

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-05-14** | Period of Report: **2002-03-31**  
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### FILER

#### **CLASSIC COMMUNICATIONS INC**

CIK: **1069602** | IRS No.: **742630019** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-15427** | Film No.: **02647414**  
SIC: **4841** Cable & other pay television services

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 1-15427

CLASSIC COMMUNICATIONS, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION  
OF INCORPORATION OR ORGANIZATION)

74-2630019

(I.R.S. EMPLOYER IDENTIFICATION NO.)

6151 PALUXY ROAD BUILDING A  
TYLER, TEXAS 75703  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

Registrant's telephone number, including area code: (903) 581-2121

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

As of April 30, 2002, there were 10,618,392 shares of Class A Voting Common Stock, 7,116,973 shares of Class B Voting Common Stock and 56,928 shares of Nonvoting Common Stock outstanding.

CLASSIC COMMUNICATIONS, INC.

FORM 10-Q  
QUARTER ENDED MARCH 31, 2002  
TABLE OF CONTENTS

<Table>  
<Caption>

<S>  
PART I - FINANCIAL INFORMATION

Page  
<C>

Item 1	Financial Statements	
	Consolidated Balance Sheets (Unaudited).....	4
	Consolidated Statements of Operations (Unaudited).....	5
	Consolidated Statements of Cash Flows (Unaudited).....	6
	Notes to Consolidated Financial Statements (Unaudited).....	7
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Item 3	Quantitative and Qualitative Disclosures About Market Risk.....	16

PART II - OTHER INFORMATION

Item 1	Legal Proceedings.....	18
Item 2	Changes in Securities and Use of Proceeds.....	18
Item 3	Defaults Upon Senior Securities.....	18
Item 4	Submission of Matters to a Vote of Security Holders.....	19
Item 5	Other Information.....	19
Item 6	Exhibits and Reports on Form 8-K.....	19

SIGNATURES .....	20
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This Quarterly Report on Form 10-Q is for the quarter ended March 31, 2002. This Quarterly Report modifies and supersedes documents filed prior to this Quarterly Report. The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this Quarterly Report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this Quarterly Report. In this Quarterly Report, "Classic," "we," "us" and "our" refer to Classic Communications, Inc. and its subsidiaries.

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in other reports or documents that we file from time to time with the SEC. The statements, other than statements of historical fact, included in this Quarterly Report on Form 10-Q are forward-looking statements. These statements include, but are not limited to:

- o statements regarding our bankruptcy proceedings;
- o statements regarding future financing transactions;
- o statements regarding our plans to obtain waivers and amendments to our current financing arrangements;
- o statements regarding our planned capital expenditures and system upgrades; and
- o statements regarding the offering of video and Internet access on our systems.

Forward-looking statements generally can also be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "plan," "seek," or "believe." We believe that the expectations reflected in such forward-looking statements are accurate. However, we cannot assure you that such expectations will occur. Our actual future performance could differ materially from such statements. Factors that could cause such or contribute to such differences include, but are not limited to:

- o the uncertainties and/or potential delays associated with our bankruptcy proceedings;
- o the uncertainties and/or potential delays associated with integrating past and future acquisitions;

- o our ability to acquire additional cable systems on terms favorable to us;
- o the passage of legislation or court decisions adversely affecting the cable industry;
- o our ability to repay or refinance our outstanding indebtedness;

2

- o the timing, actual cost and allocation of our capital expenditures and system upgrades;
- o our potential need for additional capital;
- o competition in the cable industry; and
- o the advent of new technology.

You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we are not obligated to publicly release any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q or to reflect the occurrence of unanticipated events.

3

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Classic Communications, Inc.

Consolidated Balance Sheets  
(in thousands, except share data)  
(unaudited)

<Table>  
<Caption>

	MARCH 31, 2002	DECEMBER 31, 2001
	-----	-----
	<C>	<C>
Assets		
Current:		
Cash and cash equivalents .....	\$ 6,929	\$ 7,641
Accounts receivable, net .....	6,932	8,047
Prepaid expenses .....	3,781	1,971
	-----	-----
Total current assets .....	17,642	17,659
Deferred financing costs, net .....	2,770	3,182
Investment in cable television systems:		
Inventory .....	7,001	7,323
Property, plant and equipment .....	393,062	385,992
Less accumulated depreciation .....	(157,049)	(144,692)
	-----	-----
Property, plant and equipment, net .....	236,013	241,300
Intangible assets:		
Customer relationships .....	85,378	85,378
Franchise marketing rights .....	77,354	77,354
Noncompete agreements .....	24,900	24,900
Goodwill .....	30,490	30,490
	-----	-----
	218,122	218,122

Less accumulated amortization .....	(31,653)	(23,927)
	-----	-----
Intangible assets, net .....	186,469	194,195
	-----	-----
Total investment in cable television systems .....	429,483	442,818
	-----	-----
Total assets .....	\$ 449,895	\$ 463,659
	=====	=====
Liabilities and Stockholders' Equity (Deficit)		
Liabilities:		
Current:		
Accounts payable .....	\$ 1,387	\$ 960
Subscriber deposits and unearned income .....	6,427	6,563
Other accrued expenses .....	16,365	13,103
Accrued interest .....	1,649	520
Long-term debt .....	201,870	201,871
	-----	-----
Total current liabilities .....	227,698	223,017
Liabilities subject to compromise .....	440,044	441,400
	-----	-----
Total liabilities .....	667,742	664,417
Stockholders' equity (deficit):		
Preferred stock: \$.01 par value; 2002 and 2001 -- 10,000,000 shares authorized, none issued and outstanding .....	--	--
Class A voting common stock: \$.01 par value; 2002 and 2001 -- 120,000,000 authorized, 10,618,392 issued and outstanding .....	106	106
Class B voting common stock, convertible to Class A voting common stock: \$.01 par value; 2002 and 2001 -- 45,000,000 authorized, 7,116,973 issued and outstanding .....	71	71
Nonvoting common stock, convertible to voting common stock: \$.01 par value; 2002 and 2001 -- 7,500,000 authorized, 56,928 issued and outstanding .....	1	1
Additional paid-in capital .....	306,703	306,703
Unearned compensation .....	(402)	(450)
Accumulated deficit .....	(524,326)	(507,189)
	-----	-----
Total stockholders' equity (deficit) .....	(217,847)	(200,758)
	-----	-----
Total liabilities and stockholders' equity (deficit) .....	\$ 449,895	\$ 463,659
	=====	=====

</Table>

See notes to consolidated financial statements.

4

Classic Communications, Inc.

Consolidated Statements of Operations  
(in thousands, except per share data)  
(unaudited)

<Table>  
<Caption>

	THREE MONTHS ENDED MARCH 31	
	2002	2001
	-----	-----
<S>	<C>	<C>
Revenues .....	\$ 40,798	\$ 46,032
Operating expenses:		
Programming .....	14,498	15,584
Plant and operating .....	7,209	5,486
General and administrative .....	6,610	5,223

Marketing and advertising .....	639	1,122
Corporate overhead .....	603	1,154
Depreciation and amortization .....	20,156	24,699
Chapter 11 related reorganization items .....	3,236	--
	-----	-----
Total operating expenses .....	52,951	53,268
	-----	-----
Loss from operations .....	(12,153)	(7,236)
Interest expense .....	(4,989)	(15,017)
Other income (expense) .....	5	187
	-----	-----
Net loss .....	\$ (17,137)	\$ (22,066)
	=====	=====
Basic and diluted loss per share: .....	\$ (0.97)	\$ (1.24)
	=====	=====

</Table>

See notes to consolidated financial statements.

5

Classic Communications, Inc.

Consolidated Statements of Cash Flows  
(in thousands)  
(unaudited)

<Table>

<Caption>

	THREE MONTHS ENDED MARCH 31	
	2002	2001
	-----	-----
	<C>	<C>
<b>OPERATING ACTIVITIES</b>		
Net loss .....	\$ (17,137)	\$ (22,066)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for doubtful accounts .....	952	1,128
Depreciation .....	12,430	11,229
Amortization of intangibles .....	7,726	13,470
Amortization of deferred financing costs .....	412	605
Non-cash compensation .....	48	49
(Gain) loss on sale/disposal of property, plant and equipment .....	(5)	58
Changes in working capital, net of acquisition amounts:		
Change in accounts receivable .....	163	(513)
Change in prepaid expenses .....	(1,810)	(341)
Change in liabilities subject to compromise .....	(1,356)	--
Change in other accruals and payables .....	3,552	1,790
Change in accrued interest .....	1,130	(8,694)
	-----	-----
Net cash provided by (used in) operating activities .....	6,105	(3,285)
<b>INVESTING ACTIVITIES</b>		
Inventory purchases, net of returns .....	(301)	(13,281)
Purchases of property, plant and equipment .....	(6,652)	(14,346)
Proceeds from sales of property, plant and equipment .....	137	405
Payments for intangibles .....	--	(143)
	-----	-----
Net cash provided by (used in) investing activities .....	(6,816)	(27,365)
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt .....	--	19,500
Repayments of long-term debt .....	(1)	(4)

Net cash provided by (used in) financing activities .....	(1)	19,496
Increase (decrease) in cash and cash equivalents .....	(712)	(11,154)
Cash and cash equivalents at beginning of period .....	7,641	19,056
Cash and cash equivalents at end of period .....	\$ 6,929	\$ 7,902

</Table>

See notes to consolidated financial statements.

