CHARTER COMMUNICATIONS, INC. /MO/
Form 424B3
August 09, 2010

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-164105

PROSPECTUS SUPPLEMENT NO. 3
To Prospectus dated April 22, 2010

85,971,442 Shares

Charter Communications, Inc.

Class A Common Stock

This prospectus supplement No. 3 includes the attached quarterly report on Form 10-Q filed with the SEC on August 4, 2010 and the attached current reports on Form 8-K filed with the SEC on July 30, 2010, August 2, 2010 and August 6, 2010.

Our Class A Common Stock is quoted on the Over-the-Counter Bulletin Board under the symbol "CCMM.OB". On August 6, 2010, the last reported sale price of our Class A Common Stock on the Over-the-Counter Bulletin Board was $36.25 per share.

The shares of Class A Common Stock may be offered for sale from time to time by any selling stockholders acting as principal for its own account or in brokerage transactions at prevailing market prices or in transactions at negotiated prices. No representation is made that any shares of Class A Common Stock will or will not be offered for sale. It is not possible at the present time to determine the price to the public in any sale of the shares of Class A Common Stock by the selling stockholders and each selling stockholder reserves the right to accept or reject, in whole or in part, any proposed purchase of shares. Accordingly, the public offering price and the amount of any applicable underwriting discounts and commissions will be determined at the time of such sale by the selling stockholder.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus supplement No. 3 should be read in conjunction with our prospectus dated April 22, 2010, prospectus supplement No. 1 dated June 7, 2010 and prospectus supplement No. 2 dated June 22, 2010.

The date of this Prospectus Supplement is August 9, 2010.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

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: 001-33664

Charter Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware	43-1857213
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

12405 Powerscourt Drive
St. Louis, Missouri 63131
(Address of principal executive offices including zip code)

(314) 965-0555
(Registrant's telephone number, including area code)

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 [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [ ] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes oNo þ

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrants have filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

Number of shares of Class A common stock outstanding as of June 30, 2010: 112,456,067
Number of shares of Class B common stock outstanding as of June 30, 2010: 2,241,299

Charter Communications, Inc.
Quarterly Report on Form 10-Q for the Period ended June 30, 2010

Table of Contents

This quarterly report on Form 10-Q is for the three and six months ended June 30, 2010. The Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "we," "us" and "our" refer to Charter Communications, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the "Results of Operations" and "Liquidity and Capital Resources" sections under Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this quarterly report. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Risk Factors" under Part II, Item 1A and the factors described under "Risk Factors" under Part I, Item 1A of our most recent Form 10-K filed with the SEC. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," "aim," "on track," "target," "opportunity," "tentative," "positioning" and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- our ability to sustain and grow revenues and cash flows from operating activities by offering video, high-speed Internet, telephone and other services to residential and commercial customers, and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition and the difficult economic conditions in the United States;
- the impact of competition from other distributors, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband providers, and digital subscriber line ("DSL") providers and competition from video provided over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the significant downturn in the housing sector and overall economy;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- our ability to adequately deliver customer service;
- the effects of governmental regulation on our business;
- the availability and access, in general, of funds to meet our debt obligations, prior to or when they become due, and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) cash flows from operating activities, (iii) access to the capital or credit markets including through new issuances, exchange offers or otherwise, especially given recent volatility and disruption in the capital and credit markets, or (iv) other sources and our ability to fund debt obligations (by dividend, investment or otherwise) to the applicable obligor of such debt; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We are under no duty or obligation to update any of the forward-looking statements after the date of this quarterly report.

PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

	Successor	
	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$40	$709
Restricted cash and cash equivalents	27	45
Accounts receivable, less allowance for doubtful accounts of $23 and $11, respectively	249	248
Prepaid expenses and other current assets	57	69
Total current assets	373	1,071
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation	6,902	6,833
Franchises	5,269	5,272
Customer relationships, net	2,167	2,335
Goodwill	951	951
Total investment in cable properties, net	15,289	15,391
OTHER NONCURRENT ASSETS	345	196
Total assets	$16,007	$16,658
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$1,014	$898
Current portion of long-term debt	--	70
Total current liabilities	1,014	968
LONG-TERM DEBT	12,657	13,252
OTHER LONG-TERM LIABILITIES	692	520
TEMPORARY EQUITY	12	1
SHAREHOLDERS' EQUITY:		
Class A common stock; $.001 par value; 900 million shares authorized; 112,456,067 and 112,576,872 shares issued and outstanding, respectively	--	--
Class B common stock; $.001 par value; 25 million shares authorized; 2,241,299 shares issued and outstanding	--	--
Preferred stock; $.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	--	--

Additional paid-in capital	1,737		1,913	
Accumulated equity (deficit)	(55	)	2	
Accumulated other comprehensive loss	(50	)	--	
Total Charter shareholders' equity	1,632		1,915	
Noncontrolling interest	--		2	
Total shareholders' equity	1,632		1,917	
Total liabilities and shareholders' equity	$16,007		$16,658	

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)
Unaudited

	Three Months Ended		Six Months Ended	
	Successor June 30, 2010	Predecessor June 30, 2009	Successor June 30, 2010	Predecessor June 30, 2009
REVENUES	$1,771	$1,690	$3,506	$3,352
COSTS AND EXPENSES:				
Operating (excluding depreciation and amortization)	766	715	1,517	1,428
Selling, general and administrative	364	343	716	687
Depreciation and amortization	380	329	749	650
Other operating (income) expenses, net	7	2	19	(48)
	1,517	1,389	3,001	2,717
Income from operations	254	301	505	635
OTHER INCOME (EXPENSES):				
Interest expense, net (excluding unrecorded contractual interest expense of $206 and $215 for the three and six months ended June 30, 2009)	(219)	(216)	(423)	(679)
Reorganization items, net	(1)	(184)	(5)	(325)
Loss on extinguishment of debt	(34)	--	(35)	--
Other income (expenses), net	2	--	3	(3)
	(252)	(400)	(460)	(1,007)
Income (loss) before income taxes	2	(99)	45	(372)
INCOME TAX EXPENSE	(83)	(60)	(102)	(121)
Consolidated net loss	(81)	(159)	(57)	(493)
Less: Net loss – noncontrolling interest	--	47	--	176
Net loss – Charter shareholders	$(81)	$(112)	$(57)	$(317)
LOSS PER COMMON SHARE, BASIC AND DILUTED:				
Net loss – Charter shareholders	$(0.72)	$(0.30)	$(0.51)	$(0.84)
Weighted average common shares outstanding, basic and diluted	113,110,882	378,982,037	113,066,173	378,541,155

