

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

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**FORM 10-Q**

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Quarterly Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

*For the quarterly period ended June 30, 2006*

**Commission File Numbers:** 333-57285-01  
333-57285

**Mediacom LLC**  
**Mediacom Capital Corporation\***  
*(Exact names of Registrants as specified in their charters)*

**New York**  
**New York**  
*(State or other jurisdiction of incorporation or organization)*

**06-1433421**  
**06-1513997**  
*(I.R.S. Employer Identification Numbers)*

**100 Crystal Run Road**  
**Middletown, New York 10941**  
*(Address of principal executive offices)*

**(845) 695-2600**  
*(Registrants' telephone number)*

Indicate by check mark whether the Registrants (1) have 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 Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

R Yes      £ No

Indicate by check mark whether the Registrants are large accelerated filers, accelerated filers, or non-accelerated filers. See definition of "accelerated filer and large accelerated filers" in Rule 12b-2 of the Exchange Act. (Check one):

£ Large accelerated filers      £ Accelerated filers      R Non-accelerated filers

Indicate by check mark whether the Registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act).

£ Yes      R No

Indicate the number of shares outstanding of the Registrants' common stock: Not Applicable

\*Mediacom Capital Corporation meets the conditions set forth in General Instruction H (1) (a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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MEDIACOM LLC AND SUBSIDIARIES  
FORM 10-Q  
FOR THE PERIOD ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
<b><u>PART I</u></b>	
<b><u>Item 1.</u></b> <b><u>Financial Statements</u></b>	
<u>Consolidated Balance Sheets (unaudited) June 30, 2006 and December 31, 2005</u>	<u>4</u>
<u>Consolidated Statements of Operations (unaudited) Three and Six Months Ended June 30, 2006 and 2005</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows (unaudited) Six Months Ended June 30, 2006 and 2005</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>7</u>
<b><u>Item 2.</u></b> <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<u>14</u>
<b><u>Item 3.</u></b> <b><u>Quantitative and Qualitative Disclosures about Market Risk</u></b>	<u>22</u>
<b><u>Item 4.</u></b> <b><u>Controls and Procedures</u></b>	<u>22</u>
<b><u>PART II</u></b>	
<b><u>Item 1.</u></b> <b><u>Legal Proceedings</u></b>	<u>23</u>
<b><u>Item 1A.</u></b> <b><u>Risk Factors</u></b>	<u>23</u>
<b><u>Item 6.</u></b> <b><u>Exhibits</u></b>	<u>23</u>

### Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission (the "SEC").

In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from historical results or those we anticipate. Factors that could cause actual results to differ from those contained in the forward-looking statements include, but are not limited to: competition in our video, high-speed Internet access and phone businesses; our ability to achieve anticipated customer and revenue growth and to successfully introduce new products and services; increasing programming costs; changes in laws and regulations; our ability to generate sufficient cash flow to meet our debt service obligations and access capital to maintain our financial flexibility; and the other risks and uncertainties discussed in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2005 and other reports or documents that we file from time to time with the SEC. Statements included in this Quarterly Report are based upon information known to us as of the date that this Quarterly Report is filed with the SEC, and we assume no obligation to update or alter our forward-looking statements made in this Quarterly Report, whether as a result of new information, future events or otherwise, except as otherwise required by applicable federal securities laws.

**PART I****ITEM 1. FINANCIAL STATEMENTS**

**MEDIACOM LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(All dollar amounts in thousands)  
(Unaudited)

	<b>June 30,</b>	<b>December 31,</b>
	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 23,411	\$ 6,466
Accounts receivable, net of allowance for doubtful accounts of \$957 and \$1,235, respectively	28,362	27,617
Prepaid expenses and other assets	10,578	6,064
Total current assets	62,351	40,147
Preferred equity investment in affiliated company	150,000	150,000
Investment in cable television systems:		
Property, plant and equipment, net of accumulated depreciation of \$861,320 and \$815,387, respectively	712,429	711,804
Franchise rights, net of accumulated amortization of \$102,195	552,513	552,610
Goodwill, net of accumulated amortization of \$3,231	16,800	16,800
Subscriber lists, net of accumulated amortization of \$138,520 and \$138,504, respectively	33	49
Total investment in cable television systems	1,281,775	1,281,263
Other assets, net of accumulated amortization of \$11,844 and \$12,759, respectively	17,790	20,600
Total assets	\$ 1,511,916	\$ 1,492,010
<b>LIABILITIES AND MEMBERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accrued liabilities	\$ 140,676	\$ 117,411
Deferred revenue	20,275	18,600
Current portion of long-term debt	4,054	6,412
Total current liabilities	165,005	142,423
Long-term debt, less current portion	1,471,772	1,462,369
Other non-current liabilities	9,733	10,819
Total liabilities	1,646,510	1,615,611
Commitments and contingencies (Note 9)		
<b>MEMBERS' DEFICIT</b>		
Capital contributions	540,496	548,521
Accumulated deficit	(675,090)	(672,122)
Total members' deficit	(134,594)	(123,601)
Total liabilities and members' deficit	\$ 1,511,916	\$ 1,492,010

The accompanying notes to the unaudited financial statements are an integral part of these statements

**MEDIACOM LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(All amounts in thousands)  
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Revenues	\$ 132,652	\$ 123,038	\$ 259,173	\$ 240,536
Costs and expenses:				
Service costs (exclusive of depreciation and amortization of \$25,888, \$24,567, 51,431 and \$48,787, respectively, shown separately below)	55,287	49,132	108,707	97,114
Selling, general and administrative expenses	24,063	23,438	47,287	46,251
Management fee expense	2,284	2,532	4,581	4,910
Depreciation and amortization	25,888	24,567	51,431	48,787
Operating income	25,130	23,369	47,167	43,474
Interest expense, net	(26,839)	(24,484)	(53,219)	(50,146)
Loss on early extinguishment of debt	(4,624)	(4,742)	(4,624)	(4,742)
Gain (loss) on derivatives, net	387	(733)	961	2,360
Gain on sale of assets and investments, net	-	1,183	-	1,183
Investment income from affiliate	4,500	4,500	9,000	9,000
Other expense	(1,229)	(1,277)	(2,253)	(2,672)
Net loss	<u>\$ (2,675)</u>	<u>\$ (2,184)</u>	<u>\$ (2,968)</u>	<u>\$ (1,543)</u>

The accompanying notes to the unaudited financial  
statements are an integral part of these statements

