, 2011 and December 31, 2010	118	113
Series F – 100,000 shares authorized; 92,026 shares issued and outstanding as of September 30, 2011 and December 31, 2010	1	1
Voting common stock, $.01 par value:		
Series G – 10,000,000 shares authorized; 0 shares issued and outstanding as of September 30, 2011 and December 31, 2010	—	—
Additional paid-in capital	431,454	430,879
Accumulated deficit	(104,186)	(177,343)
Accumulated other comprehensive loss	(7,478)	(10,689)
Total equity	320,474	243,526
Total liabilities and equity	$ 2,348,693	$ 2,344,466

See accompanying notes.

INSIGHT COMMUNICATIONS COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Revenue	$ 270,103	$ 262,058	$ 807,736	$ 788,960
Operating costs and expenses:				
Programming and other operating costs (exclusive of depreciation and amortization)	104,118	103,281	314,685	314,513
Selling, general and administrative (inclusive of stock-based compensation of $331 and $522 for the three months ended September 30, 2011 and 2010 and $580 and $659 for the nine months ended September 30, 2011 and 2010)	77,449	73,938	226,512	237,407
Depreciation and amortization	50,239	46,920	150,123	140,807
Total operating costs and expenses	231,806	224,139	691,320	692,727
Operating income	38,297	37,919	116,416	96,233
Other (expense) income:				
Interest expense	(24,936)	(35,428)	(73,306)	(85,916)
Interest income	77	93	210	257
Other	1,483	(45)	1,385	(25)
Total other expense, net	(23,376)	(35,380)	(71,711)	(85,684)
Income before income taxes	14,921	2,539	44,705	10,549
(Provision) benefit for income taxes	(6,416)	(3,552)	28,452	(8,924)
Net income (loss)	$ 8,505	$ (1,013)	$ 73,157	$ 1,625

See accompanying notes.

INSIGHT COMMUNICATIONS COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

	Nine Months Ended September 30,	
	2011	**2010**
Operating activities		
Net income	$ 73,157	$ 1,625
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	150,123	140,807
Stock-based compensation	580	659
(Gain) loss on interest rate swaps	(2,905)	26,833
Reclassification of hedging loss	3,211	4,781
Deferred income taxes	(28,645)	8,889
Provision for losses on trade accounts receivable	11,743	12,795
Amortization of debt modification costs and deferred financing costs	3,956	4,401
Amortization of Senior Notes premium	(389)	(103)
Changes in operating assets and liabilities:		
Trade accounts receivable	(13,610)	(14,168)
Prepaid expenses and other assets	(1,338)	(2,202)
Accounts payable	(2,801)	2,358
Interest payable	(13,046)	2,308
Accrued bonus	(2,740)	(705)
Accrued expenses and other liabilities	4,042	13,715
Net cash provided by operating activities	181,338	201,993
Investing activities		
Purchase of fixed assets	(139,270)	(121,270)
Purchase of cable system	—	(1,960)
Purchase of other intangible assets	—	(37)
Net cash used in investing activities	(139,270)	(123,267)
Financing activities		
Dividends paid	—	(299,921)
Repurchase of stock	—	(98,989)
Repayment of MWH Credit Facility	(25,000)	(243,000)
Payment of deferred financing costs	—	(15,228)
Drawdown on MWH Credit Facility	—	75,000
Proceeds from issuances of Senior Notes	—	501,304
Net cash used in financing activities	(25,000)	(80,834)
Net change in cash and cash equivalents	17,068	(2,108)
Cash and cash equivalents, beginning of period	48,259	57,752
Cash and cash equivalents, end of period	$ 65,327	$ 55,644

See accompanying notes.

1. Organization

Through our wholly-owned subsidiary, Insight Midwest Holdings, LLC ("Insight Midwest Holdings"), we operate cable systems in Indiana, Kentucky and Ohio, which passed approximately 1.3 million homes and had approximately 757,900 customer relationships as of September 30, 2011.

Within these condensed consolidated financial statements, the terms "Insight", "we", "us" and "our" refer hereinafter to Insight Communications Company, Inc., except where operating subsidiaries are specifically stated.

On February 1, 2010, we purchased a cable system serving approximately 1,000 customers near Louisville, Kentucky from Inside Connect Cable, LLC for $2.0 million of which we allocated $0.9 million to fixed assets and $1.1 million to customer relationships.

On August 15, 2011, Insight and Time Warner Cable, Inc. ("Time Warner Cable") entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the Merger Agreement, Time Warner Cable has agreed to acquire Insight and its subsidiaries on the terms and subject to the conditions set forth in the Merger Agreement, as described below.

Pursuant to the Merger Agreement, a subsidiary of Time Warner Cable will merge with and into Insight, with Insight surviving as a direct wholly owned subsidiary of Time Warner Cable. Time Warner Cable will pay a cash purchase price of $3.0 billion, which will be reduced by Insight's debt and similar obligations. The purchase price is also subject to customary adjustments, including a reduction to the extent the number of Insight's video subscribers at the closing is less than an agreed upon threshold, as well as a working capital adjustment.

The closing, which is expected to occur in the first half of 2012, is subject to various customary closing conditions, including receipt of Federal Communications Commission approvals and the consent of certain local franchising authorities to the change in ownership of the cable systems operated by Insight and the number of video subscribers served by Insight's cable systems as of a specified date prior to the closing exceeding an agreed upon threshold. During the third quarter of 2011, the Federal Trade Commission's review of the proposed merger concluded with the early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The Merger Agreement can be terminated by either Insight or Time Warner Cable, subject to certain conditions, if the closing has not occurred by May 15, 2012 (the "End Date"), provided that if the conditions relating to regulatory or franchise approvals have not been satisfied by such date, either party can extend the End Date to August 15, 2012.

2. Basis of Presentation

Our accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements.

In our opinion, the condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the condensed consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal, recurring nature. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2010.

The preparation of financial statements in conformity with GAAP requires us 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. Actual results could differ from those estimates. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the year ending December 31, 2011 or any other interim period.

3. Franchise and Other Pass Through Revenue

We pay certain fees generally based on gross video revenue, including franchise fees, fees into the Federal Universal Services Fund based on certain telephone revenue, and other regulatory fees. Normally, these fees are passed through to cable and telephone customers and classified as a component of revenue, with the corresponding costs included in selling, general and administrative expenses. These fees were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)		*(dollars in thousands)*	
Franchise and other regulatory fees	$ 7,140	$ 7,073	$ 21,789	$ 21,606

All other remaining taxes collected from customers on behalf of government authorities have no impact on the condensed consolidated statements of operations.

4. Customer Relationships and Other Intangible Assets

Customer relationships are intangible assets with limited useful lives, and are amortized on a straight-line basis ranging from four to five years. Other intangible assets consist primarily of third-party software licensing fees paid by us for licenses we do not own. These costs are amortized over the licensing term of three years. Amortization expense was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)		*(dollars in thousands)*	
Amortization expense	$ 3,473	$ 3,604	$ 10,526	$ 10,834

The estimated amortization expense will be $3.5 million for the remainder of 2011, $12.0 million for 2012 and $1.3 million for 2013.