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)
Unaudited

	Six Months Ended Successor June 30, 2010	Six Months Ended Predecessor June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	$(57)	$(493)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	749	650
Noncash interest expense	36	26
Noncash reorganization items, net	--	131
Loss on extinguishment of debt	32	--
Deferred income taxes	98	116
Other, net	11	23
Changes in operating assets and liabilities, net of effects from dispositions:		
Accounts receivable	(1)	7
Prepaid expenses and other assets	12	(44)
Accounts payable, accrued expenses and other	101	209
Net cash flows from operating activities	981	625
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(649)	(540)
Change in accrued expenses related to capital expenditures	--	(19)
Other, net	(4)	--
Net cash flows from investing activities	(653)	(559)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	1,625	--
Repayments of long-term debt	(2,440)	(34)
Repayment of preferred stock	(138)	--
Payments for debt issuance costs	(59)	--
Other, net	(3)	--
Net cash flows from financing activities	(1,015)	(34)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(687)	32
CASH AND CASH EQUIVALENTS, beginning of period	754	960
CASH AND CASH EQUIVALENTS, end of period	$67	$992

CASH PAID FOR INTEREST	$337	$531

The accompanying notes are an integral part of these condensed consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

1. Organization and Basis of Presentation

Organization

Charter Communications, Inc. ("Charter") is a holding company whose principal asset at June 30, 2010 is a 100% common equity interest in Charter Communications Holding Company, LLC ("Charter Holdco"). Charter Holdco is the sole owner of Charter's subsidiaries where the underlying operations reside, which are collectively referred to herein as the "Company." All significant intercompany accounts and transactions among consolidated entities have been eliminated.

The Company is a broadband communications company operating in the United States. The Company offers to residential and commercial customers traditional cable video programming (basic and digital video), high-speed Internet services, and telephone services, as well as advanced broadband services such as high definition television, Charter OnDemand™, and digital video recorder ("DVR") service. The Company sells its cable video programming, high-speed Internet, telephone, and advanced broadband services primarily on a subscription basis. The Company also sells local advertising on cable networks.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures typically included in Charter's Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying condensed consolidated financial statements are unaudited and are subject to review by regulatory authorities. However, in the opinion of management, such financial statements include all adjustments, which consist of only normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. Interim results are not necessarily indicative of results for a full year.

Effective December 1, 2009, the Company applied fresh start accounting which requires assets and liabilities to be reflected at fair value as of that date. The financial information set forth in this report, unless otherwise expressly set forth or as the context otherwise indicates, reflects the consolidated results of operations and financial condition of Charter and its subsidiaries for periods following November 30, 2009 ("Successor"), and of Charter and its subsidiaries for the periods prior to November 30, 2009 ("Predecessor").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; impairments of property, plant and equipment, intangibles and goodwill; income taxes; and contingencies. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the 2010 presentation.

2. Emergence from Reorganization Proceedings

On March 27, 2009, the Company and certain affiliates filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) to reorganize under Chapter 11 of the United States Code (the “Bankruptcy Code”). The Chapter 11 cases were jointly administered under the caption In re Charter Communications, Inc., et al., Case No. 09-11435. On May 7, 2009, the Company filed a Joint Plan of Reorganization (the "Plan") and a related disclosure statement with the Bankruptcy Court. The Plan was confirmed by order of the Bankruptcy Court on November 17, 2009 (“Confirmation Order”), and became effective on November 30, 2009 (the “Effective Date”), the date on which the Company emerged from protection under Chapter 11 of the Bankruptcy Code.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Upon the Company's emergence from bankruptcy, the Company adopted fresh start accounting. This resulted in the Company becoming a new entity on December 1, 2009, with a new capital structure, a new accounting basis in the identifiable assets and liabilities assumed and no retained earnings or accumulated losses. Accordingly, the consolidated financial statements on or after December 1, 2009 are not comparable to the consolidated financial statements prior to that date. The financial statements for the periods prior to November 30, 2009 do not include the effect of any changes in the Company's capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting.

Restricted cash on the accompanying condensed consolidated balance sheet as of June 30, 2010 and December 31, 2009 of $27 million and $45 million, respectively, represents amounts held in escrow accounts pending final resolution from the Bankruptcy Court. Restricted cash is included in cash and cash equivalents on the accompanying condensed consolidated statements of cash flows. Approximately $18 million of restricted cash held in an escrow account established in bankruptcy proceedings was used to pay for professional services for the six months ended June 30, 2010.

3. Franchises, Goodwill and Other Intangible Assets

As of June 30, 2010 and December 31, 2009, indefinite-lived and finite-lived intangible assets are presented in the following table:

	June 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	$5,269	$ --	$5,269	$ 5,272	$ --	$5,272
Goodwill	951	--	951	951	--	951
Trademarks	158	--	158	158	--	158
	$6,378	$ --	$6,378	$ 6,381	$ --	$6,381
Finite-lived intangible assets:						
Customer relationships	$2,362	$ 195	$2,167	$ 2,363	$ 28	$2,335
Other intangible assets	43	3	40	33	--	33
	$2,405	$ 198	$2,207	$ 2,396	$ 28	$2,368

Amortization expense related to customer relationships and other intangible assets for the three months ended June 30, 2010 (Successor) and 2009 (Predecessor) was approximately $84 million and $1 million, respectively, and for the six months ended June 30, 2010 (Successor) and 2009 (Predecessor) was approximately $170 million and $3 million, respectively. During the six months ended June 30, 2010, the net carrying amount of franchises and customer relationships was reduced by $3 million and $1 million, respectively, related to asset sales.

8

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

The Company expects amortization expense on its finite-lived intangible assets will be as follows.

6 months ended December 31, 2010	$168
2011	312
2012	286
2013	260
2014	233
2015	208
Thereafter	740
	$2,207

Actual amortization expense in future periods could differ from these estimates as a result of new intangible asset acquisitions or divestitures, changes in useful lives, impairments and other relevant factors.