Classic Communications, Inc.  
Notes to Consolidated Financial Statements  
As of March 31, 2002

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Classic Communications, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In management's opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

The Company is a holding company with no assets or operations other than its investments in its subsidiaries. The Company's sole direct subsidiary is Classic Cable, Inc. ("Cable").

For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2001 included in the Company's Form 10-K.

Certain reclassifications have been made in the 2001 financial statements to conform to the 2002 presentation.

2. BANKRUPTCY PROCEEDINGS

On November 13, 2001, the Company and all of its wholly owned subsidiaries filed voluntary petitions for reorganization under chapter 11 of title 11 of the United States Code ("Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court"). The Company and each of its debtor subsidiaries continue to manage their businesses as a debtor-in-possession. The chapter 11 cases are being jointly administered under Case No. 01-11257. As debtors-in-possession, management is generally authorized to operate the businesses, but may not engage in certain transactions, including those outside the ordinary course of business, unless approved by the Court. After the chapter 11 filings, the Company obtained several Court orders authorizing the payment of certain pre-petition liabilities (such as employee wages and benefits and programming fees) and taking certain actions designed to preserve the going concern value of the business and thereby enhance the reorganization prospects.

CONSEQUENCE OF FILING. Under bankruptcy law, absent a court order, actions by creditors to collect certain pre-petition indebtedness owed by the Company at the filing date are stayed and certain other pre-petition contractual obligations may not be enforced against the Company. In addition, the Company has the right, subject to Court approval and other conditions, to assume or reject any pre-petition executory contracts and unexpired leases. Parties affected by these rejections may file claims with the Court. The amounts of

claims filed by creditors could be significantly different from the amounts recorded by the Company. Due to material uncertainties, it is not possible to predict the length of time the Company will operate under chapter 11 protection, the outcome of the proceedings in general, whether the Company will continue to operate under its current organizational structure, the effect of the proceedings on the Company's businesses or the recovery by creditors and equity holders of the Company.

On November 28, 2001, the United States Trustee appointed an official committee of unsecured creditors (the "Committee") to serve in the chapter 11 cases. The Company expects that the Committee will play an important role in the chapter 11 cases and the negotiation of the terms of any plan or plans of reorganization.

The Company anticipates that substantially all liabilities of the Company as of the date of the filing will be resolved under one or more chapter 11 plans of reorganization to be proposed and voted on in the chapter 11 cases in accordance with the provisions of the Bankruptcy Code. Although the Company intends to file and seek confirmation of such a plan or plans, there can be no assurance as to when the Company will file such a plan or plans, or that such plan or plans will be confirmed by the Court and consummated.

7

As provided by the Bankruptcy Code, the Company initially had the exclusive right to propose a plan of reorganization for 120 days following the Petition Date, until March 13, 2002. By order, the Court has extended such exclusivity period until May 13, 2002, and similarly extended the Company's exclusive rights to solicit acceptances of a reorganization plan from May 10, 2002 to July 9, 2002. On May 13, 2002, the Company filed a motion to extend the exclusivity period from May 13, 2002 to July 15, 2002 and the exclusive period to solicit acceptances from July 9, 2002 to September 16, 2002. Such periods will be automatically extended as a result of the motion until the Court rules on the motion. If the Company fails to file a plan of reorganization prior to the ultimate expiration of the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the chapter 11 cases may be permitted to propose their own plan(s) of reorganization for the Company.

The Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting stakeholders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and the Company's shareholders may be substantially altered by any plan or plans of reorganization confirmed in the chapter 11 cases. There is no assurance that there will be sufficient assets to satisfy the Company's pre-petition liabilities in whole or in part, and the pre-petition creditors of some debtors may be treated differently than those of other debtors. Pre-petition creditors may receive under a plan or plans less than 100% of the face value of their claims, and the interests of the Company's equity security holders may be substantially diluted or cancelled in whole or in part. As noted above, it is not possible at this time to predict the outcome of the chapter 11 cases, the terms and provisions of any plan or plans of reorganization, or the effect of the chapter 11 reorganization process on the claims of the creditors of the Company or the interests of the Company's equity security holders.

FINANCIAL STATEMENT PRESENTATION. The accompanying Consolidated Financial Statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the filing, such realization of assets and liquidation of liabilities are subject to uncertainty. While operating as debtors-in-possession under the protection of chapter 11 of the Bankruptcy Code, and subject to the Court approval or otherwise as permitted in the ordinary course of business, the Company may sell or otherwise dispose of



assets or liquidate or settle liabilities for amounts other than those reflected in the Consolidated Financial Statements. Further, a plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements.

Substantially all of the Company's pre-petition debt is now in default due to the filing. As described below, the accompanying Consolidated Financial Statements present the senior subordinated notes under the caption Liabilities Subject to Compromise. As required by SOP 90-7, the Company, beginning in the fourth quarter of 2001, recorded the Company's pre-petition debt instruments at the allowed amount, as defined by SOP 90-7.

As reflected in the Consolidated Financial Statements, Liabilities Subject to Compromise refer to the Company's unsecured liabilities incurred prior to the commencement of the chapter 11 cases. The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimate of known or potential pre-petition claims to be resolved in connection with the chapter 11 cases. Such claims remain subject to future adjustments. Adjustments may result from (1) negotiations; (2) actions of the Court; (3) further developments with respect to disputed claims; (4) rejection of executory contracts and unexpired leases; (5) the determination as to the value of any collateral securing claims; (6) proofs of claim; or (7) other events. Payment terms for these amounts will be established in connection with the chapter 11 cases.

Pursuant to the Bankruptcy Code, schedules have been filed by the Company with the Court setting forth the assets and liabilities of the Company as of the date of the filing. Differences between amounts recorded by the Company and claims filed by creditors will be investigated and resolved as part of the proceedings in the chapter 11 cases. The bar date for filing proofs of claim against the Company was March 29, 2002 (May 13, 2002 for governmental entities). The Company is in the process of reviewing such claims and, therefore, the ultimate number and allowed amount of such claims are not presently known.

From the petition date through March 31, 2002, contractual interest expense not accrued or recorded on the senior subordinated notes totaled \$14.4 million, of which \$4.9 million relates to 2001 and \$9.5 million relates to the quarter ended March 31, 2002.

8

As a consequence of the filing and the impact of certain provisions of the Company's related financing agreement, as well as a cash management order entered by the Court, the Company and its subsidiaries are subject to certain restrictions, including their ability to pay dividends and to transfer cash and other assets to each other and to their affiliates.

The Company believes, based on information presently available to it, that cash available from operations and financing agreements will provide sufficient liquidity to allow it to continue as a going concern for the foreseeable future. However, the ability of the Company to continue as a going concern (including its ability to meet post-petition obligations) and the appropriateness of using the going concern basis for its financial statements are dependent upon, among other things, (i) the Company's ability to comply with the terms of the financing agreements and the cash management order entered by the Court in connection with the chapter 11 cases, (ii) the ability of the Company to maintain adequate cash on hand, (iii) the ability of the Company to generate cash from operations, (iv) confirmation of a plan or plans of reorganization under the Bankruptcy Code, and (v) the Company's ability to maintain profitability following such confirmation.

The liabilities subject to compromise in the Consolidated Balance Sheets consist of the following items (in thousands):

<Table>  
<Caption>

	MARCH 31, 2002	DECEMBER 31, 2001
<S>	<C>	<C>
Accounts payable	\$ 24,482	\$ 22,633
Subscriber deposits and unearned income	158	164
Other accrued expenses	8,629	11,828
Accrued interest	28,775	28,775
Long-term debt	378,000	378,000
	-----	-----
	\$440,044	\$441,400
	=====	=====

</Table>

The amounts classified as chapter 11 related reorganization items in the Consolidated Statements of Operations consist of the following for the three months ended March 31, 2002 (in thousands):

<Table>		<C>
<S>		
Professional fees		\$3,232
U. S. Trustee fees		4
		-----
		\$3,236
		=====

</Table>

### 3. INCOME TAXES

The effective tax rates for the three months ended March 31, 2002 and 2001 differ from the statutory rates primarily due to the impact of permanent differences and increases in the valuation allowance on deferred tax assets. The Company believes it is more likely than not that such deferred tax assets will not be utilized in the near term.