5. Long-Term Debt

The table below summarizes our outstanding debt:

	September 30, 2011	December 31, 2010
	(dollars in thousands)	
Insight Midwest Holdings Credit Facility:		
Borrowings	$ 1,237,000	$ 1,262,000
Less: debt modification costs	(5,924)	(7,852)
Net	$ 1,231,076	$ 1,254,148
Insight 9 3/8% Senior Notes:		
Principal	$ 495,000	$ 495,000
Add: unamortized premium	4,848	5,236
Net	$ 499,848	$ 500,236
Total Long-Term Debt	$ 1,730,924	$ 1,754,384

Insight Midwest Holdings Credit Facility

As of December 31, 2009, Insight Midwest Holdings had a $1.7 billion senior secured credit facility (the "MWH Credit Facility"), comprising a $215.0 million A Term Loan scheduled to mature on October 6, 2013, a $1.2 billion B Term Loan scheduled to mature on April 6, 2014 and $260.0 million in revolving commitments originally scheduled to terminate on October 6, 2012. Proceeds from the MWH Credit Facility were originally used to refinance Insight Midwest Holdings' existing credit facility and to redeem the outstanding senior notes of its parent, including a call premium to noteholders that was treated as debt modification costs. These debt modification costs are being amortized over the remaining life of the MWH Credit Facility as a component of interest expense in the condensed consolidated statements of operations.

Since January 1, 2010, the MWH Credit Facility borrowings, repayments and changes to the revolving commitments including their maturity were as follows:

- In May 2010, Insight Midwest Holdings borrowed $75.0 million under the MWH Credit Facility. See Note 9 for further discussion regarding the use of the borrowed funds.
- On July 12, 2010, the MWH Credit Facility was amended to extend the revolving commitments to March 31, 2014. In connection with this amendment, the aggregate amount of the revolving commitments was reduced to $250.0 million, and the then current applicable interest margin was increased by 150 basis points, or 1.5%, and the commitment fee margin was increased by 25 basis points, or 0.25%. For the amendment, Insight Midwest Holdings incurred $4.0 million in transaction fees and expenses, which were classified as deferred financing costs and are being amortized over the remaining life of the revolving commitments as a component of interest expense in the condensed consolidated statements of operations.
- From June through August 2010, Insight Midwest Holdings repaid $70.0 million of the A Term Loan, $98.0 million of the B Term Loan and $75.0 million of revolver borrowings with proceeds from our Senior Notes private placement (as discussed below) and cash on hand.
- In September 2011, Insight Midwest Holdings repaid $25.0 million of the B Term Loan from cash on hand.
- Subsequent to September 30, 2011, in October 2011, Insight Midwest Holdings repaid $25.0 million of the B Term Loan from cash on hand.

As of September 30, 2011 and December 31, 2010, outstanding borrowings under the MWH Credit Facility totaled $1.2 billion, comprising $145.0 million of A Term Loan and $1.1 billion of B Term Loan. Availability under the revolving commitments was $244.8 million, which reflects a reduction of $5.2 million for outstanding letters of credit.

5. Long-Term Debt (continued)

Obligations under the MWH Credit Facility are secured by a pledge of the outstanding equity interests of Insight Midwest Holdings and its subsidiaries. Borrowings bear interest at a base rate selected by Insight Midwest Holdings plus an applicable interest margin. The applicable interest margin increases or decreases based on Insight Midwest Holdings' leverage ratio. Excluding the impact of the Insight Midwest Holdings' interest rate swaps (the "Swaps"), the weighted average interest rate for debt outstanding under the MWH Credit Facility was 1.9% at September 30, 2011 and December 31, 2010. The MWH Credit Facility places limits and conditions on Insight Midwest Holdings' dividends and other distributions. As of September 30, 2011, Insight Midwest Holdings was in compliance with the MWH Credit Facility's interest coverage and leverage covenant requirements.

Insight 9 3/8% Senior Notes

On July 7, 2010, Insight completed a private placement of $400.0 million aggregate principal amount of 9 3/8% Senior Notes (the "Senior Notes"). The Senior Notes mature on July 15, 2018 and interest is payable semi-annually in arrears on January 15 and July 15 of each year. The indenture governing the Senior Notes contains customary covenants, such as restrictions on our ability to redeem the Senior Notes prior to their maturity, to issue future indebtedness and to make certain restricted payments. Net proceeds from the sale of the Senior Notes were $392.4 million after giving effect to the initial purchasers' discount of $7.6 million. Proceeds were used to pay a $299.9 million dividend to our stockholders in the priority established by the certificate of incorporation. A portion of the proceeds and cash on hand were also used to repay $70.0 million of the A Term Loan and $50.0 million of revolver borrowings.

On August 11, 2010, Insight completed an additional private placement of $95.0 million aggregate principal amount of the 9 3/8% Senior Notes. These Senior Notes were issued under the same indenture and are the same series as the original Senior Notes and were issued at a premium of $5.5 million together with accrued interest of $0.8 million. Net proceeds from the private placement were $99.5 million after giving effect to the initial purchasers' discount of $1.8 million. Proceeds were used to repay $98.0 million of the B Term Loan.

The MWH Credit Facility permits Insight Midwest Holdings to make distributions to us to pay regularly scheduled payments of interest on a portion of the Senior Notes only to the extent of the $187.0 million principal amount of the Senior Notes' proceeds that were contributed to Insight Midwest Holdings. Such distributions would be permitted only so long as there is no default under the MWH Credit Facility. Distributions to repay the principal amount of the Senior Notes and service the remaining $308.0 million principal amount of Senior Notes may be made only to the extent such a distribution is otherwise permitted under the terms of the MWH Credit Facility.

Both the deferred financing costs of $11.2 million, consisting of the initial purchasers' discount and transaction fees and expenses, and the issuance premium of $5.5 million are being amortized over the remaining life of the Senior Notes as a component of interest expense in the condensed consolidated statements of operations.

Insight Midwest Intercompany Loan

In 2002, Insight loaned $100.0 million (the "Intercompany Loan") to Insight Midwest, L.P. ("Insight Midwest"), our wholly-owned subsidiary, which is the direct parent of Insight Midwest Holdings. The Intercompany Loan bears annual interest of 9.0%, compounded semiannually, and permits prepayments. In May 2010, we amended and restated the Intercompany Loan to extend the maturity date from January 31, 2011 to January 31, 2020. Under the MWH Credit Facility, Insight Midwest Holdings is permitted to make distributions to Insight Midwest for the purpose of repaying the Intercompany Loan, including accrued interest, provided that there are no defaults existing under the MWH Credit Facility.

On April 1, 2010, CVMO Acquisition, LLC, an entity affiliated with Crestview Partners II, L.P., MidOcean Partners III, L.P., and certain affiliated funds ("CVMO") acquired shares in Insight. See Note 9 for further details regarding these transactions. Pursuant to the CVMO Transactions (as defined in Note 9), we are required to maintain certain minimum outstanding balances on the Intercompany Loan, which places limitations on the amount of permitted prepayments.

5. Long-Term Debt (continued)

As of September 30, 2011 and December 31, 2010, the balance of the Intercompany Loan, including accrued interest, was $184.6 million and $172.9 million. The Intercompany Loan and associated interest are eliminated in our condensed consolidated financial statements.