4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2010 and December 31, 2009:

	June 30, 2010	December 31, 2009
Accounts payable – trade	$ 136	$ 113
Accrued capital expenditures	46	46
Accrued expenses:		
Programming costs	285	270
Interest	146	90
Compensation	118	102
Franchise-related fees	51	53
Other	232	224
	$ 1,014	$ 898

5. Long-Term Debt

Long-term debt consists of the following as of June 30, 2010 and December 31, 2009:

	June 30, 2010		December 31, 2009	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCH II, LLC:				
13.5% senior notes due November 15, 2016	$1,766	$2,074	$1,766	$2,092
CCO Holdings, LLC:				
8.75 % senior notes due November 15, 2013	--	--	800	812

7.875% senior notes due April 30, 2018	900	900	--	--
8.125% senior notes due April 30, 2020	700	700	--	--
Credit facility due September 6, 2014	350	309	350	304
Charter Communications Operating, LLC:				
8% senior second-lien notes due April 30, 2012	1,100	1,116	1,100	1,120
8.375% senior second-lien notes due April 30, 2014	--	--	770	779

9

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

10.875% senior second-lien notes due September 15, 2014	546	596	546	601
Credit facilities	7,382	6,962	8,177	7,614
Total Debt	$12,744	$12,657	$13,509	$13,322
Less: Current Portion	--	--	70	70
Long-Term Debt	$12,744	$12,657	$13,439	$13,252

The accreted values presented above represent the fair value of the notes as of the Effective Date, plus accretion to the balance sheet dates. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. The Company has availability under the revolving portion of its credit facility of approximately $800 million as of June 30, 2010. As such, debt scheduled to mature during the next 12 months is reflected as long-term as of June 30, 2010.

On March 31, 2010, Charter Communications Operating, LLC ("Charter Operating") entered into an amended and restated credit agreement. The refinancing resulted in a loss on extinguishment of debt for the six months ended June 30, 2010 of approximately $1 million. Under the amended and restated credit agreement, the Charter Operating credit facilities consist of the following as of June 30, 2010:

- A term B-1 loan with a remaining principal amount of approximately $3.3 billion, which is repayable in equal quarterly installments and aggregating in each loan year to 1% of the original amount of the term B-1 loan, with the remaining balance due at final maturity on March 6, 2014;
- A term B-2 loan with a remaining principal amount of approximately $489 million, which is repayable in equal quarterly installments and aggregating in each loan year to 1% of the original amount of the term B-2 loan, with the remaining balance due at final maturity on March 6, 2014;
- A term C loan with a remaining principal amount of approximately $3.0 billion, which is repayable in equal quarterly installments and aggregating in each loan year to 1% of the original amount of the term C loan, with the remaining balance due at final maturity on September 6, 2016; and
- A non-revolving loan and a revolving loan with combined remaining principal amount of approximately $555 million. The non-revolving loan is repayable in full on March 6, 2013. The revolving loan allows for borrowings of up to $1.3 billion. The revolving loan matures in March 2015. However, if on December 1, 2013, Charter Operating has scheduled maturities in excess of $1.0 billion between January 1, 2014 and April 30, 2014, the revolving loan will mature on December 1, 2013 unless lenders holding more than 50% of the revolving loan consent to the maturity being March 2015. As of June 30, 2010, Charter Operating had maturities of $3.8 billion between January 1, 2014 and April 30, 2014. The revolving credit facility amount may be increased, but it may not exceed $1.75 billion in aggregate revolving commitments plus the amount outstanding under the non-revolving loan.

Amounts outstanding under the Charter Operating credit facilities bear interest, at Charter Operating's election, at a base rate or LIBOR, as defined, plus a margin. The applicable LIBOR margin for the non-revolving loans and the term B-1 loans is currently 2%. However, the Charter Operating credit facilities provide for a pricing grid which adjusts the margin for the non-revolving LIBOR loans and the term B-1 loans to be either 1.75% to 2.00% depending on the consolidated leverage ratio at any given time. The LIBOR term B-2 loan bears interest at LIBOR plus 5.0%, with a LIBOR floor of 3.5%, or at Charter Operating's election, a base rate plus a margin of 4.00%. Charter Operating has currently elected to pay based on the base rate. The applicable margin for the term C loans is currently 3.25% in the case of LIBOR loans, provided that if certain other term loans are borrowed or certain extended loans are established, then the term C loans shall automatically increase to the extent necessary to cause the yield for the term C loans to be 25 basis points less than the yield for the other certain term loans. Charter Operating pays interest equal to LIBOR plus 3.0% on amounts borrowed under the revolving credit facility and pays a revolving commitment fee of .5% per annum on the daily average available amount of the revolving commitment, payable quarterly.

The Charter Operating credit facilities also allow the Company to enter into incremental term loans in the future with an aggregate, together with all other then outstanding first lien indebtedness, including any first lien notes, of no more than $7.5 billion (less any principal payments of term loan indebtedness and first lien notes as a result of any sale of

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

assets), with amortization as set forth in the notices establishing such term loans, but with no amortization greater than 1% per year prior to the final maturity of the existing term loan. Although the Charter Operating credit facilities allow for the incurrence of a certain amount of incremental term loans, no assurance can be given that the Company could obtain additional incremental term loans in the future if Charter Operating sought to do so or what amount of incremental term loans would be allowable at any given time under the terms of the Charter Operating credit facilities.

The obligations of Charter Operating under the Charter Operating credit facilities (the "Obligations") are guaranteed by Charter Operating's immediate parent company, CCO Holdings, LLC ("CCO Holdings"), and subsidiaries of Charter Operating, except for certain subsidiaries, including immaterial subsidiaries and subsidiaries precluded from guaranteeing by reason of the provisions of other indebtedness to which they are subject (the "non-guarantor subsidiaries"). The Obligations are also secured by (i) a lien on substantially all of the assets of Charter Operating and its subsidiaries (other than assets of the non-guarantor subsidiaries), to the extent such lien can be perfected under the Uniform Commercial Code by the filing of a financing statement, and (ii) a pledge by CCO Holdings of the equity interests owned by it in Charter Operating or any of Charter Operating's subsidiaries, as well as intercompany obligations owing to it by any of such entities.