### 4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	THREE MONTHS ENDED MARCH 31	
	2002	2001
<S>	<C>	<C>
Net loss .....	\$ (17,137)	\$ (22,066)
	=====	=====
Weighted-average shares outstanding .....	17,792	17,792
Less unvested portion of restricted stock .....	(48)	(64)
	-----	-----
Adjusted weighted-average shares outstanding .....	17,744	17,728
	=====	=====
Basic and diluted loss per share:		
Loss per share .....	\$ (0.97)	\$ (1.24)
	=====	=====

</Table>

Warrants to purchase 153,210 shares of nonvoting common stock at \$.001 per share outstanding at March 31, 2002 and 2001 were not included in the computation of diluted earnings per share as the effect of their exercise would be antidilutive. Options to purchase 1,639,750 and 2,446,748 shares of common stock at a weighted average exercise price of \$10.28 and \$13.85 per share at March 31, 2002 and 2001,

respectively, were not included in the computation of diluted earnings per share as the effect of their exercise would be antidilutive.

It is probable that the plan of reorganization ultimately approved by the Court will require the issuance of common stock or common stock equivalents. Such an issuance could further dilute or eliminate current equity interests.

#### 5. LONG-TERM DEBT

Balances of amounts outstanding under the Company's various debt agreements as of March 31, 2002 are as follows (in thousands):

<S>	<C>
Debtor-in-possession financing.....	\$ 2,000
1999 credit facility:	
Revolver.....	35,382
Term loan B.....	86,562
Term loan C.....	77,905
Other.....	21
	-----
	\$201,870
	=====

</Table>

Long-term debt subject to compromise at March 31, 2002 is as follows (in thousands):

<S>	<C>
10.5% senior subordinated notes.....	\$ 225,000
9.375% senior subordinated notes.....	150,000
9.875% senior subordinated notes.....	3,000
	-----
	\$ 378,000
	=====

</Table>

At March 31, 2002 and December 31, 2001, the senior subordinated notes have been reclassified as long-term debt subject to compromise in the above table and on the Consolidated Balance Sheets due to the chapter 11 bankruptcy filing. These instruments did not become subject to compromise until the bankruptcy filing.

The debtor-in-possession financing ("DIP Financing") is collateralized by, among other things, a senior lien on substantially all of the Company's assets, including assets that had previously been subject to a lien. The Company and its subsidiaries have guaranteed the obligations under the DIP Financing and the Company has pledged the outstanding stock of its subsidiaries in connection with the DIP Financing. The 1999 credit facility is collateralized by essentially all the assets of Cable. The Company has no operations of its own. The terms of these debt agreements restrict certain activities of Cable, including the incurrence of additional indebtedness and the payment of certain dividends. Accordingly, substantially all the assets and operations of Cable are restricted as to transfer to the Company and may not be available for dividends and/or debt service of the Company.

In April and May 2002, the DIP Financing was amended. The amendments, in total, waived the Company's existing defaults, reset certain financial covenants, and revised and added certain provisions related to the Company's reorganization efforts including eliminating the deadline to file a plan of reorganization. The amendments reduced the total availability of the DIP Financing from \$30 million to \$25 million. At March 31, 2002, there were \$3.5 million of outstanding letters of credit leaving \$19.5 million available for borrowing, subject to certain conditions.

6. NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("FAS 142"). Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment.

Pursuant to FAS 142, the Company will complete its test for goodwill impairment during the second quarter 2002 and, if impairment is indicated, record such impairment as a cumulative effect of accounting change effective January 1, 2002. The Company is currently evaluating the effect that the impairment review may have on its consolidated results of operation and financial position.

10

With adoption of the statement, the Company ceased amortization of goodwill as of January 1, 2002. The following table presents the quarterly results of the Company on a comparable basis (in thousands of dollars, except per share amounts):

<Table>  
<Caption>

	THREE MONTHS ENDED MARCH 31	
	2002	2001
Net loss:		
Reported net loss	\$ (17,137)	\$ (22,066)
Goodwill amortization	--	1,599
Adjusted net loss	\$ (17,137)	\$ (20,467)
Basic and diluted loss per share:		
Reported net loss	\$ (0.97)	\$ (1.24)
Goodwill amortization	--	0.09
Adjusted net loss	\$ (0.97)	\$ (1.15)

</Table>

The following table sets forth the estimated amortization expense on intangible assets for the fiscal years ending December 31 (in thousands of dollars):

	<C>
2002.....	\$28,359
2003.....	22,092
2004.....	20,169
2005.....	19,654
2006.....	19,149

</Table>

11

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the "Risk Factors" included in our Form 10-K for the

year ended December 31, 2001, for a discussion of important factors that could cause actual results to differ from expectations and any of our forward-looking statements contained herein. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "anticipates," "considering," "believe," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. In addition, the following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2001 and 2000, included in our Form 10-K's.

We do not believe the discussion and analysis of our historical financial condition and results of operations set forth below are indicative nor should they be relied upon as an indicator of our future performance.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, long-lived assets, income taxes, restructuring, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### BANKRUPTCY PROCEEDINGS

On November 13, 2001 we and all of our wholly owned subsidiaries listed below filed voluntary petitions for reorganization (the "Petitions") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Court"). The following subsidiaries filed chapter 11 petitions:

<S>	<C>	<C>
Callcom 24, Inc.	Classic Cable, Inc.	Classic Cable Holding, Inc.
Classic Telephone, Inc.	Classic Cable of Oklahoma, Inc.	Correctional Cable TV, Inc.
Friendship Cable of Arkansas, Inc.	Friendship Cable of Texas, Inc.	Television Enterprises, Inc.
Universal Cable Communications, Inc.	Universal Cable Holdings, Inc.	Universal Cable of Beaver, Oklahoma, Inc.
Universal Cable Midwest, Inc.	W.K. Communications, Inc.	WT Acquisition Corporation

We and each of our debtor subsidiaries continue to manage our businesses as a debtor-in-possession. The chapter 11 cases are being jointly administered under Case No. 01-11257. The chapter 11 cases are discussed in greater detail in the Notes to the Consolidated Financial Statements. As debtors-in-possession, management is generally authorized to operate the businesses, but may not engage in certain transactions, including those outside the ordinary course of business, unless approved by the Court. After the chapter 11 filings, we obtained several Court orders authorizing the payment of certain pre-petition liabilities (such as employee wages and benefits and programming fees) and taking certain actions designed to preserve the going concern value of the business and thereby enhance the reorganization prospects.

CONSEQUENCE OF FILING. Under bankruptcy law, absent a court order, actions by creditors to collect certain pre-petition indebtedness owed by us at the filing date are stayed and certain other pre-petition contractual obligations may not be enforced against us. In addition, we have the right, subject to Court approval and other conditions, to assume or reject any pre-petition executory contracts and unexpired leases. Parties affected by these rejections may file claims with the Court. The amounts of claims filed by creditors could be significantly different from the amounts we have recorded. Due to material uncertainties, it is not possible to predict the length of time we will operate

under chapter 11 protection, the outcome of the proceedings in general, whether we will continue to operate under our current organizational structure, the effect of the proceedings on our businesses or the recovery by our creditors and equity holders.

On November 28, 2001, the United States Trustee appointed an official committee of unsecured creditors (the "Committee") to serve in the chapter 11 cases. We expect that the Committee will play an important role in the chapter 11 cases and the negotiation of the terms of any plan or plans of reorganization.

We anticipate that substantially all of our liabilities as of the date of the filing will be resolved under one or more chapter 11 plans of reorganization to be proposed and voted on in the chapter 11 cases in accordance with the provisions of the Bankruptcy Code. Although we intend to file and seek confirmation of such a plan or plans, there can be no assurance as to when we will file such a plan or plans, or that such plan or plans will be confirmed by the Court and consummated.

As provided by the Bankruptcy Code, we initially had the exclusive right to propose a plan of reorganization for 120 days following the Petition Date, until March 13, 2002. By order, the Court has extended such exclusivity period until May 13, 2002, and similarly extended our exclusive rights to solicit acceptances of a reorganization plan from May 10, 2002 to July 9, 2002. On May 13, 2002, the Company filed a motion to extend the exclusivity period from May 13, 2002 to July 15, 2002 and the exclusive period to solicit acceptances from July 9, 2002 to September 16, 2002. Such periods will be automatically extended as a result of the motion until the Court rules on the motion. If we fail to file a plan of reorganization prior to the ultimate expiration of the exclusivity period, or if such plan is not accepted by the requisite numbers of creditors and equity holders entitled to vote on the plan, other parties in interest in the chapter 11 cases may be permitted to propose their own plan(s) of reorganization for us.

The Court may confirm a plan of reorganization only upon making certain findings required by the Bankruptcy Code, and a plan may be confirmed over the dissent of non-accepting stakeholders if certain requirements of the Bankruptcy Code are met. The payment rights and other entitlements of pre-petition creditors and our shareholders may be substantially altered by any plan or plans of reorganization confirmed in the chapter 11 cases. There is no assurance that there will be sufficient assets to satisfy our pre-petition liabilities in whole or in part, and the pre-petition creditors of some debtors may be treated differently than those of other debtors. Pre-petition creditors may receive under a plan or plans less than 100% of the face value of their claims, and the interests of our equity security holders may be substantially diluted or cancelled in whole or in part. As noted above, it is not possible at this time to predict the outcome of the chapter 11 cases, the terms and provisions of any plan or plans of reorganization, or the effect of the chapter 11 reorganization process on the claims of our creditors or the interests of our equity security holders.