Debt Principal Payments

As of September 30, 2011, the remaining principal payments required on our debt were as follows:

	(dollars in thousands)
2012	$ 625
2013	144,375
2014	1,092,000
2015	—
2016	—
Thereafter	495,000
Total	$ 1,732,000

6. Interest Rate Swaps

Insight Midwest Holdings enters into swap agreements to mitigate its exposure to fluctuations in the variable interest base rate of its outstanding debt. Under the terms of these swaps, fixed rate interest payments are made in exchange for floating rate interest receipts over the life of the agreement without an exchange of the underlying principal amount. These payments and receipts are reflected in interest expense within the condensed consolidated statements of operations. Insight Midwest Holdings records the swaps at fair value and uses a swap's contractual terms, the estimated yield curve of the floating rate over its life and the credit worthiness of the counterparties as reflected in their cost of debt, and credit default swap spreads to estimate the fair value. The swap's estimated fair value is reported in the condensed consolidated balance sheet in current or noncurrent interest rate swaps assets or liabilities. For a swap qualifying for cash flow hedge accounting, the change in the effective portion of the swap's fair value is recorded to other comprehensive income (loss) and interest accrued for the net differential to be paid or received is reclassified from other comprehensive income (loss) to interest expense in the condensed consolidated statement of operations. If a swap no longer qualifies for cash flow hedge accounting, the remaining balance of accumulated other comprehensive income (loss) related to the swap is reclassified over the swap's remaining term as an adjustment to interest expense if the debt to which the swap was designated continues to remain outstanding. If a swap does not qualify for cash flow hedge accounting, the change in the swap's fair value is recorded to interest expense in the condensed consolidated statement of operations. Any ineffectiveness of the swaps is reflected in interest expense.

On December 29, 2009, we made an interest rate borrowing period election under the MWH Credit Facility that resulted in three Swaps no longer qualifying for cash flow hedge accounting on a prospective basis. As the debt initially hedged remains outstanding, the amounts previously recorded to accumulated other comprehensive loss are being reclassified to interest expense through the remaining term of these three Swaps. For the three months ended September 30, 2011 and 2010, we recorded a $0.4 million increase and a $10.0 million increase to interest expense for the change in fair value of these Swaps and the reclassification of the accumulated other comprehensive loss balance. For the nine months ended September 30, 2011 and 2010, we recorded a $0.3 million increase and a $31.6 million increase to interest expense for the change in fair value of these Swaps and the reclassification of the accumulated other comprehensive loss balance. Excluding these noncash amounts, our consolidated interest expense and annualized rate would have been as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)		*(dollars in thousands)*	
Interest expense	$ 24,498	$ 25,443	$ 73,000	$ 54,302
Interest rate	5.6%	5.8%	5.6%	4.7%

6. Interest Rate Swaps (continued)

The Swaps have certain credit related contingent features. Under each Swap, the respective counterparty could require settlement if an event of default occurs under the MWH Credit Facility. In addition, each of these Swaps is currently secured and guaranteed by the same collateral and guarantees that secure and guarantee the obligations under the MWH Credit Facility. Moreover, each of these Swaps provides the respective counterparty the right to settlement if at any time the obligations under that Swap cease to be equally and ratably secured and guaranteed with the obligations under the MWH Credit Facility. These Swaps do not contain any credit ratings-based defaults, termination events or collateral delivery requirements. See Note 11 for further details regarding other comprehensive income (loss) and our Swaps.

The following table summarizes the terms of the existing swaps, none of which were accounted for as cash flow hedges:

	Notional Amount	Maturities	Average Pay Rate	Average Receive Rate	Estimated Fair Value of Liability
			(dollars in thousands)		
As of September 30, 2011					
Swaps – current	$ —	—	—	—	$ —
Swaps – noncurrent	$ 800,000	2013-2014	2.8%	0.2%	$ 32,105
As of December 31, 2010					
Swaps – current	$ 200,000	2011	1.7%	0.3%	$ 31
Swaps – noncurrent	$ 800,000	2013-2014	2.8%	0.3%	$ 34,979

7. Supplemental Cash Flow Information

The following amounts were paid in cash during the nine months ended September 30:

	2011	2010
	(dollars in thousands)	
Interest	$ 82,473	$ 47,643
Income taxes	422	687

As of September 30, 2011 and 2010, we accrued $4.9 million and $14.5 million for fixed asset purchases in the condensed consolidated balance sheets. Such purchases are considered a noncash investing activity.

8. Income Taxes

For the three and nine months ended September 30, 2011 we recorded a net tax provision of $6.4 million and a net tax benefit of $28.5 million. The nine months ended September 30, 2011 included a $47.2 million tax benefit resulting from the release of a valuation allowance held against deferred tax assets as a result of the completion of an Internal Revenue Code ("IRC") Section 382 limitation study. These tax assets relate primarily to prior net operating losses. There was no release of this nature for the three months ended September 30, 2011. We evaluate the need for a valuation allowance each period, and based upon all the evidence, including the IRC Section 382 study completed in March 2011, have determined that realization of an additional $47.2 million of deferred tax assets is more likely than not. As of September 30, 2011, we had a remaining valuation allowance of $15.9 million against our deferred tax assets.

In evaluating the release of the valuation allowance, we considered the limitations imposed by IRC Section 382 and similar state provisions related to the use of the Company's pre-2006 net operating losses. During the first quarter of 2011, we received additional information about share activity by a principal stockholder which allowed us to complete a similar IRC Section 382 study and conclude that no subsequent limitation has occurred.

8. Income Taxes (continued)

For the three and nine months ended September 30, 2010, which was prior to the release of our valuation allowance held against deferred tax assets, our income tax provision was $3.6 million and $8.9 million, which is primarily attributable to a $4.0 million and $8.9 million increase in our deferred tax liability related to franchise rights. Franchise rights are amortized for tax purposes but not for GAAP purposes, resulting in an increased deferred tax liability at September 30, 2010.

9. Capital Stock and Other Stock-Based Compensation

On April 1, 2010, certain of our stockholders, including affiliates of The Carlyle Group (“Carlyle”), our Chairman of the Board, Sidney R. Knafel, our Vice Chairman and Chief Executive Officer, Michael S. Willner, and an entity controlled by Amos B. Hostetter, Jr., a Director (the “Initial Sellers”), sold a portion of their equity securities to CVMO (the “CVMO Transactions”). Following the CVMO Transactions, the offer to purchase and the additional share purchases described below (collectively, the “Recapitalization Transactions”), Carlyle and CVMO each owned approximately 43% of our equity.

On May 6, 2010, as part of the Recapitalization Transactions, we completed an offer to purchase from our stockholders approximately 48.5% of their shares of our Series C and D non-voting preferred stock and certain shares of our Series E non-voting common stock. The initial sellers also entered into a tender agreement pursuant to which each of them agreed to tender that number of shares of our Series C, D and E stock in the offer so that, in the aggregate, they sold approximately 48.5% of their shares of our Series C, D and E stock in the CVMO Transactions and in the offer to purchase (taking into account any Deferred C Shares as discussed below).

