CHARTER COMMUNICATIONS, INC. /MO/
Form 10-Q
November 01, 2011

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 September 30, 2011

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 þ No o

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 þ No o

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 þ Accelerated filer o Non-accelerated filer o 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 registrant has 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 September 30, 2011: 107,633,812

Charter Communications, Inc.
Quarterly Report on Form 10-Q for the Period ended September 30, 2011

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This quarterly report on Form 10-Q is for the three and nine months ended September 30, 2011. 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,” “a “target,” “opportunity,” “tentative,” “positioning” and “potential,” among others. Important factors that could cause actu 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 free cash flow by offering video, Internet, telephone, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our markets and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures and the difficult economic conditions in the United States;

- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone 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 level of activity in the housing sector;

- 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);

- 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) free cash flow, or (iii) access to the capital or credit markets; 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
(IN MILLIONS, EXCEPT SHARE DATA)

	September 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5	$ 4
Restricted cash and cash equivalents	27	28
Accounts receivable, less allowance for doubtful accounts of $17 for each period	253	247
Prepaid expenses and other current assets	50	47
Total current assets	335	326
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation	6,903	6,819
Franchises	5,287	5,257
Customer relationships, net	1,779	2,000
Goodwill	954	951
Total investment in cable properties	14,923	15,027
OTHER NONCURRENT ASSETS	380	354
Total assets	$ 15,638	$ 15,707
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,081	$ 1,049
Total current liabilities	1,081	1,049
LONG-TERM DEBT	12,581	12,306
OTHER LONG-TERM LIABILITIES	1,112	874
SHAREHOLDERS' EQUITY:		
Class A common stock; $.001 par value; 900 million shares authorized;		
114,741,367 and 112,494,166 shares issued, respectively	--	--
Class B common stock; $.001 par value; 25 million shares authorized;		
no shares and 2,241,299 shares issued and outstanding, respectively	--	--
Preferred stock; $.001 par value; 250 million shares		
authorized; no non-redeemable shares issued and outstanding	--	--
Additional paid-in capital	1,807	1,776
Accumulated deficit	(537)	(235)
Treasury stock at cost; 7,107,555 and 176,475 shares, respectively	(329)	(6)

Accumulated other comprehensive loss	(77)	(57)
Total shareholders’ equity	864	1,478
Total liabilities and shareholders’ equity	$ 15,638	$ 15,707

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

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

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
REVENUES	$1,809	$1,769	$5,370	$5,275
COSTS AND EXPENSES:				
Operating (excluding depreciation and amortization)	792	788	2,344	2,317
Selling, general and administrative	374	356	1,062	1,060
Depreciation and amortization	405	385	1,181	1,134
Other operating expenses, net	1	--	7	19
	1,572	1,529	4,594	4,530
Income from operations	237	240	776	745
OTHER EXPENSES:				
Interest expense, net	(244)	(222)	(718)	(645)
Loss on extinguishment of debt	(4)	(3)	(124)	(38)
Other expenses, net	(2)	(1)	(4)	(3)
	(250)	(226)	(846)	(686)
Income (loss) before income taxes	(13)	14	(70)	59
INCOME TAX EXPENSE	(72)	(109)	(232)	(211)
Net loss	$(85)	$(95)	$(302)	$(152)
LOSS PER COMMON SHARE, BASIC AND DILUTED:	$(0.79)	$(0.84)	$(2.74)	$(1.34)
Weighted average common shares outstanding, basic and diluted	108,420,169	113,110,889	110,285,852	113,081,242

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

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

	Nine Months Ended September 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(302)	$(152)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	1,181	1,134
Noncash interest expense	27	54
Loss on extinguishment of debt	124	35
Deferred income taxes	225	204
Other, net	26	20
Changes in operating assets and liabilities, net of effects from dispositions and acquisitions:		
Accounts receivable	(5)	7
Prepaid expenses and other assets	(4)	15
Accounts payable, accrued expenses and other	40	105
Net cash flows from operating activities	1,312	1,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(984)	(948)
Changes in accrued expenses related to capital expenditures	(11)	(7)
Purchase of cable systems	(89)	--
Other, net	(20)	(7)
Net cash flows from investing activities	(1,104)	(962)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	3,801	2,757
Repayments of long-term debt	(3,645)	(3,070)
Repayment of preferred stock	--	(138)
Payments for debt issuance costs	(43)	(76)
Purchase of treasury stock	(323)	--
Other, net	2	(5)
Net cash flows from financing activities	(208)	(532)
NET DECREASE IN CASH AND CASH EQUIVALENTS	--	(72)
CASH AND CASH EQUIVALENTS, beginning of period	32	754
CASH AND CASH EQUIVALENTS, end of period	$32	$682
CASH PAID FOR INTEREST	$649	$561

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 is a 100% common equity interest in Charter Communications Holding Company, LLC ("Charter Holdco"). Charter owns cable systems through its subsidiaries, which are collectively, with Charter, referred to herein as the "Company." All significant intercompany accounts and transactions among consolidated entities have been eliminated.

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

On November 17, 2009, the Company's Joint Plan of Reorganization (the "Plan") was confirmed by order of the Bankruptcy Court, 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. 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.

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.

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; contingencies; and programming expense. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the 2011 presentation.

Restricted cash on the accompanying condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010 of $27 million and $28 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 nine months ended September 30, 2010.