FINANCIAL STATEMENT PRESENTATION. The accompanying Consolidated Financial Statements have been prepared in accordance with AICPA Statement of Position 90-7 ("SOP 90-7"), Financial Reporting by Entities in Reorganization Under the Bankruptcy Code, and on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the filing, such realization of assets and liquidation of liabilities are subject to uncertainty. While operating as debtors-in-possession under the protection of chapter 11 of the Bankruptcy Code, and subject to the Court approval or otherwise as permitted in the ordinary course of business, we may sell or otherwise dispose of assets or liquidate or settle liabilities for amounts other than those reflected in the Consolidated Financial Statements. Further, a plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements.

Pursuant to the Bankruptcy Code, we have filed schedules with the Court setting forth our assets and liabilities as of the date of the filing. Differences between amounts recorded by us and claims filed by creditors will be investigated and resolved as part of the proceedings in the chapter 11 cases. The bar date for filing proofs of claim against us was March 29, 2002 (May 13, 2002 for governmental entities). We are in the process of reviewing such claims and, therefore, the ultimate number and allowed amount of such claims are not presently known.

As a consequence of the filing and the impact of certain provisions of our related financing agreement as well as a cash management order entered by the Court, we and our subsidiaries are subject to certain restrictions, including the ability to pay dividends and to transfer cash and other assets to each other and to our affiliates.

We believe, based on information presently available to us, that cash available from operations and financing agreements will provide sufficient liquidity to allow us to continue as a going concern for the foreseeable future. However, our ability to continue as a going concern (including our ability to meet post-petition obligations) and the appropriateness of using the going concern basis for our financial statements

13

are dependent upon, among other things, (i) our ability to comply with the terms of the financing agreements and the cash management order entered by the Court in connection with the chapter 11 cases, (ii) our ability to maintain adequate cash on hand, (iii) our ability to generate cash from operations, (iv) confirmation of a plan or plans of reorganization under the Bankruptcy Code, and (v) our ability to maintain profitability following such confirmation.

#### GENERAL

REVENUES. Revenues are primarily attributable to monthly subscription fees charged to subscribers for our basic, premium and digital cable television product offerings. Basic revenues consist of monthly subscription fees for all services, other than digital services and premium programming, as well as monthly charges for customer equipment rental. Premium revenues consist of monthly subscription fees for programming provided on a per channel basis. Digital revenues consist of the incremental revenues over and above our full basic revenues for digital based programming. In addition, other revenues are derived from:

- o data services;
- o installation and reconnection fees charged to basic subscribers to commence or reinstate service;
- o pay-per-view charges;
- o late payment fees;
- o advertising revenues; and
- o commissions related to the sale of merchandise by home shopping services.

At March 31, 2002, our collective systems served approximately 335,000 basic subscribers, 180,000 premium subscribers, 32,000 digital subscribers and 2,000 data customers. We have a basic penetration rate of approximately 46%, a premium penetration rate of approximately 54% and a digital penetration rate of approximately 10%. The table below sets forth the percentage of our total revenues attributable to the various sources for the three months ended March 31, 2002:

<Table>	
<S>	<C>
Basic	82%
Premium	8%
Digital	3%
Data	--%
Other	7%
	----
Total revenues	100%
	=====

</Table>

OPERATING EXPENSES. Our operating expenses consist primarily of (a) programming fees, (b) plant and operating costs, (c) general and administrative expenses, (d) marketing costs, (e) corporate overhead, and (f) amortization and depreciation of intangible assets and property, plant and equipment. Programming fees have historically increased at rates in excess of inflation due to system acquisitions and internal growth, as well as increases in the number, quality and cost of programming services offered by us. Plant and operating costs include expenses related to wages and employee benefits of technical personnel, electricity, systems supplies, vehicles and other operating costs. General and administrative expenses include wages and employee benefits for customer service, accounting and administrative personnel, franchise fees and expenses related to billing, payment processing, and office administration. Corporate overhead consists primarily of expenses incurred by our executive management, which are not directly attributable to any one system.

NET LOSSES. The high level of depreciation and amortization associated with our acquisitions and capital expenditures related to continued construction and upgrading of the current systems, together with interest costs related to our financing activities, have contributed to our net losses. Our net losses have been further increased by costs associated with our chapter 11 bankruptcy filing.

The following discussion pertains to our results of operations and financial condition for the three months ended March 31, 2002 and 2001.

14

THREE MONTHS ENDED MARCH 31, 2002 VS. MARCH 31, 2001

Revenues decreased \$5.2 million from quarter to quarter. Basic subscriber declines of approximately 40,000 from period to period, mitigated by a rate increase in February 2001, resulted in a basic revenue decline of \$3.9 million. Basic revenue per subscriber increased from \$32.70 to \$33.25. Premium revenue decreased \$0.8 million as a result of premium subscriber declines of approximately 39,000 from period to period. Revenue per subscriber increased from \$40.30 to \$40.59.

Operating expenses decreased \$0.3 million, or 0.6%, in the three months ended March 31, 2002. Programming expenses decreased \$1.1 million primarily due to a decrease in subscribers, but were offset by increased rates charged by programming vendors. In 2002, plant and operating and general and administrative costs increased \$3.1 million, or 29%. This increase is primarily due to increased labor costs and reduced capitalization of internal labor and overhead. Depreciation and amortization expense in 2002 was \$20.2 million, a decrease of \$4.5 million over the same period in 2001. The decrease is primarily due to a reduction in the carrying values of fixed assets and intangible balances due to the impairment charge taken in the third quarter of 2001 of \$199.6 million. The gross balance of fixed assets and intangibles decreased from \$931.4 million at March 31, 2001 to \$611.2 million at March 31, 2002. In addition, we ceased amortization of goodwill in 2002. Amortization of goodwill in 2001 was \$1.6 million.

During the three months ended March 31, 2002, we incurred \$3.2 million of chapter 11 related professional fees.



Interest expense decreased \$10.0 million, or 67%, in 2002. The decrease is primarily due to the fact that since the filing date we are not accruing or recording interest expense on our \$378.0 million senior subordinated notes. Interest on the notes in 2001 was \$9.5 million. The remainder of the change is due to higher effective interest rates in the first quarter of 2002 as a result of penalty interest accruing on the 1999 credit facility.

Other income decreased \$0.2 million in 2002. This decrease is primarily the result of decreased interest income on cash reserves.

No income tax benefit was recognized in 2002 or 2001. The effective tax rates for 2002 and 2001 differ from the statutory rates primarily due to increases in the valuation allowance on deferred tax assets.

As a result of the above described fluctuations in our results of operations, the net loss of \$17.1 million in 2002 decreased by \$4.9 million, as compared to the net loss of \$22.1 million in 2001.

#### LIQUIDITY AND CAPITAL RESOURCES

The cable television industry is a capital intensive business that generally requires financing for the upgrade, expansion and maintenance of the technical infrastructure. Historically, we have funded our working capital requirements, capital expenditures and acquisitions through a combination of internally generated funds, long- and short-term borrowings and equity contributions. Our ability to generate cash to meet our future needs will depend generally on our results of operations and the continued availability of external financing.

For the three months ended March 31, 2002, cash provided by operating activities totaled \$6.1 million. For the three months ended March 31, 2001, cash used for operating activities totaled \$3.3 million. Cash used for investing activities totaled \$6.8 million and \$27.4 million for three months ended March 31, 2002 and 2001, respectively. Cash used for financing activities was negligible for the three months ended March 31, 2002. Cash provided by financing activities was \$19.5 million for the three months ended March 31, 2001. Cable's aggregate outstanding borrowings as of March 31, 2002 were \$579.9 million, of which \$201.9 million was collateralized by our assets.

EBITDA for the three months ended March 31, 2002 and 2001, before non-cash charges and restructuring and financing related professional fees, was \$11.3 million and \$17.6 million, respectively. EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity; is not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses; and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. EBITDA

15

is included because our management believes that EBITDA is a meaningful measure of performance as it is commonly used by the cable television industry and by the investment community to analyze and compare cable television companies. Our definition of EBITDA may not be identical to similarly titled measures reported by other companies.

We have not been able to generate sufficient cash flow from operations to service our debt obligations. We have also been unsuccessful in our efforts to obtain additional financing and/or restructure our debt. As a result, it became necessary for us to seek protection under chapter 11 of title 11 of the United States Code.

A final order of the Court approved a secured super-priority

debtor-in-possession revolving credit agreement ("the DIP Financing") for Cable with Goldman Sachs as administrative agent, lead arranger and syndication agent. The DIP Financing is collateralized by, among other things, a senior lien on substantially all of our assets, including assets that had previously been subject to a lien. We and our subsidiaries have guaranteed the obligations under the DIP Financing and we have pledged the outstanding stock of our subsidiaries in connection with the DIP Financing. The DIP Financing expires in November 2002 unless it is extended following the closing of the first loan. The DIP Financing can be terminated if an event of default occurs and Cable can terminate portions of the revolving credit commitment in certain circumstances.