Upon completion of the Recapitalization Transactions, our equity and shares outstanding as of June 30, 2010 reflected the following activities:

- Insight purchased from Carlyle and retired 52.8 thousand shares of Series B voting preferred stock for par value of $0.01 per share;
- CVMO purchased from Carlyle 0.2 million shares of Series B stock for par value of $0.01 per share;
- CVMO purchased from the initial sellers a portion of their Series D stock, including Series D stock issued by Insight to the initial sellers in exchange for 5.7 million shares of Series C stock.
- We paid aggregate cash consideration of approximately $96.8 million to repurchase approximately 0.9 million Series C, 4.2 million Series D and 5.9 million Series E shares of stock. The cash consideration was paid with distributions and other payments from our subsidiaries, and funded by cash on hand as well as revolver borrowings.
- Approximately 5.0 million new shares of Series E stock were issued to stockholders that elected to participate in the offer. The fair value of shares issued was deemed immaterial and therefore fully expensed in the period of issuance. The shares vest in equal installments over a three year period.
- Certain holders of Deferred C Shares were permitted to sell a number of shares of Series C stock or eligible Series E stock having a value that was equal to approximately 48.5% of the aggregate value of such participant’s Deferred C Shares, as if the value of each such Deferred C Share were equal to the price per share paid in the CVMO Transactions. On May 18, 2010, we paid $2.1 million to purchase these shares. Any Series E stock sold by the participants was replaced by the same number of deferred E shares (“Deferred E Shares”).

On July 8, 2010, we paid a cash dividend of $5.43 per share to our Series C and Series D stockholders, and a dividend of $0.01 per share to our Series A and Series B stockholders. The aggregate dividend payment was $299.9 million. Holders of Deferred C shares were credited with a total of 0.2 million additional Deferred C Shares as dividend equivalents. The dividend record date was May 19, 2010. As of September 30, 2011, 0.6 million Deferred C Shares and 0.6 million Deferred E Shares were issued and outstanding.

9. Capital Stock and Other Stock-Based Compensation (continued)

For the three and nine months ended September 30, 2010, Insight incurred expenses related to the Recapitalization Transactions of $0.1 million and $24.9 million, which are recorded in selling, general and administrative expenses in the condensed consolidated statements of operations. Approximately $13.0 million of these expenses were paid to CVMO and its affiliates.

On August 15, 2011, Insight and Time Warner Cable entered into the Merger Agreement. Pursuant to the Merger Agreement, Time Warner Cable has agreed to acquire Insight and its subsidiaries on the terms and subject to the conditions set forth in the Merger Agreement, as described in Note 1. Upon closing of the transaction, a subsidiary of Time Warner Cable will merge with and into Insight, with Insight surviving as a direct wholly owned subsidiary of Time Warner Cable, and each share of Insight capital stock outstanding immediately prior to the merger will be converted into the right to receive its allocable portion of the merger consideration.

Stock-based compensation expense is calculated by using the grant date fair value of the award and amortizing the fair value amount on a straight-line basis over the requisite service period, unless deemed immaterial, in which case it is expensed during the period of issuance. The following table summarizes our stock-based compensation expense:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)		***(dollars in thousands)***	
Stock-based compensation	$ 331	$ 522	$ 580	$ 659

The total unrecognized compensation expense related to unvested awards as of September 30, 2011 is $3.9 million and is expected to be recognized over a requisite service period ranging from three to five years. Stock-based compensation for the three and nine months ended September 30, 2010 was expensed fully upon issuance.

10. Fair Value of Financial Instruments

The carrying amount and estimated fair value of financial instruments are presented below:

	September 30, 2011		**December 31, 2010**	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
	(dollars in thousands)			
Cash and cash equivalents	$ 65,327	$ 65,327	$ 48,259	$ 48,259
Long-term debt (principal amount)	1,732,000	1,764,300	1,757,000	1,762,000
Swaps (liability positions)	32,105	32,105	35,010	35,010

The following methods and assumptions are used in estimating the fair value disclosures for financial instruments:

Cash equivalents: The carrying amount reported in the condensed consolidated balance sheets for cash equivalents approximates fair value.

Debt: Quoted market prices are obtained for identical or similar liabilities in order to calculate the fair value of debt.

Swaps: The fair value of a swap is estimated based on its contractual terms, the estimated yield curve of the floating rate over its life and the credit worthiness of the counterparties as reflected in their cost of debt and credit default swap spreads.

10. Fair Value of Financial Instruments (continued)

The fair value of an asset or liability is based on assumptions that market participants would use in pricing the asset or liability. The hierarchies of inputs we use when determining fair value are described below:

- Level 1: Quoted prices in active markets for identical financial instruments.
- Level 2: Inputs other than quoted prices that are observable for the financial instrument, either directly or indirectly; these include quoted prices for similar financial instruments in active markets and quoted prices for identical or similar financial instruments in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial instruments and the placement of financial instruments within the fair value hierarchy.

The table below provides the financial instruments carried at fair value based on the levels of hierarchy:

	Level I	Level II	Level III	Total
		(dollars in thousands)		
September 30, 2011: Swaps	—	$ 32,105	—	$ 32,105
December 31, 2010: Swaps	—	35,010	—	35,010

11. Comprehensive Income (Loss)

The cumulative amount of other comprehensive income (loss) is presented in the accompanying condensed consolidated balance sheets as accumulated other comprehensive loss and includes unrealized losses on our Swaps that will be reclassified to interest expense over the respective term of the related swaps.

The table below summarizes the amounts reclassified out of accumulated other comprehensive loss to interest expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands)		*(dollars in thousands)*	
Reclassification of hedging loss	$ 1,076	$ 1,611	$ 3,211	$ 4,782

Accumulated other comprehensive loss at September 30, 2011 and December 31, 2010 was $7.5 million and $10.7 million. Over the next twelve months, $4.3 million of the accumulated other comprehensive loss balance as of September 30, 2011 will be reclassified to interest expense over the respective term of the related swaps. See Note 6 for further details regarding other comprehensive income (loss) and our Swaps.

12. Related Party Transactions

We are party to a consulting agreement with affiliates of Carlyle. On April 1, 2010, we entered into a similar consulting agreement with affiliates of CVMO and prepaid a prorated fee to CVMO under this agreement of $1.1 million at the time of the CVMO Transactions closing. See Note 9 for further details regarding the CVMO Transactions. Under both agreements, the parties will render management, consulting, acquisition and financial services to us and each will receive an annual fee of $1.5 million, payable quarterly. These advisor fees, included in selling, general and administrative expenses in the condensed consolidated statements of operations, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands)		*(dollars in thousands)*	
Advisor fees	$ 750	$ 757	$ 2,250	$ 1,877

13. Commitments and Contingencies

Legal Proceedings

Michelle Downs et al. v. Insight Communications Company, Inc.

On February 17, 2009, two alleged Insight customers filed a putative class action complaint asserting antitrust claims against us in the U.S. District Court for the Western District of Kentucky. This case is substantially similar to other cases that have been filed against other cable system operators across the country and alleges that we unlawfully tie the rental or lease of set-top boxes to the sale of other cable services. The purported class is all persons in the Commonwealth of Kentucky who obtained certain cable services from us and who also paid us a monthly rental fee for an accompanying set-top box. The complaint seeks an unspecified amount of damages on behalf of the class, which would be trebled under the antitrust laws, plus attorney fees. In October 2009, we moved to dismiss the amended complaint and on June 2, 2010, the Court granted the Motion to Dismiss, but granted leave to the plaintiffs to file another amended complaint that attempts to cure the deficiencies the Court identified. In response, the plaintiffs filed a Second Amended Complaint on July 2, 2010. Our motion to dismiss this latest complaint was denied on March 22, 2011.