**MEDIACOM LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(All amounts in thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,968)	\$ (1,543)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	51,431	48,787
Gain on derivatives, net	(961)	(2,360)
Gain on sale of assets and investments, net	-	(1,183)
Loss on early extinguishment of debt	2,999	1,908
Amortization of deferred financing costs	1,337	1,618
Share-based compensation	190	49
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable, net	(745)	688
Prepaid expenses and other assets	(5,150)	4,028
Accrued liabilities	23,265	673
Deferred revenue	1,675	813
Other non-current liabilities	(1,086)	(1,877)
Net cash flows provided by operating activities	69,987	51,601
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(52,038)	(55,622)
Proceeds from sale of assets and investments	-	2,082
Net cash flows used in investing activities	(52,038)	(53,540)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New borrowings	687,000	451,000
Repayment of debt	(679,955)	(253,190)
Distribution to parent	(8,000)	-
Redemption of senior notes	-	(200,000)
Other financing activities	(49)	(50)
Net cash flows used in financing activities	(1,004)	(2,240)
Net increase (decrease) in cash and cash equivalents	16,945	(4,179)
CASH AND CASH EQUIVALENTS, beginning of period	6,466	12,131
CASH AND CASH EQUIVALENTS, end of period	\$ 23,411	\$ 7,952
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for interest, net of amounts capitalized	\$ 52,869	\$ 54,628

The accompanying notes to the unaudited financial statements are an integral part of these statements

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. ORGANIZATION**

Mediacom LLC (“Mediacom,” and collectively with its subsidiaries, the “Company”), a New York limited liability company wholly-owned by Mediacom Communications Corporation (“MCC”), is involved in the acquisition and operation of cable systems serving smaller cities and towns in the United States.

The Company has prepared these unaudited consolidated financial statements in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, such statements include all adjustments, consisting of normal recurring accruals and adjustments, necessary for a fair presentation of the Company’s consolidated results of operations and financial position for the interim periods presented. The accounting policies followed during such interim periods reported are in conformity with generally accepted accounting principles in the United States of America and are consistent with those applied during annual periods, except for the adoption of SFAS No. 123(R) “*Share-Based Payment*” (“SFAS No. 123(R)”), as discussed in Note 7. For a summary of the Company’s accounting policies and other information, refer to the Company’s Annual Report on Form 10-K for the year ended December 31, 2005. The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2006.

Mediacom relies on its parent, MCC, for various services such as corporate and administrative support. The financial position, results of operations and cash flows of Mediacom could differ from those that would have resulted had Mediacom operated autonomously or as an entity independent of MCC.

Mediacom Capital Corporation (“Mediacom Capital”), a New York corporation wholly-owned by Mediacom, co-issued, jointly and severally with Mediacom, public debt securities. Mediacom Capital has no operations, revenues or cash flows, and has no assets, liabilities or stockholders’ equity on its consolidated balance sheets other than a one-hundred dollar receivable from an affiliate and the same dollar amount of common stock. Therefore, separate financial statements have not been presented for this entity.

***Allowance for Doubtful Accounts***

The allowance for doubtful accounts represents the Company’s best estimate of probable losses in the accounts receivable balance. The allowance is based on the number of days outstanding, customer balances, historical experience and other currently available information. During the three months ended June 30, 2006, the Company revised its estimate of probable losses in the accounts receivable of its video, data and phone businesses to better reflect historical collection experience. The change in estimate resulted in a benefit to the consolidated statement of operations of \$0.4 million for the three and six months ended June 30, 2006.

***Reclassifications***

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

**2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In February 2006, the FASB issued FASB Statement No. 155, “*Accounting for Certain Hybrid Financial Instruments, Amendment of FASB Statement No. 133 and 140*” (“SFAS No. 155”). SFAS No. 155 amends SFAS No. 133, “*Accounting for Derivative Instruments and Hedging Activities*” (“SFAS No. 133”) and SFAS No. 140, “*Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*” (“SFAS No. 140”). SFAS No. 155 gives entities the option of applying fair value accounting to certain hybrid financial instruments in their entirety if they contain embedded derivatives that would otherwise require bifurcation under SFAS No. 133. SFAS No. 155 will be effective as of January 1, 2007 and the Company does not believe that the adoption will have a material impact on its consolidated financial condition or results of operations.

In March 2006, the FASB issued SFAS No. 156, “*Accounting for Servicing of Financial Assets - an Amendment of FASB Statement No 140.*” SFAS No 156 provides guidance on the accounting for servicing assets and liabilities when an entity undertakes an obligation to service a financial asset by entering into a servicing contract. This statement is effective for all transactions in fiscal years beginning after September 15, 2006. The Company does not expect the adoption of SFAS No. 156 will have a material impact on its Consolidated Financial Condition or results of operations.

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consisted of the following (dollars in thousands):

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Cable systems, equipment and subscriber devices	\$ 1,506,574	\$ 1,462,189
Vehicles	30,669	30,040
Furniture, fixtures and office equipment	18,746	17,595
Buildings and leasehold improvements	16,060	15,877
Land and land improvements	1,700	1,490
	<u>1,573,749</u>	<u>1,527,191</u>
Accumulated depreciation	(861,320)	(815,387)
Property, plant and equipment, net	<u>\$ 712,429</u>	<u>\$ 711,804</u>

**4. ACCRUED LIABILITIES**

Accrued liabilities consisted of the following (dollars in thousands):

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Other accrued expenses	\$ 39,367	\$ 19,049
Accrued interest	31,607	31,022
Accrued programming costs	18,554	20,320
Accrued taxes and fees	12,594	14,572
Accrued payroll and benefits	10,270	8,762
Accrued property, plant and equipment	9,377	7,851
Accrued service costs	6,864	6,214
Accrued telecommunications costs	6,693	4,432
Subscriber advance payments	5,350	5,189
	<u>\$ 140,676</u>	<u>\$ 117,411</u>



**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. DEBT**

Debt consisted of the following (dollars in thousands):

	<u>June 30,</u> <u>2006</u>		<u>December 31,</u> <u>2005</u>
Bank credit facilities	\$ 850,000	\$	842,500
9½% senior notes due 2013	500,000		500,000
7½% senior notes due 2011	125,000		125,000
Capital lease obligations	826		1,281
	<u>1,475,826</u>		<u>1,468,781</u>
Less: Current portion	4,054		6,412
Total long-term debt	<u>\$ 1,471,772</u>	\$	<u>1,462,369</u>

**Bank Credit Facilities**

On May 5, 2006, the Company refinanced a \$543.1 million term loan with a new term loan in the amount of \$650.0 million. Borrowings under the new term loan bear interest at a rate that is 0.5% less than the interest rate of the term loan that it replaced. The new term loan matures in January 2015, whereas the term loan it replaced had a maturity of February 2013.

The Company recorded in its consolidated statement of operations for the three and six months ended June 30, 2006 a loss on early extinguishment of debt of \$4.6 million, representing \$1.6 million of bank fees and the write-off of \$3.0 million of unamortized deferred financing costs.