As of March 31, 2002, we have borrowed \$2.0 million against the DIP Financing. In April and May 2002, the DIP Financing was amended. The amendments, in total, waived our existing defaults, reset certain financial covenants, and revised and added certain provisions related to our reorganization efforts including eliminating the deadline to file a plan of reorganization. The amendments reduced the total availability of the DIP Financing from \$30 million to \$25 million. At March 31, 2002, there were \$3.5 million of outstanding letters of credit leaving \$19.5 million available for borrowing, subject to certain conditions.

The DIP Financing and the senior credit facility are collateralized by a substantial portion of the assets of Cable. We have no operations of our own. Consequently, we rely on dividends from, and cash flow of, Cable to meet our debt service obligations. The terms of the DIP Financing and the senior credit facility restrict certain of our activities as well as those of Cable, including the incurrence of additional indebtedness, limits on asset sales, investments, affiliate transactions and the payment of certain dividends.

We believe, based on information presently available to us, that cash available from operations and the DIP Financing will provide sufficient liquidity to allow us to continue as a going concern for the foreseeable future. However, our ability to continue as a going concern (including our ability to meet post-petition obligations) and the appropriateness of using the going concern basis for our financial statements are dependent upon, among other things, (i) our ability to comply with the terms of the DIP Financing and any cash management order entered by the Court in connection with the chapter 11 cases, (ii) our ability to maintain adequate cash on hand, (iii) our ability to generate cash from operations, (iv) confirmation of a plan or plans of reorganization under the Bankruptcy Code, and (v) our ability to achieve profitability following such confirmation.

Capital expenditures for the three months ended March 31, 2002 and 2001 were approximately \$7.0 million and \$27.6 million, respectively. Our ability to invest in our cable systems is dependent on the availability of capital to fund such investments. We expect to spend approximately \$38 million in 2002 on various capital projects.

### ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The use of interest rate risk management instruments, such as interest rate exchange agreements ("Swaps"), interest rate cap agreements ("Caps") and interest rate collar agreements ("Collars"), may be required under the terms of certain of our outstanding debt agreements. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using Swaps, we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Caps are used to lock in a maximum interest rate should variable rates rise, but enable us to otherwise pay lower market rates. Collars limit our exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

As of March 31, 2002, no such instruments were outstanding.

Virtually any potential loss associated with interest rate risk is attributable to fixed-rate long-term debt instruments. As of March 31, 2002, all fixed-rate long-term debt is subject to compromise.

While Swaps, Caps and Collars may represent an integral part of our interest rate risk management program; their incremental effect on interest expense for the three months ended March 31, 2002 and 2001 was not significant.

17

## PART II - OTHER INFORMATION

### ITEM 1 - LEGAL PROCEEDINGS

On November 13, 2001, we and our subsidiaries filed voluntary petitions under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Court"). We and our subsidiaries remain in possession of our assets and properties, and continue to operate our businesses and manage our properties as debtors-in-possession pursuant to the provisions of the Bankruptcy Code.

In the ordinary course of business, we are the subject of various pending or threatened legal actions. Prosecution of certain of these actions may be stayed by our chapter 11 filing. We believe any ultimate liability arising from these actions should not have a material adverse effect on our consolidated financial position at March 31, 2002.

The chapter 11 cases are being jointly administered under Case No. 01-11257. We anticipate that substantially all of our liabilities as of the date of the filing will be resolved under one or more chapter 11 plans of reorganization to be proposed and voted on in the chapter 11 cases in accordance with the provisions of the Bankruptcy Code. As a consequence of the bankruptcy filing, essentially all pending litigation against us is stayed automatically by section 362 of the Bankruptcy Code and, absent further order of the Court, no party may take any action to recover on pre-petition claims against us. Please see Note 2.

On December 13, 2001, the Court entered a final order approving our post-petition DIP Financing with certain of our pre-petition senior lenders. The DIP Financing was arranged by Goldman Sachs Credit Partners LP as administrative agent under Section 364 of the Bankruptcy Code.

In addition to the post-petition financing motion, we obtained Court authority to (1) pay certain "critical vendors and service providers" in an amount up to approximately \$8 million, (2) continue use of our existing cash management system, (3) pay certain pre-petition compensation and benefits to our employees, (4) address adequate assurance demands made by utilities, and (5) continue certain customer practices designed to maintain and attract customers.

On March 13, 2002, we filed a motion asking the Court to extend the time in which we have an exclusive right to file a plan of reorganization to May 13, 2002. Pursuant to local rules, our exclusive periods are extended until the Court rules on the motion. The motion also sought Court authorization to extend the exclusive period within which we may solicit acceptances of any such plan of reorganization through July 9, 2002. This motion was approved by the Court on April 15, 2002. In addition, on April 15, 2002, the Court entered an order approving the amendment to our DIP Financing.

On January 14, 2002, we filed a complaint against EchoStar Communications Corporation (d/b/a Dish Network) with the Court. In the complaint, we asserted EchoStar violated the automatic stay provisions of the Bankruptcy Code, tortiously interfered with our contractual and business relationships with our subscribers, published injurious falsehoods and defamed us by slander, and competed unfairly. The complaint alleges EchoStar made false and intentionally misleading statements regarding our business to our subscribers to induce our

subscribers to do business with EchoStar. On January 16, 2002, the Court issued a temporary restraining order restraining and enjoining EchoStar from making knowingly false or intentionally misleading statements to any existing or potential subscribers of our cable service. A preliminary injunction hearing is scheduled for July 2, 2002.

In addition to the chapter 11 cases, we are involved in various claims and lawsuits incidental to our business. The outcome of such suits, however, is not expected to have a material adverse effect on our financial position or results of operations.

ITEM 2 - CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

As of March 31, 2002, we were in default under the senior credit agreement and our Senior Subordinated Notes. We were also in default of the DIP Financing but those covenants were either subsequently amended or waived.

18

See notes 2 and 5 to the consolidated financial statements in Part 1 of this Form 10-Q and "Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations" for additional information regarding these defaults. Such information is incorporated herein by reference.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit Number	Exhibit
10.1+	Amendment and Waiver No. Three dated as of April 30, 2002, to the Company's Secured Super Priority Debtor In Possession Revolving Credit Agreement.
10.2	Amendment No. Four dated as of May 10, 2002, to the Company's Secured Super Priority Debtor In Possession Revolving Credit Agreement.

-----  
+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment, and the omitted portions have been filed separately with the Securities and Exchange Commission.

(b) Reports on Form 8-K

- (1) On March 19, 2002, we filed a Form 8-K announcing we issued a press release stating Cable is in negotiations to amend its Debtor-in-Possession Revolving Credit Facility because Cable is in default of certain covenants in the credit facility.
- (2) On May 1, 2002, we filed a Form 8-K announcing we issued a

press release stating Cable entered into an Amendment and Waiver No. Three to its Secured Super Priority Debtor In Possession Revolving Credit Agreement.

19

SIGNATURES

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

CLASSIC COMMUNICATIONS, INC.

Date: May 14, 2002

/s/ JIMMIE TAYLOR

-----  
Jimmie Taylor  
Chief Financial Officer

20

INDEX TO EXHIBITS

<Table> <Caption> Exhibit Number -----	Exhibit -----
<S>	<C>
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-----  
+ Portions of this exhibit have been omitted pursuant to a request for confidential treatment, and the omitted portions have been filed separately with the Securities and Exchange Commission.

21

## AMENDMENT AND WAIVER NO. 3

AMENDMENT AND WAIVER NO. 3, dated as of April 30, 2002 (this "Amendment"), to the Secured, Super-Priority Debtor in Possession Revolving Credit Agreement, dated as of November 13, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among CLASSIC CABLE, INC., a Delaware corporation (the "Borrower"), as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, CLASSIC COMMUNICATIONS, INC., a Delaware corporation (the "Parent Guarantor"), as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, each Subsidiary of the Borrower party thereto as a guarantor (the "Subsidiary Guarantors" and together with the Parent Guarantor, the "Guarantors"), each as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, the financial institutions party thereto as lenders (the "Lenders"), JP Morgan Chase Bank, as issuer (in such capacity, the "Issuer"), and GOLDMAN SACHS CREDIT PARTNERS L.P., as the administrative agent for the Lenders and the Issuer (in such capacity, the "Administrative Agent") and as lead arranger and syndication agent.

## WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders waive any Default or Event of Default arising under Section 9.1(d) of the Credit Agreement as a result of its failure to comply with Section 5.2 of the Credit Agreement for month ended December 31, 2001, and the Requisite Lenders have agreed to so waive any such Default or Event of Default, subject to the terms and conditions of this Amendment;

WHEREAS, the Borrower has requested that the Lenders waive any Default or Event of Default arising under Section 9.1(a) or (b) of the Credit Agreement as a result of the Borrower's failure to comply with Section 2.8(d) of the Credit Agreement prior to the date hereof, and the Requisite Lenders have agreed to so waive any such Default or Event of Default subject to the terms and conditions of this Amendment; and

WHEREAS, the Borrower and the Lenders have further agreed to amend Sections 1.1, 2.3(b), 2.8(b), 5.2, 6.1, 7.12, 8.1 and 9.2 and Schedule 1 of the Credit Agreement so as to, among other things (a) amend the definition of "EBITDA" and reduce the existing minimum EBITDA covenant levels, (b) provide for additional reporting requirements and affirmative covenants with respect to the capital raising activities of, and investment and sale alternatives for, the Borrower (c) permit the Loan Parties to finance certain insurance premiums and (d) reduce the Revolving Credit Commitments from \$30,000,000 to \$25,000,000, in each case subject to the terms and conditions of this Amendment;

NOW THEREFORE, in consideration of the foregoing premises and

for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree to the following:

1. Defined Terms. Capitalized terms used herein but not defined herein have the respective meanings ascribed thereto in the Credit Agreement.