We believe that the plaintiffs' claims are without merit and intend to defend the action vigorously. However, in the event that a court ultimately determines that we violated antitrust laws, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to materially modify certain products and services that we currently offer to customers. However, we are unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

Ceres Communications Technologies, LLC v. 8x8, Inc. et al. ("Ceres I")

In October 2010, Ceres Communications Technologies, LLC filed a complaint against us in the United States District Court for the District of Delaware alleging willful infringement of U.S. Patent No. 5,774,526 by "products or services that provide communications using non-telephone wiring networks, including Insight Phone 2.0, which allows users to place calls to telephones or to receive telephone calls to telephone numbers over Insight's cable network." We are among approximately 20 defendants named in the complaint, including 11 other cable operators. The complaint seeks monetary and injunctive relief. An amended complaint was filed in December 2010, deleting claims for indirect infringement and willful infringement. We have responded to the complaint and asserted declaratory judgment counterclaims. Discovery is in its early stages, and an interim scheduling order has been entered, but no trial date has been set. In the event a court ultimately determines that we infringe the patent, we may be subject to substantial damages, which may include treble damages. We continue to believe that the claims are without merit and intend to defend the action vigorously, but are unable to predict the outcome of this claim or reasonably estimate a range of possible loss.

13. Commitments and Contingencies (continued)

Ceres Communications Technologies, LLC v. Atlantic Broadband et al. ("Ceres II")

In December 2010, Ceres Communications Technologies, LLC filed a second complaint against us in the United States District Court for the District of Delaware alleging infringement of U.S. Patent No. 7,149,252 "by using cable modem termination systems that embody the patented invention." We are among 11 other cable operators named in the complaint. The complaint seeks monetary and injunctive relief. We have responded to the complaint and asserted declaratory judgment counterclaims. Discovery is in its early stages, and a scheduling order has been entered, with trial set for June 2013. In the event a court ultimately determines that we infringe the patent, we may be subject to substantial damages, which may include treble damages. We continue to believe that the claims are without merit and intend to defend the action vigorously, but are unable to predict the outcome of this claim or reasonably estimate a range of possible loss.

GTZM Technology Ventures Ltd. v. Atlantic Broadband et al.

In September 2011, GTZM Technology Ventures Ltd. filed a complaint against us in the United States District Court for the District of Delaware alleging infringement of U.S. Patent No. 5,455,859, titled "Telephone Handset Interface for Device Having Audio Input." The complaint also names 12 other cable operators, as well as one VoIP company, and seeks monetary and injunctive relief. The complaint specifically identifies embedded multimedia terminal adapters (eMTAs) and digital telephone services as the bases for the infringement claim. We responded to the complaint on November 3, 2011 and asserted declaratory judgment counterclaims. In the event a court ultimately determines that we infringe the patent, we may be subject to substantial damages, which may include treble damages. However, we believe that the claims are without merit and intend to defend the action vigorously, but are unable to predict the outcome of this claim or reasonably estimate a range of possible loss.

InterAD Technologies, LLC v. Atlantic Broadband et al.

In September 2011, InterAD Technologies, LLC filed a complaint against us in the United States District Court for the District of Delaware alleging infringement of U.S. Patent No. 5,438,355, titled "Interactive System for Processing Viewer Responses to Television Programming." The complaint also names 12 other cable operators, as well as other pay television providers, and seeks monetary and injunctive relief. With respect to Insight, the complaint specifically identifies video-on-demand services as the basis for the infringement claim. In the event a court ultimately determines that we infringe the patent, we may be subject to substantial damages, which may include treble damages. We have not yet responded to the complaint. However, we believe that the claims are without merit and intend to defend the action vigorously, but are unable to predict the outcome of this claim or reasonably estimate a range of possible loss.

LVL Patent Group, LLC v. Atlantic Broadband et al.

In September 2011, LVL Patent Group, LLC filed a complaint against us in the United States District Court for the District of Delaware alleging infringement of U.S. Patent No. 6,044,382, titled "Data Transaction Assembly Server." The complaint also names 12 other cable operators, and seeks monetary and injunctive relief. The complaint does not identify the specific products or services at issue, but generally alleges infringement based on Insight's "cable television system, including the set-top box, cable network, and its interactive multi-media network services platform." In the event a court ultimately determines that we infringe the patent, we may be subject to substantial damages, which may include treble damages. We have not yet responded to the complaint. However, we believe that the claims are without merit and intend to defend the action vigorously, but are unable to predict the outcome of this claim or reasonably estimate a range of possible loss.

We also are subject to other legal proceedings and claims that arise in the ordinary course of our business. While it is impossible to determine with certainty the ultimate outcome of these matters, the amount of our ultimate liability with respect to these matters is not expected to have a material adverse effect on our financial condition.

14. Subsequent Events

We have evaluated all subsequent events through November 9, 2011, the date the condensed consolidated financial statements were available to be issued to ensure that these condensed consolidated financial statements include appropriate recognition and disclosure of events in the condensed consolidated financial statements as of September 30, 2011. As of November 9, 2011, there were no subsequent events that required recognition or disclosure.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the three and nine months ended September 30, 2011 and 2010 should be read in conjunction with our condensed consolidated financial statements (unaudited) and the accompanying notes included elsewhere in this quarterly report.

Overview

We are the ninth largest cable operator in the United States with approximately 757,900 customer relationships as of September 30, 2011 in the three contiguous states of Kentucky, Indiana and Ohio. We offer our customers bundled, state-of-the-art video, data and voice services, including high-definition television, digital video recorders, video-on-demand, subscription video-on-demand, multiple tiers of high-speed Internet access service and voice telephony.

Our revenue is earned from customer fees for cable television video services including basic, classic, digital, premium, video-on-demand and ancillary services, such as rental of converters, remote control devices and installations. In addition, we earn revenues for high-speed Internet services, telephone services and commissions received for products sold through home shopping networks. We also derive revenues from the sale of advertising inventory on cable networks and advanced advertising platforms (e.g., online and video-on-demand) through our advertising sales division and from the sale of communications solutions to commercial customers, including high-speed Internet, voice and long-distance services, as well as data and video transport services for small to large-sized businesses.

Historically, our quarterly revenue, operating income, and operating income before depreciation and amortization adjusted for noncash stock-based compensation and other one-time items ("adjusted OIBDA") have varied from quarter to quarter. Accordingly, our results for any one period are not necessarily indicative of the results for the full year or any other interim period.

Refer to Note 9 in our condensed consolidated financial statements (unaudited), which appear elsewhere in this quarterly report, for information regarding certain capital stock and other stock-based compensation transactions completed in 2010.

On August 15, 2011, Insight and Time Warner Cable, Inc. ("Time Warner Cable") entered into an Agreement and Plan of Merger (the "Merger Agreement"). Pursuant to the Merger Agreement, Time Warner Cable has agreed to acquire Insight and its subsidiaries on the terms and subject to the conditions set forth in the Merger Agreement, as described below.

Pursuant to the Merger Agreement, a subsidiary of Time Warner Cable will merge with and into Insight, with Insight surviving as a direct wholly owned subsidiary of Time Warner Cable. Time Warner Cable will pay a cash purchase price of $3.0 billion, which will be reduced by Insight's debt and similar obligations. The purchase price is also subject to customary adjustments, including a reduction to the extent the number of Insight's video subscribers at the closing is less than an agreed upon threshold, as well as a working capital adjustment.