The average interest rates on debt outstanding under the bank credit facilities as of June 30, 2006 and 2005 were 6.7% and 5.2%, respectively, before giving effect to the interest rate exchange agreements discussed below. As of June 30, 2006, the Company had unused credit commitments of approximately \$388.4 million under its bank credit facilities, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of the Company's debt arrangements. The Company was in compliance with all covenants under its debt arrangements as of June 30, 2006.

As of June 30, 2006, approximately \$11.6 million letters of credit were issued to various parties as collateral for our performance relating primarily to insurance and franchise requirements.

**Interest Rate Exchange Agreements**

The Company uses interest rate exchange agreements in order to fix the interest rate on its floating rate debt. As of June 30, 2006, the Company had interest rate exchange agreements with various banks pursuant to which the interest rate on \$400.0 million is fixed at a weighted average rate of approximately 3.2%. In June 2006, the Company entered into forward interest rate exchange agreements that fixed interest rates at a weighted average of approximately 5.4% on \$200.0 million of floating rate debt for three years, commencing on September 29, 2006 and December 29, 2006 in the amounts of \$100.0 million and \$100.0 million, respectively. These have been accounted for on a mark-to-market basis for the three months ended June 30, 2006. The Company's interest rate exchange agreements are scheduled to expire in the amounts of \$250.0 million, \$50.0 million and \$300.0 million during the years ended December 31, 2006, 2007 and 2009, respectively.

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. MEMBERS' DEFICIT**

On June 29, 2006, the Company paid an \$8.0 million dividend to MCC that was funded with available cash.

**7. SHARE-BASED COMPENSATION**

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

Under this method, prior periods are not restated and the amount of compensation cost recognized includes: (i) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123, and (ii) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). The Company uses the Black-Scholes option pricing model which requires extensive use of accounting judgment and financial estimates, including estimates of the expected term employees will retain their vested stock options before exercising them, the estimated volatility of the Company's stock price over the expected term, and the number of options that will be forfeited prior to the completion of their vesting requirements. Application of alternative assumptions could produce significantly different estimates of the fair value of share-based compensation and consequently, the related amounts recognized in the Consolidated Statements of Operations. The provisions of SFAS No. 123(R) apply to new stock awards and stock awards outstanding, but not yet vested, on the effective date. In March 2005, the SEC issued SAB No. 107 relating to SFAS No. 123(R). The Company has applied the provisions of SAB No. 107 in its adoption.

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

Upon adoption of SFAS 123(R), the Company recognizes share-based compensation expenses associated with share awards on a straight-line basis over the requisite service period using the fair value method. The incremental non-cash, share-based compensation expense recognized due to the adoption of SFAS 123(R) was approximately \$0.1 million and \$0.1 million for the three and six months ended June 30, 2006, respectively. Compensation cost related to restricted stock units was recognized before the implementation of SFAB No. 123(R). Results for prior periods have not been restated.

Total share-based compensation expense for the three and six months ended June 30, 2006, were as follows (amounts in thousands):

	<b>Three Months Ended June 30, 2006</b>	<b>Six Months Ended June 30, 2006</b>
Share-based compensation expense by type of award:		
Employee stock options	\$ 13	\$ 70
Employee stock purchase plan	(11)	25
Restricted stock units	44	95
	<u>46</u>	<u>190</u>
Total share-based compensation expense	<u>\$ 46</u>	<u>\$ 190</u>

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

As required by SFAS No. 123(R), the Company made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. The cumulative effect of initially adopting SFAS No. 123(R) was not material. The total future compensation cost related to unvested share-based awards was \$0.2 million as of June 30, 2006, which will be recognized over a weighted average period of 2.4 years.

**Pro forma Information for Periods Prior to the Adoption of SFAS No. 123(R)**

Prior to January 1, 2006, the Company accounted for non-cash, share-based compensation in accordance with APB No. 25, as permitted by SFAS No. 123, and accordingly did not recognize compensation expense for stock options with an exercise price equal to or greater than the market price of the underlying stock at the date of grant. Had the fair value method prescribed by SFAS No. 123 been applied, the effect on net loss would have been as follows for the three and six months ended June 30, 2005 (dollars in thousands):

	<b>Three Months Ended June 30, 2005</b>	<b>Six Months Ended June 30, 2005</b>
Net income as reported	\$ (2,184)	\$ (1,543)
Add: Total share-based compensation expense included in net income as reported above	35	49
Deduct: Total share-based compensation expense determined under fair value based method for all awards	(183)	(437)
Pro forma net income	\$ (2,332)	\$ (1,931)

**Valuation Assumptions**

As required by SFAS 123(R), the Company estimated the fair value of stock options using the Black-Scholes valuation model and the straight-line attribution approach with the following weighted average assumptions:

	<b>Employee Stock Option Plans Three and Six Months Ended June 30,</b>		<b>Employee Stock Purchase Plans Three and Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	Dividend yield	0%	0%	0%
Expected volatility	56.0%	45.0%	33.0%	45.0%
Risk free interest rate	4.7%	3.9%	4.8%	3.7%
Expected option life (in years)	4.3	6.0	0.5	0.5
Forfeiture rate	14.0%	14.0%	-	-

MCC does not expect to declare dividends. Expected volatility is based on a combination of implied and historical volatility of the MCC's Class A common stock. Prior to January 1, 2006, the Company used historical data and other factors to estimate the option life of the share-based payments granted. For the three and six months ended June 30, 2006, the Company elected the simplified method in accordance with Staff Accounting Bulletin 107's ("SAB 107") to estimate the option life of share-based awards. The risk free interest rate is based on the U.S. Treasury yield in effect at the date of grant.

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Stock Option Plan**

In April 2003, MCC's Board of Directors adopted MCC's 2003 Incentive Plan, or the "2003 Plan," which amended and restated the MCC's 1999 Stock Option Plan and incorporated into the 2003 Plan options that were previously granted outside the 1999 Stock Option Plan. The 2003 Plan was approved by MCC's stockholders in June 2003. The 2003 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted shares, and other share-based awards, in addition to annual incentive awards.

The following table summarized the activity of the 2003 Plan for the six months ended June 30, 2006:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>
Outstanding at January 1, 2006	1,146,270	\$ 17.69	
Granted	15,000	5.66	
Exercised	-	-	
Forfeited	(21,277)	17.85	
Expired	-	-	
Outstanding at June 30, 2006	1,139,993	\$ 17.47	4.1
Exercisable at June 30, 2006	1,075,936	\$ 18.09	4.0

The weighted average fair value at the date of grant of a Class A common stock option granted under the 2003 Plan during the six months ended June 30, 2006 and 2005 was \$5.66 and \$5.42, respectively.