2. Amendment. As of the Effective Date (as defined below):

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in their proper alphabetical order:

"'Amendment No. 3' means Amendment and Waiver No. 3, dated as of April 30, 2002, among the Loan Parties, the Lenders, the Issuer and the Administrative Agent."

"'Due Diligence Consultant Costs' has the meaning specified in Section 7.12(c)."

(b) The definition of "EBITDA" in Section 1.1 of the Credit Agreement is hereby amended by (i) deleting the word "and" immediately after clause (b)(v) of such definition and adding in lieu thereof the following phrase: "(vi) any Due Diligence Consultant Costs, (vii) any expenses or reductions in revenue relating to the Borrower's issuance of customer coupons during the period from November 1, 2001 through January 31, 2002 and"; (ii) re-numbering clause (b)(vi) of such definition as clause (b)(viii); (iii) deleting the word "and" immediately after clause (c)(v) of such definition and adding in lieu thereof the following phrase: ", (vi) any increases in revenue relating to the Borrower's issuance of customer coupons during the period from November 1, 2001 through January 31, 2002, (vii) any channel launch revenues relating to the National Geographic channel and"; (iv) re-numbering clause (c)(vi) thereof as clause (c)(viii).

(c) Section 2.3(b) of the Credit Agreement is hereby amended by deleting the word "In" at the beginning thereof and by adding the following phrase in lieu thereof: "Unless otherwise permitted by the Issuer and the Administrative Agent, in".

(d) Section 2.8(d) of the Credit Agreement is hereby amended by inserting the word "book" before the word "balance" in each of the three instances in which it appears in Section 2.8(d).

(e) Section 3.2 of the Credit Agreement is hereby amended by re-lettering paragraph (f) thereof as paragraph (g) and by inserting the following new paragraph (f) immediately following paragraph (e) thereof:

"(f) Deposit Account Balances. The Borrower shall be in compliance with Section 2.8(d) both before and after giving effect to such Borrowing."

(f) Section 5.2 of the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

"SECTION 5.2. MINIMUM EBITDA. The Borrower and its consolidated Subsidiaries will have (i) EBITDA for the one-month period ending January 31, 2002 of not less than \$1,700,000, (ii) EBITDA for the two-month period ending February 28, 2002 of not less than \$3,400,000 and (iii) as of the last day of each month set forth below, EBITDA for the three-month period ending on such day of not less than the following:

2

<Table>

<Caption>

PRE-EXTENSION DATE:

<S>	<C>
March 2002	\$5,300,000
April 2002	\$5,700,000
May 2002	\$6,200,000
June 2002	\$7,300,000
July 2002	\$7,900,000
August 2002	\$8,600,000
September 2002	\$9,200,000
October 2002	\$9,700,000

</Table>

<Table>

<Caption>

POST-EXTENSION DATE:

<S>	<C>
November 2002	\$10,100,000
December 2002	\$10,500,000
January 2003	\$10,500,000

</Table>

(g) Section 6.1 of the Credit Agreement is hereby amended by adding the following new clauses (j) and (k):

"(j) Capital Raising Activities.

(i) A bi-weekly report delivered to the Administrative Agent identifying the Persons who have expressed to the Borrower a bona-fide interest in investing in the Loan Parties or acquiring a material portion of the Loan Parties' assets and, with respect to each such Person, (A) whether such Person has signed, or has been asked to sign, a confidentiality agreement with the Borrower, (B) whether such



Person has met with the Borrower or any of its advisors or has been provided any information about the Loan Parties, (C) whether such Person has made any proposals to invest in the Loan Parties and (D) written copies of any proposals received by the Borrower from such Person, in each case subject to, and to the extent permitted under, the applicable confidentiality agreement or proposal.

3

(ii) A bi-weekly report delivered to the Administrative Agent identifying the Persons who the cable systems broker described in Section 7.12(d), in connection with any proposed sale of one or more of the Loan Parties' cable systems to a third party, has contacted or who have expressed to the Borrower a bona-fide interest in purchasing one or more of the Loan Parties' cable systems and, with respect to each such Person, (A) whether such Person has signed, or has been asked to sign, a confidentiality agreement with the Borrower, (B) whether such Person has met with the Borrower or any of its advisors or has been provided any information about the Loan Parties and the status of the due diligence being performed, or anticipated to be performed, by such Person, (C) whether such Person has made any proposals to purchase one or more of the Loan Parties' cable systems and (D) written copies of any proposals received by the Borrower from such Person, in each case subject to, and to the extent permitted under, the applicable confidentiality agreement or proposal.

(k) Capital and Marketing Expenditures. Each month, a report delivered to the Administrative Agent detailing (i) the Capital Expenditures made or proposed to be made by the Borrower or any of the Guarantors and the nature of such Capital Expenditures (e.g., for upgrades, picture improvements, etc.) and (ii) the marketing expenditures made or proposed to be made by the Borrower or any of the Guarantors, including, without limitation, who such expenditures are targeting, and an estimate of such expenditures for the year to date."

(h) Article VII of the Credit Agreement is hereby amended by adding the following new Section 7.12:

"SECTION 7.12. INVESTMENT AND SALE ALTERNATIVES. The Borrower shall:

(a) (i) respond to all solicitations from prospective investors who have expressed to the Borrower a bona-fide interest in investing in the Loan Parties or acquiring a material portion of the Loan Parties' assets, subsequent to

the execution of a confidentiality agreement, by cooperating with and granting access to such prospective investors to the Company and its management in connection with such prospective investors' due diligence review and (ii) on or before August 1, 2002, complete a comprehensive offering memorandum and provide a written copy to the Administrative Agent.

(b) [Information omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.]

4

(c) Pay up to \$150,000 in reasonable fees, costs and expenses (the 'Due Diligence Consultant Costs') incurred by Ned Lamont subject to that certain reimbursement agreement (to be agreed upon by the Borrower and Mr. Lamont); provided that (i) the Borrower shall use its reasonable best efforts to enter into such reimbursement agreement with Mr. Lamont, (ii) the Bankruptcy Court approves the payment of such fees, costs and expenses and (iii) Due Diligence Consultant Costs shall be included in the Budget approved by the Administrative Agent pursuant to Section 6.1(e);

(d) (i) Within 30 days after the Effective Date, subject to the approval of the Bankruptcy Court, retain a cable systems broker reasonably acceptable to the Administrative Agent that will use its best efforts to identify potential buyers for the Loan Parties' small cable systems listed on Schedule 1 to Amendment No. 3 or any other cable systems identified by the Board of Directors;

(e) Make its senior executives and other employees and its professional advisors available to participate in a meeting with the Lenders and their professional advisors no later than April 15, 2002; and

(f) [Information omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.]

(i) Section 8.1 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (g) thereof, (ii) by re-designating clause (h) thereof as clause (i) and (iii) by adding the following new clause (h):

"(h) Indebtedness owed to AFCO Premium Credit LLC arising in connection with the financing of the insurance premiums of the Loan Parties."

(j) (i) Section 8.2 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (f) thereof, (ii) by re-designating clause (g) thereof as clause (h) and (iii) by adding the following new clause (g):

"(g) Liens in favor of AFCO Premium Credit LLC on unearned premiums and dividends and the amounts payable under any financing agreement arising in connection with the financing of the insurance premiums of the Loan Parties."

(k) Section 9.1(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(d) Any Loan Party shall fail to perform or observe (i) any term, covenant or agreement contained in Article V, Section 6.1, 6.2, 7.1, 7.6, 7.9 or 7.11 or Article VIII, (ii) any term, covenant or agreement contained in Section 2.8(d) if such failure under this clause (ii) shall remain unremedied for five

5

days after the earlier of the date on which (A) a Responsible Officer of any Loan Party or any Subsidiary thereof becomes aware of such failure or (B) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender or (iii) any other term, covenant or agreement contained in this Agreement or in any other Loan Document if such failure under this clause (iii) shall remain unremedied for 30 days after the earlier of the date on which (A) a Responsible Officer of any Loan Party or any Subsidiary thereof becomes aware of such failure or (B) written notice thereof shall have been given to the Borrower by the Administrative Agent or any Lender; provided, however, that failure to perform under Section 6.12(b) shall not be deemed an Event of Default hereunder;"

(l) The Credit Agreement is hereby amended by adding the following new Section 13.18

SECTION 13.18. TREATMENT OF CERTAIN INFORMATION;  
CONFIDENTIALITY.