The closing, which is expected to occur in the first half of 2012, is subject to various customary closing conditions, including receipt of Federal Communications Commission approvals and the consent of certain local franchising authorities to the change in ownership of the cable systems operated by Insight and the number of video subscribers served by Insight's cable systems as of a specified date prior to the closing exceeding an agreed upon threshold. During the third quarter of 2011, the Federal Trade Commission's review of the proposed merger concluded with the early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The Merger Agreement can be terminated by either Insight or Time Warner Cable, subject to certain conditions, if the closing has not occurred by May 15, 2012 (the "End Date"), provided that if the conditions relating to regulatory or franchise approvals have not been satisfied by such date, either party can extend the End Date to August 15, 2012.

Selected Consolidated Financial Information

The following table is derived from the condensed consolidated financial statements (unaudited) that are included elsewhere in this quarterly report and sets forth certain statement of operations, statement of cash flows and balance sheet data for our consolidated operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(dollars in thousands)		*(dollars in thousands)*	
Statement of operations data				
Revenue	$ 270,103	$ 262,058	$ 807,736	$ 788,960
Operating costs and expenses:				
Programming and other operating costs	104,118	103,281	314,685	314,513
Selling, general and administrative	77,449	73,938	226,512	237,407
Depreciation and amortization	50,239	46,920	150,123	140,807
Total operating costs and expenses	$ 231,806	$ 224,139	$ 691,320	$ 692,727
Operating income	$ 38,297	$ 37,919	$ 116,416	$ 96,233
Interest expense, net	(24,859)	(35,335)	(73,096)	(85,659)
Other	1,483	(45)	1,385	(25)
Income (loss) before income taxes	$ 14,921	$ 2,539	$ 44,705	$ 10,549
(Provision) benefit for income taxes	(6,416)	(3,552)	28,452	(8,924)
Net income (loss)	$ 8,505	$ (1,103)	$ 73,157	$ 1,625
Adjusted OIBDA (1)	$ 91,214	$ 85,545	$ 271,874	$ 262,813
Cash flow data				
Net cash provided by operating activities	$ 55,240	$ 81,649	$ 181,338	$ 201,993
Net cash used in investing activities	33,190	49,218	139,270	123,267
Net cash used in financing activities	25,000	31,205	25,000	80,834
Capital expenditures	33,190	49,218	139,270	121,307
Free cash flow (1)	22,050	32,341	42,068	80,686

	September 30, 2011	December 31, 2010
	(dollars in thousands)	
Balance sheet data (at period end)		
Cash and cash equivalents	$ 65,327	$ 48,259
Fixed assets, net	664,371	669,966
Total assets	2,348,693	2,344,466
Long-term debt	1,730,924	1,754,384
Equity	320,474	243,526

(1) See the Use of Adjusted OIBDA and Free Cash Flow in the section following this table.

Selected Consolidated Financial Information (cont.)

Use of Adjusted OIBDA and Free Cash Flow

Adjusted OIBDA is defined as operating income before depreciation and amortization and adjusted for noncash stock-based compensation expense and other one-time items. Free cash flow is defined as net cash provided by operating activities less capital expenditures. The following table reconciles operating income to adjusted OIBDA and net cash provided by operating activities to free cash flow. In addition, the table provides the components from operating income to net cash provided by operating activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
	(dollars in thousands)		*(dollars in thousands)*	
Operating income	$ 38,297	$ 37,919	$ 116,416	$ 96,233
Depreciation and amortization	50,239	46,920	150,123	140,807
Stock-based compensation	331	522	580	659
Other (1)	2,347	184	4,755	25,114
Adjusted OIBDA	$ 91,214	$ 85,545	$ 271,874	$ 262,813
Changes in working capital accounts (2)	(966)	10,615	(7,641)	(12,490)
Cash paid for interest	(34,834)	(14,308)	(82,473)	(47,643)
Cash paid for taxes	(174)	(203)	(422)	(687)
Net cash provided by operating activities	$ 55,240	$ 81,649	$ 181,338	$ 201,993
Capital expenditures	33,190	49,218	139,270	121,307
Free cash flow	$ 22,050	$ 32,431	$ 42,068	$ 80,686

(1) In 2011, other reflects costs related to our pending sale. In 2010, other reflects one-time items related to the recapitalization transactions and restructuring charges. For more information regarding the recapitalization transactions, see Note 9 in our condensed consolidated financial statements included elsewhere in this quarterly report.

(2) Changes in working capital accounts are based on the net cash changes in current assets and current liabilities, excluding changes related to interest and taxes and other noncash expenses.

Adjusted OIBDA and free cash flow are not measures of performance calculated in accordance with accounting principles generally accepted in the United States ("GAAP"). We utilize adjusted OIBDA, among other measures, to evaluate our performance. We consider adjusted OIBDA an important indicator of our operational strength, and it is a component of our annual compensation programs. We use this measure to determine how we will allocate resources and capital. Our management finds this measure helpful because it captures all of the revenue and ongoing operating expenses of our business and, therefore, provides a means to directly evaluate the ability of our business operations to generate returns. This measure is also used by equity and fixed income research analysts in their reports to investors evaluating other companies in the cable television industry. We believe adjusted OIBDA is useful to investors because it enables them to assess our performance in a manner similar to the methods used by our management and provides a measure that can be used to analyze, value and compare companies in the cable television industry, which may have different depreciation, amortization and stock-based compensation policies.

A limitation of adjusted OIBDA, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating our revenues. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures, investment spending and free cash flow. Management also evaluates the costs of capitalized tangible and intangible assets by analyzing returns provided on the capital dollars deployed. Another limitation of adjusted OIBDA is that it does not reflect income net of interest expense, which is a significant expense for us because of the substantial debt we incurred to acquire cable television systems, to finance capital expenditures to upgrade our cable network and to return capital to stockholders. Management evaluates the impact of interest expense through measures including cash interest expense, free cash flow, the returns analysis discussed above and debt service covenant ratios under the Insight Midwest Holdings, LLC ("Insight Midwest Holdings") senior secured credit facility (the "MWH Credit Facility").

Free cash flow is considered to be an important indicator of our liquidity, including our ability to repay indebtedness. We believe free cash flow is useful for investors because it enables them to assess our ability to service our debt and to fund continued growth with internally generated funds in a manner similar to the methods used by our management, and provides a measure that can be used to analyze, value and compare companies in the cable television industry.

Both adjusted OIBDA and free cash flow should be considered in addition to, not as a substitute for, operating income, net income and various cash flow measures (e.g., net cash provided by operating activities), as well as other measures of financial performance and liquidity reported in accordance with GAAP.

Results of Operations

Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010

Revenue for the three months ended September 30, 2011 totaled $270.1 million, an increase of $8.0 million, or 3.1%, over the same period in the prior year. The increase is primarily attributable to growth in high-speed Internet customers, as well as an increase in other revenue. High-speed Internet service revenue increased $5.5 million, or 8.5%, over the same period in the prior year due to an increased customer base and higher average monthly revenue per high-speed Internet customer. On average, the number of high-speed Internet customers was approximately 20,600 higher for the three months ended September 30, 2011 as compared to the same period in the prior year. Other revenue increased $4.2 million, or 127.9%, over the same period in the prior year. This increase was primarily driven by increases in customer activation and other fees.