The following table summarizes information concerning stock options outstanding as of June 30, 2006:

<b>Range of Exercise Prices</b>	<b>Options Outstanding</b>				<b>Options Exercisable</b>			
	<b>Number of Shares Outstanding</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Weighted Average Exercise Price</b>	<b>Aggregate Intrinsic Value (in thousands)</b>	<b>Number of Shares Outstanding</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Weighted Average Exercise Price</b>	<b>Aggregate Intrinsic Value (in thousands)</b>
\$5.00 - \$12.00	116,785	6.2	\$ 7.74	\$ 19	54,728	6.4	8.86	\$ 3
\$12.01 - \$18.00	263,790	4.7	17.35	-	261,790	4.7	17.36	-
\$18.01 - \$22.00	759,418	3.6	19.01	-	759,418	3.6	19.01	-
	1,139,993	4.1	\$ 17.47	\$ 19	1,075,936	4.0	18.09	\$ 3

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value, based on MCC's average stock price of \$6.11 per share during the six months ended June 30, 2006, which would have been received by the option holders had all option holders exercised their options as of that date.

**MEDIACOM LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Restricted Stock Units**

MCC grants restricted stock units to certain employees and directors (“participants”) in MCC’s Class A common stock. Awards of restricted stock units are valued by reference to shares of common stock that entitle participants to receive, upon the settlement of the unit, one share of common stock for each unit. The awards are subject to annual vesting periods not exceeding 4 years from the date of grant. The Company made estimates of expected forfeitures and recognized compensation costs for equity awards expected to vest. The intrinsic value of outstanding restricted stock units, based on the MCC’s average stock price of \$6.11 per share during the six months ended June 30, 2006, was \$0.9 million.

The following table summarizes the activity of MCC’s restricted stock unit awards for the six months ended June 30, 2006:

	<b>Number of Non-Vested Share Unit Awards</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested Awards at January 1, 2006	100,500	\$5.49
Granted	60,100	5.72
Awards Vested	(6,275)	5.69
Forfeited	(1,100)	5.70
Unvested Awards at June 30, 2006	<u>153,225</u>	<u>\$ 5.57</u>

**Employee Stock Purchase Plan**

MCC maintains an employee stock purchase plan (“ESPP”). Under the plan, all employees are allowed to participate in the purchase of MCC’s Class A Common Stock at 85% of the lower of the fair market value on the first or last day of each six month offering period. Shares purchased by employees amounted to 19,063 and 17,539 for the six months ended June 30, 2006 and 2005, which expire in March and September of each year, respectively. Compensation expense related to the adoption of SFAS No. 123(R) was \$0.1 million for the six months ended June 30, 2006. Compensation expense was not recorded on the issuance of these shares in accordance with APB No. 25 for the six months ended June 30, 2005.

**8. INVESTMENT IN AFFILIATED COMPANY**

The Company has a \$150.0 million preferred equity investment in Mediacom Broadband LLC, a wholly owned subsidiary of MCC. The preferred equity investment has a 12% annual cash dividend, payable quarterly in cash. During the three and six months ended June 30, 2006, the Company received in aggregate \$4.5 million and \$9.0 million, respectively, in cash dividends on the preferred equity. During the three and six months ended June 30, 2005, the Company received in aggregate \$4.5 million and \$9.0 million, respectively, in cash dividends on the preferred equity.

**9. COMMITMENTS AND CONTINGENCIES****Legal Proceedings**

The Company is named as a defendant in a putative class action, captioned *Gary Ogg and Janice Ogg v. Mediacom, LLC*, pending in the Circuit Court of Clay County, Missouri, by which the plaintiffs are seeking class-wide damages for an alleged trespasses on land owned by private parties. The lawsuit was originally filed on April 24, 2001. Pursuant to various agreements with the relevant state, county or other local authorities and with utility companies, the Company placed interconnect fiber optic cable within state and county highway rights-of-way and on utility poles in areas of Missouri not presently encompassed by a cable franchise. The lawsuit alleges that the Company was required but failed to obtain permission from the landowners to place the cable. The lawsuit has not made a claim for specified damages. An order declaring that this action is appropriate for class relief was entered on April 14, 2006, and the Company is currently pursuing its appellate remedies with respect to that order. The Company intends to vigorously defend against any claims made by the plaintiffs. The Company has tendered the lawsuit to its insurance carrier for defense and indemnification. The carrier has agreed to defend the Company under a reservation of rights, and a declaratory judgment action is pending regarding the carrier's defense and coverage responsibilities. The Company is unable to reasonably evaluate the likelihood of an unfavorable outcome or quantify the possible damages, if any, associated with these matters, or judge whether or not those damages would be material to its consolidated financial position, results of operations, cash flows or business.

The Company, its subsidiaries, MCC and other affiliated companies are also involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations, cash flows or business.

**10. SUBSEQUENT EVENTS**

On July 12, 2006, the Company borrowed \$74.0 million (the “Revolver Draw”) under the revolving credit portion of its subsidiary credit facility. On the same date, the Company used the proceeds of the Revolver Draw and \$26.0 million of available cash to pay a \$100.0 million distribution to MCC. As of June 30, 2006, after giving effect to the distribution, the Company had unused revolving credit commitments of \$314.4 million, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of its debt arrangements.

ITEM 2.

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

The following discussion should be read in conjunction with the Company's unaudited consolidated financial statements as of, and for the six months ended, June 30, 2006 and 2005, and with the Company's annual report on Form 10-K for the year ended December 31, 2005.

**Overview**

We are a wholly-owned subsidiary of Mediacom Communications Corporation ("MCC"). Through our interactive broadband network, we provide our customers with a wide array of broadband products and services, including video services, such as video-on-demand ("VOD"), high-definition television ("HDTV") and digital video recorders ("DVRs"), high-speed data access ("HSD") and phone service. Where our phone service is available, we offer triple-play bundles of video, HSD and voice. Bundled products and services offer our customers a single provider contact for ordering, provisioning, billing and customer care.

As of June 30, 2006, our cable systems passed an estimated 1.4 million homes and served 644,000 basic video subscribers. We provide digital video service to 209,800 customers, representing a penetration of 32.6% of our basic subscribers. We also currently provide HSD to 231,000 customers, representing a penetration of 17.1% of our estimated homes passed. We introduced phone service during the second quarter of 2005 and marketed and provided service to 400,000 estimated homes and 17,000 customers, respectively, as of June 30, 2006.