On April 28, 2010, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued $900 million aggregate principal amount of 7.875% Senior Notes due 2018 (the "2018 Notes") and $700 million aggregate principal amount of 8.125% Senior Notes due 2020 (the "2020 Notes"). Such notes are guaranteed by Charter. The net proceeds were used to finance the tender offers and redemptions in which $800 million principal amount of CCO Holdings' outstanding 8.75% Senior Notes due 2013 (the "2013 Notes") and $770 million principal amount of Charter Operating's outstanding 8.375% Senior Second Lien Notes due 2014 (the "2014 Notes) were repurchased. These transactions resulted in a loss on extinguishment of debt for the three and six months ended June 30, 2010 of approximately $34 million.

The 2018 Notes and 2020 Notes are senior debt obligations of CCO Holdings and CCO Holdings Capital Corp. They rank equally with all other current and future unsecured, unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The 2018 Notes and 2020 Notes are structurally subordinated to all obligations of subsidiaries of CCO Holdings, including the Charter Operating notes and Charter Operating credit facilities.

CCO Holdings may redeem some or all of the 2018 Notes at any time prior to April 30, 2013 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, plus an applicable make-whole premium. On or after April 30, 2013, CCO Holdings may redeem some or all of the 2018 Notes at a redemption price that declines ratably from the redemption price of 105.906% to a redemption price on or after April 30, 2016 of 100.0% of the principal amount of the 2018 Notes, plus, in each case, any accrued and unpaid interest.

CCO Holdings may redeem some or all of the 2020 Notes at any time prior to April 30, 2015 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, plus an applicable make-whole premium. On or after April 30, 2015, CCO Holdings may redeem some or all of the 2020 Notes at a redemption price that declines ratably from the redemption price of 104.063% to a redemption price on or after April 30, 2018 of 100.0% of the principal amount of the 2020 Notes, plus, in each case, any accrued and unpaid interest.

In addition, at any time prior to April 30, 2013, CCO Holdings may redeem up to 35% of the aggregate principal amount of the 2018 and 2020 Notes at a redemption price equal to (i) in the case of the 2018 Notes, 107.875% of the principal amount thereof and (ii) in the case of the 2020 Notes, 108.125% of the principal amount thereof, in each case, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more equity offerings (as defined in the indenture); provided that certain conditions are met.

In the event of specified change of control events, CCO Holdings must offer to purchase the outstanding CCO Holdings senior notes from the holders at a purchase price equal to 101% of the total principal amount of the notes, plus any accrued and unpaid interest.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

6. Preferred Stock

On the Effective Date, Charter issued approximately 5.5 million shares of 15% Pay-In-Kind Preferred Stock having an aggregate liquidation preference of $138 million to holders of Charter convertible notes (the "Preferred Stock"). Pursuant to the terms of the Preferred Stock, the Company was required to pay a dividend at an annual rate equal to 15% on the liquidation preference of the Preferred Stock. The liquidation preference of the Preferred Stock was $25 per share. On April 16, 2010, Charter redeemed all of the shares of the Preferred Stock for a redemption payment of $25.948 per share or a total redemption payment for all shares of approximately $143 million.

The Preferred Stock was included in other long-term liabilities on the Company's consolidated balance sheets at fair value of $148 million as of December 31, 2009. The Preferred Stock was recorded at fair value with gains or losses recorded in other expense, net.

7. Temporary Equity

Temporary equity on the consolidated balance sheets represents nonvested shares of restricted stock issued to employees of $12 million and $1 million as of June 30, 2010 and December 31, 2009, respectively.

8. Noncontrolling Interest

On February 8, 2010, Mr. Paul G. Allen ("Mr. Allen") exercised his remaining right to exchange Charter Holdco units for shares of Class A common stock after which Charter Holdco became 100% owned by Charter. Noncontrolling interest on the Company's condensed consolidated balance sheets of $2 million at December 31, 2009 represents the fair value of Mr. Allen's previous 0.19% interest of Charter Holdco on the Effective Date plus the allocation of income for the month ended December 31, 2009.

Changes to controlling and noncontrolling interest consist of the following for the periods presented:

	Controlling Interest	Noncontrolling Interest	Total
Balance, December 31, 2009	$1,915	$ 2	$1,917
Net loss	(57)	--	(57)
Charter Investment Inc.'s exchange of Charter Holdco interest (see Note 14)	(176)	(2)	(178)
Change in fair value of interest rate swap agreements	(50)	--	(50)
Balance, June 30, 2010	$1,632	$ --	$1,632

9. Comprehensive Loss

The Company reports changes in the fair value of interest rate swap agreements designated as hedging the variability of cash flows associated with floating-rate debt obligations, that meet the effectiveness criteria in other comprehensive loss. Consolidated comprehensive loss was $131 million and $107 million for the three and six months ended June 30, 2010 (Successor), respectively, and was $137 million and $480 million for the three and six months ended June

30, 2009 (Predecessor), respectively. Consolidated comprehensive loss for the three and six months ended June 30, 2010 (Successor) includes a $50 million loss on the fair value of interest rate swap agreements designated as cash flow hedges and for the six months ended June 30, 2009 (Predecessor) includes a $9 million loss. For the three and six months ended June 30, 2009 (Predecessor), consolidated comprehensive loss also includes a $22 million gain related to the amortization of accumulated other comprehensive loss related to terminated interest rate swap agreements in connection with the bankruptcy.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

10. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate swap agreements to manage its interest costs and reduce the Company's exposure to increases in floating interest rates. The Company manages its exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, at specified intervals through 2015, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts.

The Company does not hold or issue derivative instruments for speculative trading purposes. The Company has certain interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments effectively convert variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, realized derivative gains and losses offset related results on hedged items in the consolidated statements of operations. The Company has formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting.

Interest rate swap agreements are included in other long-term liabilities at fair value of $50 million as of June 30, 2010. Changes in the fair value of interest rate agreements that are designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations, and that meet effectiveness criteria are reported in other comprehensive income (loss). The amounts are subsequently reclassified as an increase or decrease to interest expense in the same periods in which the related interest on the floating-rate debt obligations affects earnings (losses).

In 2009, certain interest rate derivative instruments did not meet effectiveness criteria. Management believed such instruments closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges were marked to fair value, with the impact recorded as other expenses, net in the Company's consolidated statements of operations.