Revenue by service offering was as follows for the three months ended September 30:

	Revenue by Service Offering				
	2011	% of Total Revenue	2010	% of Total Revenue	% Change in Revenue
	(dollars in thousands)				
Basic	$ 94,706	35.1%	$ 96,108	36.7%	(1.5)%
High-speed Internet	70,161	26.0	64,640	24.7	8.5
Telephone	41,177	15.2	41,477	15.7	(0.7)
Digital	34,196	12.7	33,346	12.7	2.5
Advertising	9,972	3.7	10,487	4.0	(4.9)
Premium	8,140	3.0	8,425	3.2	(3.4)
Franchise fees	4,275	1.6	4,295	1.6	(0.5)
Other	7,476	2.7	3,280	1.4	127.9
Total	$270,103	100.0%	$262,058	100.0%	3.1%

Total customer relationships were 757,900 as of September 30, 2011, compared to 766,200 as of September 30, 2010, which is a decrease of 8,300, or 1.1%. Total customer relationships represent the customers who receive one or more of our products (video, high-speed Internet or telephone).

Revenue generating units ("RGUs") represent the sum of basic, digital, high-speed Internet and telephone customers. For the three months ended September 30, 2011 we lost 11,400 RGUs compared to the three months ended September 30, 2010 when we added 9,800 RGUs. Excluding digital customers who received only a mini box instead of a traditional digital set top box, RGUs decreased by 12,100 for the three months ended September 30, 2011, compared to a decrease of 13,800 for the same period in the prior year. As of September 30, 2011, we had 2,152,900 RGUs, an increase of 3.1% from September 30, 2010. RGUs by product category were as follows:

	September 30,	
	2011	2010
	(in thousands)	
Basic	670.0	698.7
Digital	646.3	562.8
High-speed Internet	543.8	521.5
Telephone	292.8	306.1
Total RGUs	2,152.9	2,089.1

Average monthly revenue per basic customer (“ARPU”) was $133.60 for the three months ended September 30, 2011, compared to $124.01 for the three months ended September 30, 2010. This primarily reflects the continued growth of digital video and high-speed Internet product offerings and customer activation and other fees in all markets, as well as video and promotional rate increases.

Programming and other operating costs increased $0.8 million, or 0.8%, for the three months ended September 30, 2011 compared to the same period in the prior year. This increase was driven by:

- a $2.2 million, or 3.4%, increase in programming expenses as a result of higher rates, which was partially offset by decreases in the number of basic customers; and
- a $0.9 million, or 3.3%, increase in total other operating costs primarily attributable to an increase in contract labor and equipment repair expense; offset by
- a $2.3 million, or 24.1%, decrease in other costs of service primarily related to lower expenses for high-speed Internet and telephone cost of sales.

Selling, general and administrative expenses increased $3.5 million, or 4.7%, for the three months ended September 30, 2011 compared to the same period in the prior year. Transaction related fees and expenses, which are included in selling, general and administrative expenses, increased $2.2 million over the same period in the prior year. Excluding transaction related fees and expenses, selling, general and administrative expenses increased $1.3 million, or 1.8%, primarily due to increases in salaries and other personnel costs, including temporary help associated with the all-digital transition, and increases in equipment maintenance costs.

As a result of the factors discussed above, adjusted OIBDA, which excludes transaction costs and stock based compensation, increased $6.0 million to $91.2 million, an increase of 6.6% over the prior year.

Depreciation and amortization expense increased $3.3 million, or 7.1%, primarily as a result of greater capital expenditures in the last quarter of 2010 and the first three quarters of 2011 in comparison to the same prior periods.

Interest expense, net, decreased $10.5 million, or 29.6%, for the three months ended September 30, 2011 compared to the same period in the prior year. Interest expense, net, includes the interest on the MWH Credit Facility and Senior Notes, the change in fair value of our Swaps and the reclassification of the accumulated other comprehensive loss balance. The change in fair value of our Swaps and the reclassification of the accumulated other comprehensive loss balance, which are detailed in Note 6 and Note 11 of our condensed consolidated financial statements, decreased $9.5 million, or 95.6%. Excluding these items, interest expense, net, decreased $0.9 million, or 3.7%, primarily as a result of the accelerated amortization of deferred financing costs on debt repaid upon the issuance of our Senior Notes in July and August 2010.

For the three months ended September 30, 2011, we recorded a tax provision of $6.4 million compared to a tax provision of $3.6 million for the three months ended September 30, 2010. Refer to Note 8 in our condensed consolidated financial statements, which appear elsewhere in this quarterly report, for more information regarding our income taxes.

Nine Months Ended September 30, 2011 Compared to Nine Months Ended September 30, 2010

Revenue for the nine months ended September 30, 2011 totaled $807.7 million, an increase of $18.8 million, or 2.4%, over the same period in the prior year. The increase is primarily attributable to growth in high-speed Internet revenue, as well as an increase in other revenue. High-speed Internet service revenue increased $16.5 million, or 8.6%, over the same period in the prior year due to an increased customer base and higher average monthly revenue per high-speed Internet customer. On average, the number of high-speed Internet customers was approximately 20,400 higher for the nine months ended September 30, 2011 as compared to the same period in the prior year. Other revenue increased $7.5 million, or 73.0%, over the same period in the prior year. This increase was primarily driven by increases in customer activation and other fees.

Revenue by service offering was as follows for the nine months ended September 30:

	Revenue by Service Offering				
	2011	% of Total Revenue	2010	% of Total Revenue	% Change in Revenue
		(dollars in thousands)			
Basic	$ 287,724	35.6%	$ 292,463	37.1%	(1.6)%
High-speed Internet	207,336	25.7	190,887	24.2	8.6
Telephone	124,182	15.4	125,326	15.9	(0.9)
Digital	103,521	12.8	101,800	12.9	1.7
Advertising	29,380	3.6	29,632	3.8	(0.9)
Premium	24,839	3.1	25,502	3.2	(2.6)
Franchise fees	13,004	1.6	13,088	1.7	(0.6)
Other	17,750	2.2	10,262	1.2	73.0
Total	$ 807,736	100.0%	$ 788,960	100.0%	2.4%

Revenue generating units ("RGUs") represent the sum of basic, digital, high-speed Internet and telephone customers. For the nine months ended September 30, 2011 we added 38,300 RGUs compared to the nine months ended September 30, 2010 when we added 47,400 RGUs. Excluding digital customers who received only a mini box instead of a traditional digital set top box, RGUs decreased by 17,800 for the nine months ended September 30, 2011, compared to an increase of 9,800 for the same period in the prior year.

Average monthly revenue per basic customer ("ARPU") was $131.26 for the nine months ended September 30, 2011, compared to $122.88 for the nine months ended September 30, 2010. This primarily reflects the continued growth of digital video and high-speed Internet product offerings and customer activation and other fees in all markets, as well as video and promotional rate increases.

Programming and other operating costs increased $0.2 million, or 0.1%, for the nine months ended September 30, 2011 compared to the same period in the prior year. This increase was driven by:

- a $5.1 million, or 2.6%, increase in programming expenses as a result of higher rates, which were partially offset by decreases in the number of basic customers; offset by
- a $3.6 million, or 11.9%, decrease in other costs of service primarily related to lower expenses for telephone cost of sales; and
- a $1.3 million, or 1.5%, decrease in total other operating costs primarily attributable to a decrease in taxes.