Adjusted operating income before depreciation and amortization ("Adjusted OIBDA") noted below represents operating income before depreciation and amortization and non-cash share-based compensation charges. Adjusted OIBDA is not a financial measure calculated in accordance with generally accepted accounting principles ("GAAP") in the United States of America. However, Adjusted OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. We believe Adjusted OIBDA is useful for investors because it enables them to assess our performance in a manner similar to the method used by management, and provides a measure that can be used to analyze, value and compare our performance with other companies in our business, although our measure may not be directly comparable to similar measures used by other companies. In addition, our debt agreements use Adjusted OIBDA in their covenant calculations.

Limitations of this measure, however, are that it excludes depreciation and amortization, which represents the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business, and non-cash, share-based compensation charges. Therefore, Adjusted OIBDA should not be regarded as a substitute for operating income, net income (loss), or net cash flows provided from operating activities, or other measures of performance or liquidity we have reported in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to Adjusted OIBDA. Refer to Note 7 of our financial statements for more information on non-cash, share-based compensation costs.

**Actual Results of Operations****Three Months Ended June 30, 2006 compared to Three Months Ended June 30, 2005**

The following table sets forth our unaudited consolidated statements of operations for the three months ended June 30, 2006 and 2005 (dollars in thousands and percentage changes that are not meaningful are marked NM):

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>June 30,</b>			
	<b>2006</b>	<b>2005</b>		
Revenues	\$ 132,652	\$ 123,038	\$ 9,614	7.8%
Costs and expenses:				
Service costs	55,287	49,132	6,155	12.5%
Selling, general and administrative expenses	24,063	23,438	625	2.7%
Management fee expense	2,284	2,532	(248)	(9.8%)
Depreciation and amortization	25,888	24,567	1,321	5.4%
Operating income	25,130	23,369	1,761	7.5%
Interest expense, net	(26,839)	(24,484)	(2,355)	9.6%
Loss on early extinguishment of debt	(4,624)	(4,742)	118	NM
Gain (loss) on derivatives, net	387	(733)	1,120	NM
Gain on sale of assets and investments, net	-	1,183	(1,183)	NM
Investment income from affiliate	4,500	4,500	-	-
Other expense	(1,229)	(1,277)	48	(3.8%)
Net loss	\$ (2,675)	\$ (2,184)	\$ (491)	NM

The following represents a reconciliation of Adjusted OIBDA to operating income, which is the most directly comparable GAAP measure (dollars in thousands and percentage changes that are not meaningful are marked NM):

	<b>Three Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>June 30,</b>			
	<b>2006</b>	<b>2005</b>		
Adjusted OIBDA	\$ 55,564	\$ 52,471	\$ 3,093	5.9%
Non-cash, share-based compensation charges	(46)	(35)	(11)	NM
Investment income from affiliate	(4,500)	(4,500)	-	NM
Depreciation and amortization	(25,888)	(24,567)	(1,321)	5.4%
Operating income	\$ 25,130	\$ 23,369	\$ 1,761	7.5%

**Revenues**

The following table sets forth revenues and selected subscriber, customer and average monthly revenue statistics for the three months ended June 30, 2006 and 2005 (dollars in thousands, except per subscriber and customer data and percentage changes that are not meaningful are marked NM):

	Three Months Ended			
	June 30,		\$ Change	% Change
	2006	2005		
Video	\$ 100,279	\$ 98,329	\$ 1,950	2.0%
Data	25,864	21,310	4,554	21.4%
Phone	1,376	-	1,376	NM
Advertising	5,133	3,399	1,734	51.0%
	<u>\$ 132,652</u>	<u>\$ 123,038</u>	<u>\$ 9,614</u>	<u>7.8%</u>

	Three Months Ended			
	June 30,		Increase (Decrease)	% Change
	2006	2005		
Basic subscribers	644,000	670,000	(26,000)	(3.9%)
Data customers	231,000	191,000	40,000	20.9%
Phone customers	17,000	-	17,000	NM
Average monthly video revenue per basic subscriber <sup>(1)</sup>	\$ 51.66	\$ 48.79	\$ 2.87	5.9%
Average monthly data revenue per data customer <sup>(2)</sup>	\$ 37.89	\$ 38.19	\$ (0.30)	(0.8%)

<sup>(1)</sup> Average monthly video revenue per basic subscriber is calculated based on monthly video revenue divided by the average number of basic subscribers for the quarter.

<sup>(2)</sup> Average monthly data revenue per data customer is calculated based on monthly data revenue divided by the average number of data customers for the quarter.

Video revenues represent monthly subscription fees charged to customers for our core cable television products and services (including basic, expanded basic and digital cable programming services, wire maintenance, equipment rental and services to commercial establishments), pay-per-view charges, installation, reconnection, and late payment fees, and other ancillary revenues. Data revenues primarily represent monthly fees charged to customers, including commercial establishments, for our data products and services and equipment rental fees. Franchise fees charged to customers for payment to local franchising authorities are included in their corresponding revenue category. Phone revenues represent monthly fees charged to our customers. Advertising revenues represent the sale of advertising time on various channels.

Revenues rose 7.8%, largely attributable to growth in our data and phone customers, higher video rates and service fees and greater advertising revenues. As of June 30, 2006, and within one year of the initial launch of our phone service, we were marketing this product to about 30% of the estimated homes in our markets.

Video revenues increased 2.0% as a result of higher service fees from our advanced video products and services and basic rate increases applied on our video subscribers. Average monthly video revenue per basic subscriber increased 5.9%. During the three months ended June 30, 2006, we lost 6,200 basic subscribers, compared to a loss of 3,500 basic subscribers during the same period last year. Our loss of basic subscribers for the twelve months ended June 30, 2006 includes the loss of 9,000 subscribers as a result of Hurricane Katrina. Digital customers increased 20,800 to 209,800 when compared to the same period last year.

Data revenues rose 21.4%, primarily due to a 20.9% year-over-year increase in data customers. Average monthly data revenue per data customer of \$37.89 decreased 0.8% from the prior year period largely as a result of promotional offers during 2005, but increased 1.4% sequentially from \$37.38 in the first quarter of 2006 due to the expiration of these promotions.

As of June 30, 2006, Mediacom Phone was marketed to approximately 400,000 of our 1.35 million estimated homes passed and served 17,000 customers. Phone revenues grew 84.4% from the previous quarter to \$1.4 million.

Advertising revenues increased 51.0%, largely as a result of stronger local advertising sales.

**Costs and Expenses**

Service costs include: programming expenses; employee expenses related to wages and salaries of technical personnel who maintain our cable network, perform customer installation activities, and provide customer support; data costs, including costs of bandwidth connectivity and customer provisioning; and field operating costs, including outside contractors, vehicle, utilities and pole rental expenses. Programming expenses, which are generally paid on a per subscriber basis, have historically increased due to both increases in the rates charged for existing programming services and the introduction of new programming services to our customers.