As of June 30, 2010, the Company had $2.0 billion in notional amounts of interest rate swap agreements outstanding. The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

The effect of derivative instruments on the Company's consolidated statements of operations is presented in the table below.

	Three Months Ended		Six Months Ended	
	Successor June 30, 2010	Predecessor June 30, 2009	Successor June 30, 2010	Predecessor June 30, 2009
Other expense, net:				
Loss on interest rate derivatives not designated as hedges or ineffective portion of hedges	$ --	$ --	$ --	$ (4)
Accumulated other comprehensive loss:				

Loss on interest rate derivatives designated as hedges (effective portion)	$ (50)	$ --	$ (50)	$ (9)
Amount of gain (loss) reclassified from accumulated other comprehensive loss into interest expense or reorganization items, net	$ (8)	$ 22	$ (8)	$ (11)

13

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

11. Fair Value Measurements

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of June 30, 2010 and December 31, 2009 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying condensed consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash and cash equivalents, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

The estimated fair value of the Company's debt at June 30, 2010 and December 31, 2009 are based on quoted market prices and is classified within Level 1 (defined below) of the valuation hierarchy.

A summary of the carrying value and fair value of the Company's debt at June 30, 2010 and December 31, 2009 is as follows:

	June 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
CCH II debt	$ 2,074	$ 2,049	$ 2,092	$ 2,086
CCO Holdings debt	1,600	1,614	812	816
Charter Operating debt	1,712	1,749	2,500	2,527
Credit facilities	7,271	7,164	7,918	8,000

The accounting guidance establishes a three-level hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The interest rate derivatives designated as hedges were valued as a $50 million liability as of June 30, 2010 using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparty credit risk) and were classified within Level 2 of the valuation hierarchy. The weighted average pay rate for the Company's interest rate swap agreements was 2.25% at June 30, 2010.

The preferred stock was valued at $148 million as of December 31, 2009 using an income approach based on yields of similar securities of comparable companies and based on yields of the Company's debt securities and was classified within Level 3 of the valuation hierarchy.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however they are subject to fair value adjustments in certain

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded in the three and six months ended June 30, 2010 or 2009.

12. Other Operating (Income) Expenses, Net

Other operating (income) expenses, net consist of the following for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended		Six Months Ended	
	Successor June 30, 2010	Predecessor June 30, 2009	Successor June 30, 2010	Predecessor June 30, 2009
Loss on sale of assets, net	$ 2	$ 1	$ 3	$ 3
Special charges, net	5	1	16	(51)
	$ 7	$ 2	$ 19	$ (48)

Loss on sale of assets, net

Loss on sale of assets represents the loss recognized on the sale of fixed assets and cable systems.

Special charges, net

Special charges, net for the three and six months ended June 30, 2010 and 2009 primarily includes amounts paid in litigation settlements and severance charges. Special charges, net for the six months ended June 30, 2009 also includes net amounts received from litigation settlements.

13. Reorganization Items, Net

Reorganization items, net is presented separately in the accompanying condensed consolidated statements of operations and represents items of income, expense, gain or loss that are realized or incurred by the Company because it was in reorganization under Chapter 11 of the U.S. Bankruptcy Code.

Reorganization items, net consisted of the following items for the three and six months ended June 30, 2010 and 2009.

	Three Months Ended		Six Months Ended	
	Successor June 30, 2010	Predecessor June 30, 2009	Successor June 30, 2010	Predecessor June 30, 2009
Penalty interest, net	$--	$117	$--	$121
Loss on debt at allowed claim amount	--	--	--	97
Professional fees	1	64	5	87

Paul Allen management fee settlement – related party	--	--	--	11
Other	--	3	--	9
	$1	$184	$5	$325

Reorganization items, net consist of adjustments to record liabilities at the allowed claim amounts, including the write off of deferred financing fees, and other expenses directly related to the Company's bankruptcy proceedings. Post-emergence professional fees relate to claim settlements, plan implementation and other transition costs related to the Plan.

14. Income Taxes

All operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are generally limited liability companies that are not subject to income tax. However, certain of these limited liability companies are subject to state income tax. In addition, the subsidiaries that are corporations are subject to federal and state income tax. All of the remaining taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to its members.

In connection with the Plan, Charter, Charter Investment Inc. ("CII"), Mr. Allen and Charter Holdco entered into an exchange agreement (the "Exchange Agreement"), pursuant to which CII had the right to require Charter to (i) exchange all or a portion of CII's membership interest in Charter Holdco or 100% of CII for $1,000 in cash and shares of Charter's Class A common stock in a taxable transaction, or (ii) merge CII with and into Charter, or a wholly-owned subsidiary of Charter, in a tax-free transaction (or undertake a tax-free transaction similar to the taxable transaction in subclause (i)), subject to CII meeting certain conditions. In addition, Charter had the right, under certain circumstances involving a change of control of Charter to require CII to effect an exchange transaction of the type elected by CII from subclauses (i) or (ii) above, which election was subject to certain limitations.

Based upon a taxable exchange which occurred on December 28, 2009, CII fulfilled the conditions necessary to allow it to elect a tax-free transaction at any time during the remaining term of the Exchange Agreement. On February 8, 2010, the remaining 0.19% Charter Holdco interest was exchanged for 212,923 shares of Charter's Class A common stock in a non-taxable transaction after which Charter Holdco became 100% owned by Charter. As a result of this transaction, Charter recorded the tax attributes previously attributed to the CII noncontrolling interest which increased net deferred tax liabilities by approximately $109 million. The $109 million is the result of an overall increase in the gross deferred tax liability of $259 million and a corresponding reduction of valuation allowance of $150 million. The combined net effects of this transaction were recorded in the financial statements as a $178 million reduction of additional paid-in capital and a $69 million reduction of income tax expense for the six months ended June 30, 2010.

For the three and six months ended June 30, 2010 (Successor), the Company recorded $83 million and $102 million of income tax expense, respectively. For the three and six months ended June 30, 2009 (Predecessor), the Company recorded $60 million and $121 million of income tax expense, respectively. Income tax expense was recognized through increases in deferred tax liabilities related to Charter's investment in Charter Holdco, and certain of Charter's indirect subsidiaries, in addition to current federal and state income tax expense. Income tax expense for the six months ended June 30, 2010 was reduced by $69 million related to the reduction of the valuation allowance in connection with the exchange transaction discussed above.