Selling, general and administrative expenses decreased $10.9 million, or 4.6%, for the nine months ended September 30, 2011 compared to the same period in the prior year. Transaction related fees and expenses, which are included in selling, general and administrative expenses, decreased $20.4 million, or 81.1%, over the same period in the prior year. Excluding transaction related fees and expenses, selling, general and administrative expenses increased $9.5 million, or 4.5%, primarily due to increases in salaries and other personnel costs, including temporary help associated with the all-digital transition, and increases in equipment maintenance costs.

As a result of the factors discussed above, adjusted OIBDA, which excludes transaction costs, restructuring charges and stock based compensation, increased $9.1 million to $272.2 million, an increase of 3.4% over the prior year.

Depreciation and amortization expense increased $9.3 million, or 6.6%, primarily as a result of greater capital expenditures in the last quarter of 2010 and the first three quarters of 2011 in comparison to the same prior periods.

Interest expense, net, decreased $12.6 million, or 14.7%, for the nine months ended September 30, 2011 compared to the same period in the prior year. Interest expense, net, includes the interest on the MWH Credit Facility and Senior Notes, the change in fair value of our Swaps and the reclassification of the accumulated other comprehensive loss balance. The change in fair value of our Swaps and the reclassification of the accumulated other comprehensive loss balance, which are detailed in Note 6 and Note 11 of our condensed consolidated financial statements, decreased $31.3 million, or 99.0%. Excluding these items, interest expense, net, increased $18.7 million, or 34.7%,

primarily as a result of the issuance of our Senior Notes in July and August 2010, which increased our debt outstanding and our average interest rate.

For the nine months ended September 30, 2011 we recorded a tax benefit of $28.5 million compared to a net tax provision of $8.9 million for the nine months ended September 30, 2010. The nine months ended September 30, 2011 included a $47.2 million tax benefit resulting from the release of valuation allowances held against deferred tax assets. These tax assets related primarily to prior net operating losses. Refer to Note 8 in our condensed consolidated financial statements, which appear elsewhere in this quarterly report, for more information regarding our income taxes. Excluding the release of the valuation allowance, we recorded a net tax provision of $18.7 million for the nine months ended September 30, 2011.

Liquidity and Capital Resources

Our business requires cash for operations, debt service and capital expenditures. The cable television business has substantial ongoing capital requirements for the provision of new services and the construction, expansion and maintenance of its broadband networks. Expenditures have been made in the past and will continue to be made for various purposes including customer premise equipment (e.g., mini boxes and traditional digital set-top boxes), installation and deployment of new product and service offerings, capitalized payroll, network capacity, bandwidth increases, network extensions and, to a lesser extent, network upgrades. Management believes that cash requirements will be able to be met with cash flow from operations, borrowings under the MWH Credit Facility and issuances of debt and equity.

As of September 30, 2011, we had $1.7 billion principal amount outstanding of long-term debt, the ability to draw upon $244.8 million of unused availability under our revolving commitments, $65.3 million of cash and cash equivalents (i.e., net debt of $1.7 billion, defined as principal amount of long-term debt less cash and cash equivalents) and $320.5 million of total equity. As of December 31, 2010, we had $1.8 billion principal amount outstanding of long-term debt, the ability to draw upon $244.8 million of unused availability under our revolving commitments, $48.3 million of cash and cash equivalents (net debt of $1.7 billion) and $243.5 million of total equity. Insight's leverage ratio, as defined in and calculated in accordance with the indenture governing the Senior Notes, was 4.79:1.00 at September 30, 2011. The "Leverage Ratio" for Insight Midwest Holdings, as defined in and calculated in accordance with the MWH Credit Facility, was 3.59:1.00 at September 30, 2011.

Cash provided by operations for the nine months ended September 30, 2011 and 2010 was $181.3 million and $202.0 million. The decrease of $20.7 million was primarily due to a $34.8 million increase in cash interest paid as the Senior Notes incurred two cash interest payments for the nine months ended September 30, 2011 compared to none for the same period in the prior year. This $34.8 million increase in cash interest paid was offset by the following:

- a $9.1 million increase in adjusted OIBDA; and
- a $4.8 million increase in cash provided from operations attributable to the timing of cash receipts and payments related to our working capital accounts.

Cash used in investing activities for the nine months ended September 30, 2011 and 2010 was $139.3 million and $123.3 million. These expenditures principally constituted payments for customer premise equipment, headend equipment, installation labor and materials and capitalized labor, all of which are necessary to maintain our existing network, grow our customer base and expand our service offerings. The increase in capital expenditures in 2011 is primarily due to increased purchases of Multiroom DVR set-top boxes.

Cash used in financing activities for the nine months ended September 30, 2011 and 2010 was $25.0 million and $80.8 million. The cash used in 2011 was for repayments made on the MWH Credit Facility. The cash used in 2010 was primarily for stockholder dividends of $299.9 million, a paydown of $243.0 million under the MWH Credit Facility and a repurchase of $99.0 million of stock in connection with the Recapitalization Transactions, which were partially offset by $501.3 million of proceeds from the Senior Notes and $75.0 million in revolver borrowings.

Free cash flow for the nine months ended September 30, 2011 totaled $42.1 million, compared to $80.7 million for the nine months ended September 30, 2010. This decrease in free cash flow of $38.6 million was driven primarily by the following:

- a $34.8 million increase in cash interest paid; and
- an $18.0 million increase in capital expenditures; offset by
- a $9.1 million increase in adjusted OIBDA; and
- a $4.8 million increase in cash flow attributable to the timing of cash receipts and payments related to our working capital accounts.

See Note 5 in our condensed consolidated financial statements included elsewhere in this quarterly report for more information regarding our outstanding debt.

Off-balance Sheet Arrangements

In the normal course of business, we issue standby letters of credit, primarily to our insurance providers. Undrawn letters of credit totaled $5.2 million at September 30, 2011. We do not have any material off-balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risk

The revolver and term loans under the MWH Credit Facility bear interest at floating rates. Accordingly, we are exposed to potential increased costs related to increases in interest rates. In order to manage our exposure to interest rate risk, we enter into derivative financial instruments, typically swaps. The counter-parties to our swap agreements are major financial institutions. We do not enter into derivatives or other financial instruments for trading or speculative purposes. As of September 30, 2011, we had swaps with an aggregate notional amount of $800.0 million, of which $400.0 million notional amount will expire January 2, 2013 and $400.0 million notional amount will expire January 2, 2014.

The aggregate fair market value of the Senior Notes was $552.5 million and $528.4 million as of September 30, 2011 and December 31, 2010. The fair value of the MWH Credit Facility borrowings was $1.2 billion as of September 30, 2011 and December 31, 2010. As of September 30, 2011 and December 31, 2010, the estimated fair value of our swap agreements were $32.1 million and $35.0 million and are reflected in our condensed consolidated financial statements as current and noncurrent liabilities. Changes in the fair value of our interest rate derivative financial instruments are recognized either in income or in stockholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting. A hypothetical 100 basis point increase in interest rates along the entire interest rate yield curve would increase our annual interest expense for the MWH Credit Facility and the swaps by approximately $4.4 million.

Refer to Note 6 in our condensed consolidated financial statements, which appear elsewhere in this quarterly report, for more information regarding our Swaps.