Service costs rose 12.5%, primarily due to increases in programming and employee expenses and customer growth in phone and HSD services. Programming expense, the largest component of service costs, increased 7.0%, principally as a result of higher unit costs charged by our programming vendors, offset in part by a lower number of basic subscribers. Personnel costs grew by 44.1%, due largely to lower capitalization related to customer installation activity and higher employee-related insurance expenses. Recurring expenses related to our phone and HSD services grew 49.2% commensurate with the significant increase in customers. Service costs as a percentage of revenues were 41.7% and 40.0% for the three months ended June 30, 2006 and 2005, respectively.

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

Selling, general and administrative expenses rose 2.7%, principally due to higher office and billing expenses, offset in part by a decrease in marketing and bad debt expenses. Office expenses grew by 27.2% due primarily to increases in telephone costs. Billing expenses increased by 17.3% due primarily to higher processing and bank fees. These increases were offset in part by lower marketing costs due primarily to reduced contracted third party sales and a 23.3% decline in bad debt expense primarily as a result of a change in estimate in our video, data and phone business to better reflect historical collection experience. Selling, general and administrative expenses as a percentage of revenues were 18.1% and 19.0% for the three months ended June 30, 2006 and 2005, respectively.

We expect continued revenue growth in advanced services. As a result, we expect our service costs and selling, general and administrative expenses to increase.

Management fee expense reflects charges incurred under management arrangements with our parent, MCC. Management fee expense decreased 9.8%, reflecting lower overhead charges by MCC. As a percentage of revenues, management fee expense was 1.7% and 2.1% for the three months ended June 30, 2006 and 2005, respectively.



**Adjusted OIBDA**

Adjusted OIBDA rose 5.9%, principally due to revenue growth, partially offset by higher costs and expenses.

**Operating Income**

Operating income grew 7.5%, largely due to growth in Adjusted OIBDA and only moderately higher depreciation and amortization expense.

**Interest Expense, Net**

Interest expense, net, increased by 9.6%, primarily due to higher market interest rates on variable rate debt.

**Gain (loss) on Derivatives, Net**

We enter into interest rate exchange agreements, or "interest rate swaps," with counterparties to fix the interest rate on a portion of our variable rate debt to reduce the potential volatility in our interest expense that would otherwise result from changes in variable market interest rates. As of June 30, 2006 we had interest rate swaps with an aggregate principal amount of \$400.0 million, as well as forward interest rate swaps that go into effect later in 2006 with an aggregate principal amount of \$200.0 million. The changes in their mark-to-market values are derived from changes in market interest rates, the decrease in their time to maturity and the creditworthiness of the counterparties. As a result of the quarterly mark-to-market valuation of these interest rate swaps, we recorded a gain on derivatives, net amounting to \$0.4 million for the three months ended June 30, 2006 after a loss of \$0.7 million for the three months ended June 30, 2005.

**Investment Income from Affiliate**

Investment income from affiliate was \$4.5 million for the three months ended June 30, 2006. This amount represents the investment income on our \$150.0 million preferred equity investment in Mediacom Broadband LLC.

**Other**

Other includes other expenses, loss on early extinguishment of debt and gain on sale of assets and investments, net. Other totaled \$5.9 million and \$4.8 million for the three months ended June 30, 2006 and 2005, respectively. Other primarily represents amortization of deferred financing costs and fees on unused credit commitments, loss on early extinguishment of debt and gain on sale of assets and investments, net.

**Net Loss**

As a result of the factors described above, we incurred a net loss for the three months ended June 30, 2006 of \$2.7 million, as compared to a net loss of \$2.2 million for the three months ended June 30, 2005.

**Six Months Ended June 30, 2006 compared to Six Months Ended June 30, 2005**

The following table sets forth our unaudited consolidated statements of operations for the six months ended June 30, 2006 and 2005 (dollars in thousands and percentage changes that are not meaningful are marked NM):

	<b>June 30,</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>2006</b>	<b>2005</b>		
Revenues	\$ 259,173	\$ 240,536	\$ 18,637	7.7%
Costs and expenses:				
Service costs	108,707	97,114	11,593	11.9%
Selling, general and administrative expenses	47,287	46,251	1,036	2.2%
Management fee expense	4,581	4,910	(329)	(6.7%)
Depreciation and amortization	51,431	48,787	2,644	5.4%
Operating income	47,167	43,474	3,693	8.5%
Interest expense, net	(53,219)	(50,146)	(3,073)	6.1%
Loss on early extinguishment of debt	(4,624)	(4,742)	118	NM
Gain on derivatives, net	961	2,360	(1,399)	NM
Gain on sale of assets and investments, net	-	1,183	(1,183)	NM
Investment income from affiliate	9,000	9,000	-	-
Other expense	(2,253)	(2,672)	419	(15.7%)
Net loss	\$ (2,968)	\$ (1,543)	\$ (1,425)	NM

The following represents a reconciliation of Adjusted OIBDA to operating income, which is the most directly comparable GAAP measure (dollars in thousands and percentage changes that are not meaningful are marked NM):

	<b>Six Months Ended</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>June 30,</b>			
	<b>2006</b>	<b>2005</b>		
Adjusted OIBDA	\$ 89,788	\$ 83,310	\$ 6,478	7.8%
Non-cash, share-based compensation charges	(190)	(49)	(141)	NM
Investment income from affiliate	9,000	9,000	0	NM
Depreciation and amortization	(51,431)	(48,787)	(2,644)	5.4%
Operating income	\$ 47,167	\$ 43,474	\$ 3,693	8.5%

**Revenues**

The following table sets forth revenues and selected subscriber, customer and average monthly revenue statistics for the six months ended June 30, 2006 and 2005 (dollars in thousands and percentage changes that are not meaningful are marked NM, except per subscriber and customer data):

	<b>Six Months Ended</b>			
	<b>June 30,</b>			
	<b>2006</b>	<b>2005</b>	<b>\$ Change</b>	<b>% Change</b>
Video	\$ 197,470	\$ 193,107	\$ 4,363	2.3%
Data	50,308	41,138	9,170	22.3%
Phone	2,122	-	2,122	NM
Advertising	9,273	6,291	2,982	47.4%
	<b>\$ 259,173</b>	<b>\$ 240,536</b>	<b>\$ 18,637</b>	<b>7.7%</b>

	<b>Six Months Ended</b>			
	<b>June 30,</b>			
	<b>2006</b>	<b>2005</b>	<b>Increase (Decrease)</b>	<b>% Change</b>
Basic subscribers	644,000	670,000	(26,000)	(3.9%)
Data customers	231,000	191,000	40,000	20.9%
Phone customers	17,000	-	17,000	NM
Average monthly video revenue per basic subscriber <sup>(1)</sup>	\$ 50.75	\$ 47.83	\$ 2.92	6.1%
Average monthly data revenue per data customer <sup>(2)</sup>	\$ 37.64	\$ 38.37	\$ (0.73)	(1.9%)

<sup>(1)</sup> Average monthly video revenue per basic subscriber is calculated based on monthly video revenue divided by the average number of basic subscribers for the period.