As of June 30, 2010 and December 31, 2009, the Company had net deferred income tax liabilities of approximately $582 million and $306 million, respectively. Included in these net deferred tax liabilities is approximately $215 million and $213 million of net deferred tax liabilities at June 30, 2010 and December 31, 2009, respectively, relating to certain indirect subsidiaries of Charter Holdco that file separate income tax returns. The remainder of the Company's net deferred tax liability arose from Charter's investment in Charter Holdco, and was largely attributable to the characterization of franchises for financial reporting purposes as indefinite-lived.

No tax years for Charter or Charter Holdco are currently under examination by the Internal Revenue Service. Tax years ending 2006 through 2009 remain subject to examination and assessment. Years prior to 2006 remain open solely for purposes of examination of Charter's net operating loss and credit carryforwards.

16

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

15. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers, and affiliates of the Company are involved. Unless otherwise disclosed, management believes each of the transactions described below was on terms no less favorable to the Company than could have been obtained from independent third parties.

9 OM, Inc. (Formerly known as Digeo, Inc.)

Mr. Allen, through his 100% ownership of Vulcan Ventures Incorporated ("Vulcan Ventures"), owns a majority interest in 9 OM, Inc. (formerly known as Digeo, Inc.) on a fully-converted fully-diluted basis. However, in October 2009, substantially all of 9 OM, Inc.'s assets were sold to ARRIS Group, Inc., an unrelated third party. Ms. Jo Lynn Allen was a director of Charter and is a director and Vice President of Vulcan Ventures. Mr. Lance Conn is a director of Charter and was Executive Vice President of Vulcan Ventures until his resignation in May 2009. Charter Operating owns a de minimus percentage of 9 OM, Inc.'s stock and did not receive any proceeds from the sale of assets to the ARRIS Group, Inc.

In May 2008, Charter Operating entered into an agreement with 9 OM, LLC (formerly known as Digeo Interactive, LLC), a subsidiary of 9 OM, Inc., for the minimum purchase of high-definition DVR units for approximately $21 million. This minimum purchase commitment is subject to reduction as a result of certain specified events such as the failure to deliver units timely and catastrophic failure. The software for these units is being supplied under a software license agreement with 9 OM, LLC; the cost of which is expected to be approximately $2 million for the initial licenses and on-going maintenance fees of approximately $0.3 million annually, subject to reduction to coincide with any reduction in the minimum purchase commitment. For the three and six months ended June 30, 2009 (Predecessor), the Company purchased approximately $4 million and $11 million, respectively, of DVR units from 9 OM, LLC under these agreements.

CC VIII Interest

For the six months ended June 30, 2009 (Predecessor), pursuant to indemnification provisions in the October 2005 settlement with Mr. Allen regarding the CC VIII, LLC ("CC VIII") interest, the Company reimbursed Vulcan Inc. approximately $3 million in legal expenses.

Allen Agreement

In connection with the Plan, Charter, Mr. Allen and CII entered into a separate restructuring agreement (as amended, the "Allen Agreement"), in settlement and compromise of their legal, contractual and equitable rights, claims and remedies against Charter and its subsidiaries. In addition to any amounts received by virtue of CII's holding other claims against Charter and its subsidiaries, on the Effective Date, CII was issued 2.2 million shares of the new Charter Class B common stock equal to 2% of the equity value of Charter, after giving effect to the equity rights offering, but prior to issuance of warrants and equity-based awards provided for by the Plan and 35% (determined on a fully diluted basis) of the total voting power of all new capital stock of Charter. Each share of new Charter Class B common stock is convertible, at the option of the holder, into one share of new Charter Class A common stock, and is subject to significant restrictions on transfer and conversion. Certain holders of new Charter Class A common stock (and securities convertible into or exercisable or exchangeable therefore) and new Charter Class B common stock received certain customary registration rights with respect to their shares. On the Effective Date, CII received: (i) 4.7 million warrants to purchase shares of new Charter Class A common stock, (ii) $85 million principal amount of new CCH II, LLC ("CCH II") notes (transferred from CCH I, LLC ("CCH I") noteholders), (iii) $25 million in cash for amounts previously owed to CII under a management agreement, (iv) $20 million in cash for reimbursement of fees and expenses in connection with the Plan, and (v) an additional $150 million in cash. The warrants described above have an exercise price of $19.80 per share and expire seven years after the date of issuance. In addition, on the Effective Date, CII retained a minority equity interest in reorganized Charter Holdco of 1% and a right to exchange such interest into new Charter Class A common stock. On December 28, 2009, CII exchanged 81% of its interest in Charter Holdco, and on February 8, 2010 the remaining interest was exchanged after which Charter Holdco became 100% owned by

Charter. Further, Mr. Allen transferred his preferred equity interest in CC VIII to Charter. Mr. Allen has the right to elect up to four of Charter's eleven board members.

16. Contingencies

On August 28, 2008, a lawsuit was filed against Charter and Charter Communications, LLC (“Charter LLC”) in the United States District Court for the Western District of Wisconsin (now entitled, Marc Goodell et al. v. Charter Communications, LLC and Charter Communications, Inc.). The plaintiffs sought to represent a class of current and former broadband, system and other types of technicians who are or were employed by Charter or Charter LLC in the states of Michigan, Minnesota, Missouri or California. Plaintiffs allege that Charter and Charter LLC violated certain wage and hour statutes of those four states by failing to pay technicians for all hours worked. Although Charter and Charter LLC continue to deny all liability and believe that they have substantial defenses, in May 2010, the parties entered a settlement agreement disposing of all claims, including those potential wage and hour claims for potential class members in additional states beyond the four identified above. On May 24, 2010, the court granted preliminary approval of the settlement. A hearing to grant final approval is scheduled for September 2010. The Company has accrued expected settlement costs associated with this case. The Company has been subjected, in the normal course of business, to the assertion of other wage and hour claims and could be subjected to additional such claims in the future. The Company cannot predict the outcome of any such claims.