(a) The Borrower and the other Loan Parties acknowledge that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrower or one or more of its Subsidiaries (in connection with this Agreement or otherwise) by any Lender, or by one or more Subsidiaries or Affiliates of such

Lender and the Borrower and each Loan Party hereby authorizes each Lender to share any information delivered to such Lender by the Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate, it being understood that any such Subsidiary or Affiliate receiving such information shall be bound by the provisions of clause (b) below as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans, the expiration of the Letters of Credit and the termination of the Commitments.

(b) Each Lender, the Issuer and the Administrative Agent agrees (on behalf of itself and each of its Affiliates, directors, officers, employees and representatives) to use reasonable precautions to keep confidential, in accordance with their customary procedures for handling confidential information of the same nature and in accordance with safe and sound banking practices, any non-public information supplied to it by the Borrower or any other Loan Party pursuant to this Agreement or any of the other Loan Documents that is identified by the Borrower as being confidential at the time the same is delivered to the Lenders, the Issuer or the Administrative Agent, provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to counsel for any of the Lenders, the Issuer or the Administrative Agent, (iii) to bank examiners or other regulatory authorities, auditors or accountants, (iv) to the

Administrative Agent, the Issuer or any other Lender, (v) in connection with any litigation to which any one or more of the Lenders, the Issuer or the Administrative Agent is a party, (vi) to a subsidiary or Affiliate of such Lender as provided in clause (a) above or (vii) to any assignee or participant (or prospective assignee or participant), and provided further that in no event shall any Lender, the Issuer or the Administrative Agent be obligated or required to return any materials furnished by the Borrower or any other Loan Party.

(m) Schedule 1 to the Credit Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

<Table>  
<Caption>

Lender  
-----

Revolving Credit Commitment  
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<code>&lt;S&gt;</code>	<code>&lt;C&gt;</code>
Goldman Sachs Credit Partners L.P.	\$ 3,333,333.33
SRV-Highland Inc.	2,916,666.67
Senior Debt Portfolio	2,500,000.00
TRSI LLC	5,833,333.33
Heller Financial, Inc.	1,666,666.67
JPMorgan Chase Bank	1,666,666.67
Debt Strategies Fund, Inc.	2,500,000.00
Senior High Income Portfolio, Inc.	833,333.33
Merrill Lynch Senior Floating Rate Fund, Inc.	1,250,000.00
North American Senior Floating Rate Fund, Inc.	833,333.33
The Travelers Insurance Company	1,666,666.67
	-----
Total	\$25,000,000.00
	=====

`</Table>`

### 3. Waiver.

(a) As of the Effective Date (as defined below), the Requisite Lenders hereby waive any Default or Event of Default arising under Section 9.1(d) of the Credit Agreement as a result of the Borrower's failure to comply with Section 5.2 of the Credit Agreement for the months ended December 31, 2001 through March 31, 2002.

(b) As of the Effective Date (as defined below), the Requisite Lenders hereby waive any Default or Event of Default arising under Section 9.1(a) or (b) of the Credit Agreement as a result of the Borrower's failure to comply with Section 2.8(d) of the Credit Agreement prior to the Effective Date.

(c) As of the Effective Date (as defined below), the Requisite Lenders hereby waive any Default or Event of Default arising under Section 9.1(d) of the Credit Agreement as a result of the Borrower's failure to comply with Section 6.1(a) and (d) of the Credit Agreement for January 2002.

4. Representations and Warranties. Each Loan Party hereby represents and warrants that (a) this Amendment has been duly authorized, executed and delivered by such party, (b) assuming the effectiveness of this Amendment, no Default or Event of Default has occurred and is continuing on and as of the date hereof and (c) the representations and warranties of each of the Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof other than as referred to herein, except to the extent such representations and warranties expressly relate to a different specific date.

5. Reference to and Effect on the Credit Agreement. Except as specifically amended or waived herein, the Credit Agreement shall remain in full

force and effect and is hereby ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as an amendment, waiver or modification of any right, power or remedy of the Administrative Agent, the Issuer or the Lenders under any of the Loan Documents, nor constitute an amendment, waiver or modification of any other provisions of the Loan Documents. This Amendment shall be a Loan Document for the purposes of the Credit Agreement and the other Loan Documents.

6. Applicable Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

7. Effectiveness. This Amendment shall become effective as of the date (the "Effective Date") when (a) the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each of the Borrower, the Guarantors, the Administrative Agent and the Requisite Lenders and (b) this Amendment is approved by the Bankruptcy Court; provided, however, that Sections 2(i) and (j) and 3 of this Amendment shall become effective when the condition precedent described in clause (a) above is satisfied.

8. Fees, Costs and Expenses.

(a) On the Effective Date, the Borrower shall pay to the Administrative Agent an administrative fee of \$150,000.

(b) On the Effective Date, the Borrower shall pay to the Administrative Agent for the benefit of the consenting Lenders a fee in an amount equal to 0.5% of the Revolving Credit Commitments (as amended by this Amendment), which fee will be distributed promptly by the Administrative Agent to the Lenders on a pro rata basis.

(c) The Borrower agrees to pay on demand in accordance with the terms of Section 13.3 of the Credit Agreement all costs and expenses of the Administrative Agent in connection with the preparation, reproduction, execution and delivery of this Amendment, including the reasonable fees and expenses of counsel for the Administrative Agent with respect thereto.

9. Counterparts and Headings. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract. Delivery of an executed signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof. The headings of this Amendment are for convenience of reference only, are not part of this Amendment and are not to affect the construction of, or to be taken into consideration interpreting, this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this

Amendment to be duly executed by their duly authorized officers, all as of the date and year first above written.

GOLDMAN SACHS CREDIT PARTNERS  
L.P., as Administrative Agent and as a  
Lender

By: /s/ Bruce Mendelsohn  
-----  
Name: Bruce Mendelsohn  
Title: Authorized Signatory

JPMORGAN CHASE BANK, as Issuer and  
as a Lender

By: /s/ Michael Lancia  
-----  
Name: Michael Lancia  
Title: Vice President

LENDER:

BLUE SQUARE FUNDING SERIES 3  
(Type or Print Name of Institution)

By: Deutsche Bank Trust Company  
Americas, f/k/a Bankers  
Trust Co.

By: /s/ Jennifer Bohannon  
-----  
Name: Jennifer Bohannon  
Title: Assistant Vice President

LENDER:

SENIOR DEBT PORTFOLIO  
(Type or Print Name of Institution)

By: Boston Management and Research, as  
Investment Advisor

By: /s/ Payson F. Swaffield  
-----  
Name: Payson F. Swaffield  
Title: Vice President

LENDER:

EATON VANCE SENIOR INCOME TRUST  
(Type or Print Name of Institution)

By: Eaton Vance Management, as Investment  
Advisor

By: /s/ Payson F. Swaffield

-----  
Name: Payson F. Swaffield  
Title: Vice President

LENDER:

EATON VANCE INSTITUTIONAL  
(Type or Print Name of Institution)

By: Eaton Vance Management, as Investment  
Advisor

By: /s/ Payson F. Swaffield

-----  
Name: Payson F. Swaffield  
Title: Vice President

LENDER:

OXFORD STRATEGIC INCOME FUND  
(Type or Print Name of Institution)

By: Eaton Vance Management, as Investment  
Advisor

By: /s/ Payson F. Swaffield

-----  
Name: Payson F. Swaffield  
Title: Vice President

LENDER:

GRAYSON & CO  
(Type or Print Name of Institution)

By: Boston Management and Research, as  
Investment Advisor

By: /s/ Payson F. Swaffield



-----  
Name: Payson F. Swaffield  
Title: Vice President

10

LENDER:

HELLER FINANCIAL, INC.  
(Type or Print Name of Institution)

By: /s/ Karl E. Kieffer

-----  
Name: Karl E. Kieffer  
Title: Duly Authorized Signatory

LENDER:

HIGHLAND LEGACY LIMITED  
(Type or Print Name of Institution)

By: Highland Capital Management, L.P.,  
as Collateral Manager

By: /s/ Louis Koven

-----  
Name: Louis Koven  
Title: Executive Vice  
President-CFO

LENDER:

SRV-HIGHLAND, INC.  
(Type or Print Name of Institution)

By: /s/ Ann E. Morris

-----  
Name: Ann E. Morris  
Title: Asst. Vice President

LENDER:

DEBT STRATEGIES FUND, INC.  
(Type or Print Name of Institution)

By: /s/ Andrew C.Liggid  
-----  
Name: Andrew C. Liggid  
Title: Authorized Signatory

LENDER:

SENIOR HIGH INCOME PORTFOLIO, INC.  
(Type or Print Name of Institution)

By: /s/ Andrew C. Liggid  
-----  
Name: Andrew C. Liggid  
Title: Authorized Signatory

11

LENDER:

MERRILL LYNCH SENIOR FLOATING RATE  
FUND, INC.  
(Type or Print Name of Institution)

By: /s/ Andrew C. Liggid  
-----  
Name: Andrew C. Liggid  
Title: Authorized Signatory

LENDER:

MORGAN STANLEY SENIOR FUNDING, INC.  
(Type or Print Name of Institution)

By: /s/ James Morgan  
-----  
Name: James Morgan  
Title: Vice President

LENDER:

SUN AMERICAN SENIOR FLOATING RATE FUND  
INC.  
(Type or Print Name of Institution)

By: Stanfield Capital Partners LLC, as

Subadvisor

By: /s/ Gregory L. Smith

-----  
Name: Gregory L. Smith  
Title: Partner

LENDER:

THE TRAVELERS INSURANCE COMPANY  
(Type or Print Name of Institution)

By: /s/ Pamela Westmoreland

-----  
Name: Pamela Westmoreland  
Title: Investment Officer

12

LENDER:

TRSI LLC  
(Type or Print Name of Institution)

By: /s/ Rosemary F. Dunne

-----  
Name: Rosemary F. Dunne  
Title: Attorney-in-Fact

13

Acknowledged and Agreed to as of  
April 30, 2002 by:

CLASSIC CABLE, INC., AS BORROWER

By: /s/ Dale R. Bennett

-----  
Name: Dale R. Bennett  
Title: President

CLASSIC COMMUNICATIONS, INC., as

Parent Guarantor

By: /s/ Dale R. Bennett  
-----  
Name: Dale R. Bennett  
Title: President

CALLCOM 24, INC.  
CLASSIC CABLE HOLDING, INC.  
CLASSIC CABLE OF OKLAHOMA, INC.  
CLASSIC TELEPHONE, INC.  
CORRECTIONAL CABLE TV, INC.  
FRIENDSHIP CABLE OF ARKANSAS,  
INC.  
FRIENDSHIP CABLE OF TEXAS, INC.  
TELEVISION ENTERPRISES, INC.  
UNIVERSAL CABLE  
COMMUNICATIONS, INC.  
UNIVERSAL CABLE HOLDINGS, INC.  
UNIVERSAL CABLE MIDWEST, INC.  
UNIVERSAL CABLE OF BEAVER  
OKLAHOMA, INC.  
W.K. COMMUNICATIONS, INC.  
WT ACQUISITION CORPORATION,  
each as a Subsidiary Guarantor

By: /s/ Dale R. Bennett  
-----  
Name: Dale R. Bennett  
Title: President

## AMENDMENT NO. 4

AMENDMENT NO. 4, dated as of May 10, 2002 (this "Amendment"), to the Secured, Super-Priority Debtor in Possession Revolving Credit Agreement, dated as of November 13, 2001 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among CLASSIC CABLE, INC., a Delaware corporation (the "Borrower"), as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, CLASSIC COMMUNICATIONS, INC., a Delaware corporation (the "Parent Guarantor"), as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, each Subsidiary of the Borrower party thereto as a guarantor (the "Subsidiary Guarantors" and, together with the Parent Guarantor, the "Guarantors"), each as a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code, the financial institutions party thereto as lenders (the "Lenders"), JP Morgan Chase Bank, as issuer (in such capacity, the "Issuer"), and GOLDMAN SACHS CREDIT PARTNERS L.P., as the administrative agent for the Lenders and the Issuer (in such capacity, the "Administrative Agent") and as lead arranger and syndication agent.

## WITNESSETH:

WHEREAS, the Borrower and the Lenders have agreed to amend the Credit Agreement subject to the terms and conditions of this Amendment;

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree to the following:

1. Defined Terms. Capitalized terms used herein, but not defined herein, have the respective meanings ascribed thereto in the Credit Agreement.

2. Amendments. As of the Effective Date referred to below:

(a) Section 6.1(j) of the Credit Agreement is hereby amended by:

(i) deleting paragraph (i) thereof in its entirety and replacing it with the following:

(i) A bi-weekly report delivered to the Administrative Agent identifying the Persons that the Borrower has contacted, or who have contacted the

Borrower, with respect to investing in the Loan Parties, or acquiring a material portion of the Loan Parties' assets, and, with respect to each such Person, (A) detailing whether such Person has signed, or has been asked to sign, a confidentiality agreement (and, if any such confidentiality agreement has been signed, the Borrower shall promptly deliver a copy thereof to the Administrative Agent, in each case subject to, and to the extent permitted under, the applicable confidentiality agreement), (B) stating whether such Person has met with the Borrower or any of its advisors or has been provided any information about the Loan Parties, (C) indicating the level of interest any such Person has expressed regarding investing in, or purchasing a

material portion of the assets of, the Loan Parties, including whether any proposal to so invest or purchase has been made by such Person and (D) after June 15, 2002, with respect to any such Persons who have received the confidential offering memorandum described in paragraph (iii) below, indicating whether any such Person received additional due diligence materials, attended management presentations, conducted on-site due diligence or engaged in other similar activities, or whether any such Person has declined further interest in investing in, or purchasing a material portion of the assets of, the Loan Parties.

(ii) adding the following paragraph (iii) at the end thereof:

(iii) (A) No later than June 3, 2002, the Borrower's advisors shall have completed and provided to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, (w) a "teaser" memorandum providing a non-confidential description of the Loan Parties' business, (x) a form of confidentiality agreement for use with prospective interested investors, (y) a list of potential interested investors to whom the "teaser" memorandum shall be distributed and (z) a detailed confidential information memorandum describing the Loan Parties and their historical and projected operating and financial

performance, and containing such other information as shall be consistent with industry practice for memoranda of that type.

(B) Promptly after receipt thereof, the Borrower will use its reasonable best efforts to provide the Administrative Agent with (x) written copies of all proposals to invest in, or purchase a material portion of the assets of, the Loan Parties received by the Borrower or any of its advisors, in each case subject to, and to the extent permitted under, the applicable confidentiality agreement or proposal and (y) after giving reasonable notice to the Loan Parties and their advisors, access to the Loan Parties' senior management and advisors to discuss any such proposals, in each case subject to, and to the extent permitted under, the applicable confidentiality agreement or proposal.

(b) Section 7.12 of the Credit Agreement is hereby amended by deleting clause (a) (ii) thereof in its entirety and by adding the following new clause (a) (ii):

"(ii) beginning on June 3, 2002, actively solicit proposals from prospective investors or purchasers to invest in or acquire all or substantially all of the assets of, as the case may be, the Loan Parties";

(ii) deleting the word "and" at the end of clause (e) thereof, (iii) deleting the period at the end of clause (f) thereof and replacing it with the phrase "; and" and (iv) adding the following new clause (g) at the end thereof:

(g) No later than July 15, 2002, seek to obtain preliminary non-binding indications of interest from the Persons receiving the confidential offering memorandum referred to Section 6.1(j) with respect to an investment in, or acquisition of a material portion of the assets of, the Loan Parties.

(c) Section 9.1 of the Credit Agreement is hereby amended by (i) deleting the phrase "; or" at the end of clause (q) thereof and replacing it with a period and (ii) deleting clause (r) thereof in its entirety.

3. Representations and Warranties. Each Loan Party hereby represents and warrants that (a) this Amendment has been duly authorized, executed and delivered by such party, (b) assuming the effectiveness of this Amendment, no Default or Event of Default has occurred and is continuing on and

as of the date hereof and (c) the representations and warranties of each of the Loan Parties contained in the Credit Agreement and the other Loan Documents are true and correct on and as of the date hereof as if made on and as of the date hereof other than as referred to herein, except to the extent such representations and warranties expressly relate to a different specific date.

4. Extension of Exclusivity Period. The Administrative Agent (in such capacity) and each Lender party hereto shall refrain from objecting to the request to be filed by the Loan Parties with the Bankruptcy Court to extend (a) from May 13, 2002 to July 15, 2002 the date on which the period during which any of the Loan Parties exclusively may file a Plan of Reorganization will expire and (b) from July 9, 2002 to September 16, 2002 the date on which the period during which any of the Loan Parties exclusively may solicit acceptances to such Plan of Reorganization will expire.

5. Reference to and Effect on the Credit Agreement. Except as specifically amended or waived herein, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as an amendment, waiver or modification of any right, power or remedy of the Administrative Agent, the Issuer or the Lenders under any of the Loan Documents, nor constitute an amendment, waiver or modification of any other provisions of the Loan Documents. This Amendment shall be a Loan Document for the purposes of the Credit Agreement and the other Loan Documents.

6. Applicable Law. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

7. Effectiveness. This Amendment shall become effective as of the date (the "Effective Date") when the Administrative Agent shall have received copies hereof which, when taken together, bear the signatures of each of the Borrower, the Guarantors, the Administrative Agent and the Requisite Lenders.

8. Fees, Costs and Expenses. The Borrower agrees to pay on demand in accordance with the terms of Section 13.3 of the Credit Agreement all costs and expenses of the Administrative Agent in connection with the preparation, reproduction, execution and delivery of this Amendment, including the reasonable fees and expenses of counsel for the Administrative Agent with respect thereto.

9. Counterparts and Headings. This Amendment may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one contract. Delivery of an executed signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart hereof. The headings of this Amendment are for convenience of reference only, are not part of this



Amendment and are not to affect the construction of, or to be taken into consideration when interpreting, this Amendment.