<sup>(2)</sup> Average monthly data revenue per data customer is calculated based on monthly data revenue divided by the average number of data customers for the period.

Revenues rose 7.7%, largely attributable to growth in our data and phone customers, higher video rates and service fees and greater advertising revenues.

Video revenues increased 2.3% as a result of higher service fees from our advanced video products and services and basic rate increases applied on our video subscribers. Average monthly video revenue per basic video subscriber increased 6.1%.

Data revenues rose 22.3%, primarily due to a 20.9% year-over-year increase in data customers. Average monthly data revenue per data customer of \$37.64 decreased 1.9% from the prior year period largely as a result of promotional offers during 2005.

Phone revenues were \$2.1 million for the six months ended June 30, 2006.

Advertising revenues increased 47.4%, largely as a result of stronger local advertising sales.

### **Costs and Expenses**

Service costs rose 11.9%, primarily due to increases in programming and employee expenses and customer growth in our phone and HSD services. Programming expense, the largest component of service costs, increased 8.4%, principally as a result of higher unit costs charged by our programming vendors, offset in part by a lower number of basic subscribers. Recurring expenses related to our phone and HSD services grew 38.4% commensurate with the significant increase in customers. Personnel costs grew by 22.3%, due largely to higher employee-related insurance expenses and increased staffing levels. Service costs as a percentage of revenues were 41.9% and 40.4% for the six months ended June 30, 2006 and 2005, respectively.

Selling, general and administrative expenses rose 2.2%, principally due to higher employee, office and billing expenses, offset in part by a significant decrease in marketing and bad debt expenses. Employee expenses were higher by 9.7% due mainly to increased staffing in our customer service workforce. Office expenses were higher due mainly to increased telephone costs. Billing expenses increased by 10.1%, due primarily to higher processing fees. These increases were offset in part by lower marketing costs due primarily to reduced third party contract sales and a 22.3% decline in bad debt expense primarily as a result of a change in estimate in our video, data and phone business to better reflect historical collection experience. Selling, general and administrative expenses as a percentage of revenues were 18.2% and 19.2% for the six months ended June 30, 2006 and 2005, respectively.

We expect continued revenue growth in advanced services. As a result, we expect our service costs and selling, general and administrative expenses to increase.

Management fee expense decreased 6.7%, reflecting lower overhead charges by MCC. As a percentage of revenues, management fee expense was 1.8% and 2.0% for the six months ended June 30, 2006 and 2005, respectively.

### **Adjusted OIBDA**

Adjusted OIBDA rose 7.8%, principally due to revenue growth, partially offset by higher costs and expenses.

### **Operating Income**

Operating income grew 8.5%, largely due to growth in Adjusted OIBDA and only a modest increase depreciation and amortization expense.

### **Interest Expense, Net**

Interest expense, net, increased by 6.1%, primarily due to higher market interest rates on variable rate.

### **Gain on Derivatives, Net**

We enter into interest rate exchange agreements, or "interest rate swaps," with counterparties to fix the interest rate on a portion of our variable rate debt to reduce the potential volatility in our interest expense that would otherwise result from changes in variable market interest rates. As of June 30, 2006 we had interest rate swaps with an aggregate principal amount of \$400.0 million, as well as forward interest rate swaps that go into effect later in 2006 with an aggregate principal amount of \$200.0 million. The changes in their mark-to-market values are derived from changes in market interest rates, the decrease in their time to maturity and the creditworthiness of the counterparties. As a result of the quarterly mark-to-market valuation of these interest rate swaps, we recorded a gain on derivatives amounting to \$1.0 million for the six months ended June 30, 2006 compared to a gain of \$2.4 million for the six months ended June 30, 2005.

### **Investment Income from Affiliate**

Investment income from affiliate was \$9.0 million for the six months ended June 30, 2006. This amount represents the investment income on our \$150.0 million preferred equity investment in Mediacom Broadband LLC.

## **Other**

Other includes other expenses, loss on early extinguishment of debt and gain on sale of assets and investments, net. Other totaled a loss of \$6.9 million and a loss of \$6.2 million for the six months ended June 30, 2006 and 2005, respectively. Other primarily represents amortization of deferred financing costs and fees on unused credit commitments.

## **Net Loss**

As a result of the factors described above, we incurred a net loss for the six months ended June 30, 2006 of \$3.0 million, as compared to net loss of \$1.5 million for the six months ended June 30, 2005.

## **Liquidity and Capital Resources**

### **Overview**

We have invested, and will continue to invest, in our network to enhance its reliability and capacity, and in the further deployment of advanced broadband services. Our capital spending has recently shifted from network upgrade investments to the deployment of advanced services. We also may continue to make strategic acquisitions of cable systems. We have a high level of indebtedness and incur significant amounts of interest expense each year. We believe that we will meet our debt service, capital spending and other requirements through a combination of our net cash flows from operating activities, borrowing availability under our bank credit facilities, and our ability to secure future external financing.

As of June 30, 2006, our total debt was \$1.48 billion. Of this amount, \$4.1 million matures within the twelve months ending June 30, 2007. During the six months ended June 30, 2006, we paid cash interest of \$52.9 million, net of capitalized interest. Our cash interest payments have historically been higher in the first and third calendar quarters of the year due to the timing of the cash interest payments on our senior notes and convertible senior notes. As of June 30, 2006, we had unused revolving credit commitments of \$388.4 million, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of our debt arrangements.

On July 12, 2006, we borrowed \$74.0 million (the "Revolver Draw") under the revolving credit portion of our subsidiary credit facility. On the same date, we used the proceeds of the Revolver Draw and \$26.0 million of available cash to pay a \$100.0 million distribution to MCC. As of June 30, 2006, after giving effect to the distribution, we had unused revolving credit commitments of \$314.4 million, all of which could be borrowed and used for general corporate purposes based on the terms and conditions of our debt arrangements.

For all periods through June 30, 2006, we were in compliance with all of the covenants under our debt arrangements. Continued access to our credit facilities is subject to our remaining in compliance with the covenants of these credit facilities, including covenants tied to our operating performance. We believe that we will not have any difficulty in the foreseeable future complying with these covenants and that we will meet our current and long-term debt service, capital spending, and other cash requirements through a combination of our net cash flows from operating activities, borrowing availability under our bank credit facilities, and our ability to secure future external financing. However, there is no assurance that we will be able to obtain sufficient future financing, or, if we were able to do so, that the terms would be favorable to us. We expect to continue generating and obtaining sufficient funds and financing to service our long-term business plan, service our debt obligations and complete future acquisitions if the opportunities arise.