On March 27, 2009, Charter filed its chapter 11 petition in the United States Bankruptcy Court for the Southern District of New York. On the same day, JPMorgan Chase Bank, N.A., (“JPMorgan”), for itself and as Administrative Agent under the Charter Operating Credit Agreement, filed an adversary proceeding (the “JPMorgan Adversary Proceeding”) in Bankruptcy Court against Charter Operating and CCO Holdings seeking a declaration that there have been events of default under the Charter Operating Credit Agreement. JPMorgan, as well as other parties, objected to the Plan. The Bankruptcy Court jointly held 19 days of trial in the JPMorgan Adversary Proceeding and on the objections to the Plan.

On November 17, 2009, the Bankruptcy Court issued its Order and Opinion confirming the Plan over the objections of JPMorgan and various other objectors. The Court also entered an order ruling in favor of Charter in the JPMorgan Adversary Proceeding. Several objectors attempted to stay the consummation of the Plan, but those motions were denied by the Bankruptcy Court and the U.S. District Court for the Southern District of New York. Charter consummated the Plan on November 30, 2009 and reinstated the Charter Operating Credit Agreement and certain other debt of its subsidiaries.

Six appeals were filed relating to confirmation of the Plan. The parties initially pursuing appeals were: (i) JPMorgan; (ii) Wilmington Trust Company (“Wilmington Trust”) (as indenture trustee for the holders of the 8% Senior Second Lien Notes due 2012 and 8.375% senior second lien notes due 2014 issued by and among Charter Operating and Charter Communications Operating Capital Corp. and the 10.875% senior second lien notes due 2014 issued by and among Charter Operating and Charter Communications Operating Capital Corp.); (iii) Wells Fargo Bank, N.A. (“Wells Fargo”) (in its capacities as successor Administrative Agent and successor Collateral Agent for the third lien prepetition secured lenders to CCO Holdings under the CCO Holdings credit facility); (iv) Law Debenture Trust Company of New York (“Law Debenture Trust”) (as the Trustee with respect to the $479 million in aggregate principal amount of 6.50% convertible senior notes due 2027 issued by Charter which are no longer outstanding following consummation of the Plan); (v) R2 Investments, LDC (“R2 Investments”) (an equity interest holder in Charter); and (vi) certain plaintiffs representing a putative class in a securities action against three Charter officers or directors filed in the United States District Court for the Eastern District of Arkansas (Iron Workers Local No. 25 Pension Fund, Indiana Laborers Pension Fund, and Iron Workers District Council of Western New York and Vicinity Pension Fund, in the action styled Iron Workers Local No. 25 Pension Fund v. Allen, et al., Case No. 4:09-cv-00405-JLH (E.D. Ark.).

Charter Operating amended its senior secured credit facilities effective March 31, 2010. In connection with the closing of these amendments, each of Bank of America, N.A. and JPMorgan, for itself and on behalf of the lenders under the Charter Operating senior secured credit facilities, agreed to dismiss the pending appeal of the Company's

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Confirmation Order pending before the District Court for the Southern District of New York and to waive any objections to the Company's Confirmation Order issued by the United States Bankruptcy Court for the Southern District of New York. The lenders filed their Stipulation of that dismissal and waiver of objections and it was signed by the judge on April 1, 2010 and the case dismissed. On December 3, 2009, Wilmington Trust withdrew its notice of appeal. On April 14, 2010, Wells Fargo filed their Stipulation of Dismissal of their appeal on behalf of the lenders under the CCO Holdings credit facility. This Stipulation was signed by the judge on April 19, 2010 and the case dismissed. The remaining appeals by Law Debenture Trust, R2 Investments and the securities plaintiffs are in the briefing phase. The Company cannot predict the ultimate outcome of the appeals.

The Company is party to lawsuits and claims that arise in the ordinary course of conducting its business. The ultimate outcome of these other legal matters pending against the Company or its parent companies cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity, such lawsuits could have, in the aggregate, a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

17. Stock Compensation Plans

In accordance with the Plan, the Company's board of directors adopted the Charter Communications, Inc. 2009 Stock Incentive Plan (the "2009 Stock Plan"). The 2009 Stock Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock, restricted stock units and restricted stock. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing consulting services for the Company, are eligible for grants under the 2009 Stock Plan.

In 2009, the majority of restricted stock and performance units and shares previously outstanding were voluntarily forfeited by participants without termination of the service period, and the remaining, along with all stock options, were cancelled on the Effective Date.

The Plan included an allocation of not less than 3% of new equity for employee grants with 50% of the allocation to be granted within thirty days of the Company's emergence from bankruptcy. In December 2009, the Company's board of directors authorized 8 million shares under the 2009 Stock Plan and awarded to certain employees 2 million shares of restricted stock, one-third of which are to vest on each of the first three anniversaries of the Effective Date. Such grant of new awards is deemed to be a modification of old awards and will be accounted for as a modification of the original awards. As a result, unamortized compensation cost of $12 million was added to the cost of the new award and will be amortized over the vesting period. As of June 30, 2010, total unrecognized compensation remaining to be recognized in future periods totaled $46 million.

During the three and six months ended June 30, 2010 (Successor), the Company granted 2,100 and 42,000 shares of restricted stock, respectively. Restricted stock vests annually over a one to three-year period beginning from the date of grant. During the three and six months ended June 30, 2009 (Predecessor), no equity awards were granted however, Charter granted $1 million and $12 million of performance cash and restricted cash under Charter's 2009 incentive program, respectively.

The Company recorded $5 million and $6 million of stock compensation expense for the three months ended June 30, 2010 (Successor) and 2009 (Predecessor), respectively, and $10 million and $17 million for the six months ended June

30, 2010 (Successor) and 2009 (Predecessor), respectively, which is included in selling, general, and administrative expense.