### **Operating Activities**

Net cash flows provided by operating activities were \$70.0 million for the six months ended June 30, 2006, as compared to \$51.6 million for the comparable period last year. The change of \$18.4 million is primarily due to a net increase in operating assets and liabilities, offset in part by an increase in cash paid for interest.

During the six months ended June 30, 2006, the net change in our operating assets and liabilities was \$18.0 million, primarily due to an increase in our prepaid expenses and other assets of \$5.0 million, offset by an increase in our accrued liabilities of \$23.3 million, and an increase in deferred revenue of \$1.7 million.

### **Investing Activities**

Net cash flows used in investing activities, which consisted primarily of capital expenditures, were \$52.0 million for the six months ended June 30, 2006, as compared to \$53.5 million for the six months ended June 30, 2005. Capital expenditures of \$52.0 million for the six months ended June 30, 2006, decreased \$1.5 million from the six months ended June 30, 2005 primarily due to lower spending on customer premise equipment, offset in part by an increase in network upgrade spending.

### **Financing Activities**

Net cash flows used in financing activities were \$1.0 million for the six months ended June 30, 2006, as compared to \$2.2 million used for the comparable period in 2005, largely due to an equity distribution to MCC of \$8.0 million, offset in part by net bank financing of \$7.0 million.

Our principal financing activities included the following:

- On May 5, 2006, we refinanced a \$543.1 million term loan with a new term loan in the amount of \$650.0 million. Borrowings under the new term loan bear interest at a rate that is 0.5% less than the interest rate of the term loan that it replaced. The new term loan matures in January 2015, whereas the term loan that it replaced had a maturity of February 2013.
- On June 29, 2005, we used available cash to make an \$8.0 million distribution to MCC.

## **Other**

We have entered into interest rate exchange agreements with counterparties, which expire from September 2006 through June 2009, to hedge \$400.0 million of floating rate debt. In addition, in June 2006, we entered into forward interest rate exchange agreements that fix interest rates at 5.3% on \$200.0 million of our floating rate debt for three years. These forward interest rate exchange agreements commence on September 29, 2006 and December 29, 2006 in the amounts of \$100.0 million and \$100.0 million, respectively, and have been accounted for on a mark-to-market basis for the three months ended June 30, 2006. Our interest rate exchange agreements are scheduled to expire in the amounts of \$250.0 million, \$50.0 million and \$300.0 million during the years ended December 31, 2006, 2007 and 2009, respectively.

As of June 30, 2006, approximately \$11.6 million of letters of credit were issued to various parties as collateral for our performance relating to insurance and franchise requirements.

**Contractual Obligations and Commercial Commitments**

There have been no material changes to the Company's contractual obligations and commercial commitments as previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

**Critical Accounting Policies**

*Use of Estimates*

The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Periodically, we evaluate our estimates, including those related to doubtful accounts, long-lived assets, capitalized costs and accruals. We base our estimates on historical experience and on various other assumptions that we believe are reasonable. Actual results may differ from these estimates under different assumptions or conditions.

*Share-based Compensation*

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

For a discussion of the critical accounting judgments and estimates we identified that we believe require significant judgment in the preparation of our consolidated financial statements, please refer to our Form 10-K for the year ended December 31, 2005.

**Inflation and Changing Prices**

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

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no significant changes to the information required under this Item from what was disclosed in our 2005 Form 10-K.

**ITEM 4. CONTROLS AND PROCEDURES**

**Mediacom LLC**

The management of Mediacom LLC ("Mediacom") carried out an evaluation, with the participation of Mediacom's Chief Executive Officer and Chief Financial Officer, of the effectiveness of Mediacom's disclosure controls and procedures as of June 30, 2006. Based upon that evaluation, Mediacom's Chief Executive Officer and Chief Financial Officer concluded that Mediacom's disclosure controls and procedures were effective to ensure that information required to be disclosed by Mediacom in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There has not been any change in Mediacom's internal control over financial reporting in connection with the evaluation required by Rule 15d-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, Mediacom's internal control over financial reporting.

**Mediacom Capital Corporation**

The management of Mediacom Capital Corporation ("Mediacom Capital") carried out an evaluation, with the participation of Mediacom Capital's Chief Executive Officer and Chief Financial Officer, of the effectiveness of Mediacom Capital's disclosure controls and procedures as of June 30, 2006. Based upon that evaluation, Mediacom Capital's Chief Executive Officer and Chief Financial Officer concluded that Mediacom Capital's disclosure controls and procedures were effective to ensure that information required to be disclosed by Mediacom Capital in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

There has not been any change in Mediacom Capital's internal control over financial reporting in connection with the evaluation required by Rule 15d-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect, Mediacom Capital's internal control over financial reporting.

**PART II**

**ITEM 1. LEGAL PROCEEDINGS**

See Note 9 to our consolidated financial statements.

**ITEM 1A. RISK FACTORS**

For a more detailed explanation of the factors affecting our business, please refer to the risk factors section in Item 1A of our 2005 Form 10-K.

**ITEM 6. EXHIBITS**

<b><u>Exhibit Number</u></b>	<b><u>Exhibit Description</u></b>
31.1	Rule 15d-14(a) Certifications of Mediacom LLC
31.2	Rule 15d-14(a) Certifications of Mediacom Capital Corporation
32.1	Section 1350 Certifications of Mediacom LLC
32.2	Section 1350 Certifications of Mediacom Capital Corporation

**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.

**MEDIACOM LLC**

August 14, 2006

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



**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.

**MEDIACOM CAPITAL CORPORATION**

August 14, 2006

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

## CERTIFICATIONS

I, Rocco B. Commisso, certify that:

- (1) I have reviewed this report on Form 10-Q of Mediacom LLC;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2006

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

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## CERTIFICATIONS

I, Mark E. Stephan, certify that:

- (1) I have reviewed this report on Form 10-Q of Mediacom LLC;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2006

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

## CERTIFICATIONS

I, Rocco B. Commisso, certify that:

- (1) I have reviewed this report on Form 10-Q of Mediacom Capital Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2006

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

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## CERTIFICATIONS

I, Mark E. Stephan, certify that:

- (1) I have reviewed this report on Form 10-Q of Mediacom Capital Corporation;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 14, 2006

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

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

In connection with the Quarterly Report of Mediacom LLC (the "Company") on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rocco B. Commisso, Chief Executive Officer and Mark E. Stephan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2006

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

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

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

In connection with the Quarterly Report of Mediacom Capital Corporation (the "Company") on Form 10-Q for the period ended June 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Rocco B. Commisso, Chief Executive Officer and Mark E. Stephan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 14, 2006

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

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