18. Consolidating Schedules

The CCO Holdings notes issued on April 28, 2010 and the CCO Holdings credit facility are obligations of CCO Holdings and the CCH II notes issued on the Effective Date are obligations of CCH II, however, they are also jointly, severally, fully and unconditionally guaranteed on an unsecured senior basis by Charter.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, Financial Statements of Guarantors and Affiliates Whose Securities Collateralize an Issue Registered or Being Registered. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with generally accepted accounting principles. Condensed consolidating financial statements as of June 30, 2010 and December 31, 2009 and for the six months ended June 30, 2010 and 2009 follow.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Charter Communications, Inc.
Condensed Consolidating Balance Sheet
Successor
As of June 30, 2010

ASSETS	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
CURRENT ASSETS:							
Cash and cash equivalents	$ --	$ --	$ 3	$ 3	$ 34	$ --	$ 40
Restricted cash and cash equivalents	--	--	--	--	27	--	27
Accounts receivable, net	--	1	--	--	248	--	249
Receivables from related party	70	152	4	4	--	(230)	--
Prepaid expenses and other current assets	2	20	--	--	35	--	57
Total current assets	72	173	7	7	344	(230)	373
INVESTMENT IN CABLE PROPERTIES:							
Property, plant and equipment, net	--	35	--	--	6,867	--	6,902
Franchises	--	--	--	--	5,269	--	5,269
Customer relationships, net	--	--	--	--	2,167	--	2,167
Goodwill	--	--	--	--	951	--	951
Total investment in cable properties, net	--	35	--	--	15,254	--	15,289
CC VIII PREFERRED INTEREST	73	170	--	--	--	(243)	--
INVESTMENT IN SUBSIDIARIES	1,882	1,415	3,323	4,969	--	(11,589)	--
LOANS RECEIVABLE – RELATED PARTY	--	42	248	252	--	(542)	--
	--	160	--	28	159	(2)	345

OTHER NONCURRENT ASSETS							
Total assets	$ 2,027	$ 1,995	$ 3,578	$ 5,256	$ 15,757	$ (12,606)	$ 16,007
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 13	$ 108	$ 89	$ 24	$ 780	$ --	$ 1,014
Payables to related party	--	--	--	--	230	(230)	--
Total current liabilities	13	108	89	24	1,010	(230)	1,014
LONG-TERM DEBT	--	--	2,074	1,909	8,674	--	12,657
LOANS PAYABLE – RELATED PARTY	--	--	--	--	542	(542)	--
OTHER LONG-TERM LIABILITIES	368	5	--	--	319	--	692
TEMPORARY EQUITY	12	--	--	--	--	--	12
Shareholders'/Member's equity	1,634	1,882	1,415	3,323	4,969	(11,591)	1,632
Noncontrolling interest	--	--	--	--	243	(243)	--
Total shareholders'/member's equity	1,634	1,882	1,415	3,323	5,212	(11,834)	1,632
Total liabilities and shareholders'/member's equity	$ 2,027	$ 1,995	$ 3,578	$ 5,256	$ 15,757	$ (12,606)	$ 16,007

21

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Charter Communications, Inc.
Condensed Consolidating Balance Sheet
Successor
As of December 31, 2009

ASSETS	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
CURRENT ASSETS:							
Cash and cash equivalents	$ 185	$ 12	$ 6	$ --	$ 506	$ --	$ 709
Restricted cash and cash equivalents	18	--	--	--	27	--	45
Accounts receivable, net	--	1	--	--	247	--	248
Receivables from related party	41	178	1	5	--	(225)	--
Prepaid expenses and other current assets	--	24	--	--	45	--	69
Total current assets	244	215	7	5	825	(225)	1,071
INVESTMENT IN CABLE PROPERTIES:							
Property, plant and equipment, net	--	36	--	--	6,797	--	6,833
Franchises	--	--	--	--	5,272	--	5,272
Customer relationships, net	--	--	--	--	2,335	--	2,335
Goodwill	--	--	--	--	951	--	951
Total investment in cable properties, net	--	36	--	--	15,355	--	15,391
CC VIII PREFERRED INTEREST	68	157	--	--	--	(225)	--
INVESTMENT IN SUBSIDIARIES	1,853	1,414	3,280	4,158	--	(10,705)	--
LOANS RECEIVABLE – RELATED PARTY	--	13	239	242	--	(494)	--
	--	160	--	--	38	(2)	196

OTHER NONCURRENT ASSETS							
Total assets	$ 2,165	$ 1,995	$ 3,526	$ 4,405	$ 16,218	$ (11,651)	$ 16,658
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 8	$ 134	$ 20	$ 9	$ 727	$ --	$ 898
Current portion of long-term debt	--	--	--	--	70	--	70
Payables to related party	--	--	--	--	225	(225)	--
Total current liabilities	8	134	20	9	1,022	(225)	968
LONG-TERM DEBT	--	--	2,092	1,116	10,044	--	13,252
LOANS PAYABLE – RELATED PARTY	--	--	--	--	494	(494)	--
OTHER LONG-TERM LIABILITIES	239	6	--	--	275	--	520
TEMPORARY EQUITY	1	--	--	--	--	--	1
Shareholders'/Member's equity	1,917	1,853	1,414	3,280	4,158	(10,707)	1,915
Noncontrolling interest	--	2	--	--	225	(225)	2
Total shareholders'/member's equity	1,917	1,855	1,414	3,280	4,383	(10,932)	1,917
Total liabilities and shareholders'/member's equity	$ 2,165	$ 1,995	$ 3,526	$ 4,405	$ 16,218	$ (11,651)	$ 16,658

22

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Charter Communications, Inc.
Condensed Consolidating Statement of Operations
Successor
For the six months ended June 30, 2010

	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
REVENUES	$ 19	$ 56	$ --	$ --	$ 3,506	$ (75)	$ 3,506
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	--	--	--	--	1,517	--	1,517
Selling, general and administrative	19	56	--	--	716	(75)	716
Depreciation and amortization	--	--	--	--	749	--	749
Other operating expenses, net	--	--	--	--	19	--	19
	19	56	--	--	3,001	(75)	3,001
Income from operations	--	--	--	--	505	--	505
OTHER INCOME (EXPENSES):							
Interest expense, net	--	--	(98)	(50)	(275)	--	(423)
Reorganization items, net	--	--	--	--	(5)	--	(5)
Loss on extinguishment of debt	--	--	--	(17)	(18)	--	(35)
Other income, net	3	--	--	--	--	--	3
Equity in income of subsidiaries	31	18	116	183	--	(348)	--
	34	18	18	116	(298)	(348)	(460)
Income before income taxes	34	18	18	116	207	(348)	45

INCOME TAX EXPENSE	(96)	--	--	--	(6)	--	(102)
Consolidated net income (loss)	(62)	18	18	116	201		