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

2. Franchises, Goodwill and Other Intangible Assets

As of September 30, 2011 and December 31, 2010, indefinite-lived and finite-lived intangible assets are presented in the following table:

	September 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	$5,287	$ --	$5,287	$5,257	$ --	$5,257
Goodwill	954	--	954	951	--	951
Trademarks	158	--	158	158	--	158
	$6,399	$ --	$6,399	$6,366	$ --	$6,366
Finite-lived intangible assets:						
Customer relationships	$2,368	$ 589	$1,779	$2,358	$ 358	$2,000
Other intangible assets	73	14	59	53	7	46
	$2,441	$ 603	$1,838	$2,411	$ 365	$2,046

Amortization expense related to customer relationships and other intangible assets for the three months ended September 30, 2011 and 2010 was approximately $79 million and $85 million, respectively, and for the nine months ended September 30, 2011 and 2010 was approximately $238 million and $255 million, respectively. Franchises, customer relationships and goodwill increased by $30 million, $10 million and $3 million, respectively, as a result of acquisitions competed during the three and nine months ended September 30, 2011.

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

3 months ending December 31, 2011	$78
2012	291
2013	264
2014	238
2015	212
2016	185
Thereafter	570
	$1,838

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

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

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Accounts payable – trade	$ 167	$ 168
Accrued capital expenditures	43	54
Accrued expenses:		
Interest	204	162
Programming costs	296	282
Compensation	112	124
Franchise-related fees	46	53
Other	213	206
	$ 1,081	$ 1,049

4. Long-Term Debt

Long-term debt consists of the following as of September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCH II, LLC:				
13.50% senior notes due November 30, 2016	$1,766	$2,028	$1,766	$2,057
CCO Holdings, LLC:				
7.25% senior notes due October 30, 2017	1,000	1,000	1,000	1,000
7.875% senior notes due April 30, 2018	900	900	900	900
7.00% senior notes due January 15, 2019	1,400	1,391	--	--
8.125% senior notes due April 30, 2020	700	700	700	700
6.50% senior notes due April 30, 2021	1,500	1,500	--	--
Credit facility due September 6, 2014	350	323	350	314
Charter Communications Operating, LLC:				
8.00% senior second-lien notes due April 30, 2012	907	911	1,100	1,112
10.875% senior second-lien notes due September 15, 2014	546	583	546	591
Credit facilities	3,417	3,245	5,954	5,632
Long-Term Debt	$12,486	$12,581	$12,316	$12,306

The accreted values presented above represent the fair value of the notes as of the Effective Date or the principal amount of the notes less the original issue discount at the time of sale, 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 $1.1 billion as of September 30, 2011, and as such, debt maturing in the next twelve months is classified as long-term.

In August 2011, Charter Communications Operating, LLC ("Charter Operating") repurchased, in private transactions, a total of $193 million principal amount of Charter Operating 8.00% senior second-lien notes due 2012 for approximately $199 million cash. The transactions resulted in a loss on extinguishment of debt of approximately $4 million for the three and nine months ended September 30, 2011.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
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In May 2011, CCO Holdings, LLC ("CCO Holdings") and CCO Holdings Capital Corp. closed on transactions in which they issued $1.5 billion aggregate principal amount of 6.50% senior notes due 2021 (the "2021 Notes"). The net proceeds of the issuances were contributed by CCO Holdings to Charter Operating as a capital contribution and intercompany loan and were used to repay indebtedness under the Charter Operating credit facilities. The Company recorded a loss on extinguishment of debt of approximately $53 million for the nine months ended September 30, 2011 related to these transactions.

The 2021 Notes are guaranteed by Charter. They are senior debt obligations of CCO Holdings and CCO Holdings Capital Corp and rank equally with all other current and future unsecured, unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The 2021 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 2021 Notes at any time at a premium. The optional redemption price declines to 100% of the respective series' principal amount, plus accrued and unpaid interest, if any, on or after varying dates in 2015 through 2021.

In addition, at any time prior to April 30, 2014, CCO Holdings may redeem up to 35% of the aggregate principal amount of the notes at a redemption price at a premium 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 2021 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.

In January 2011, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued $1.4 billion aggregate principal amount of 7.00% senior notes due 2019. Such notes are guaranteed by Charter. The net proceeds of the issuances were contributed by CCO Holdings to Charter Operating as a capital contribution and were used to repay indebtedness under the Charter Operating credit facilities. The Company recorded a loss on extinguishment of debt of approximately $67 million for the nine months ended September 30, 2011 related to these transactions.

In August and September 2010, the Company prepaid $122 million principal amount of Charter Operating term B-2 loans resulting in a loss on extinguishment of debt of approximately $3 million for the three and nine months ended September 30, 2010.

In April 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 and $700 million aggregate principal amount of 8.125% Senior Notes due 2020. 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 and $770 million principal amount of Charter Operating's outstanding 8.375% Senior Second Lien Notes due 2014 were repurchased. These transactions resulted in a loss on extinguishment of debt for the nine months ended September 30, 2010 of approximately $34 million.

On March 31, 2010, Charter Operating entered into an amended and restated credit agreement. The refinancing resulted in a loss on extinguishment of debt for the nine months ended September 30, 2010 of approximately $1 million.

5. 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.

6. Treasury Stock

On August 9, 2011, the Company announced that Charter's board of directors authorized the Company to repurchase up to $200 million of Charter's Class A common stock and outstanding warrants. Under the repurchase program, shares of Charter's Class A common stock and warrants to purchase Charter's Class A common stock may be purchased from time to time during the course of the next 12 months. As of September 30, 2011, Charter Holdco purchased approximately 2.4 million shares of Charter's Class A common stock for a total of approximately $116 million.

On March 22, 2011, the Company purchased, in a private transaction, 4.5 million shares of Charter's Class A common stock from funds advised by Franklin Advisers, Inc. The price paid was $46.10 per share for a total of $207 million.

The transactions were funded from existing cash on hand and available liquidity. The Company accounts for treasury stock using the cost method and the treasury shares are reflected on the Company's condensed consolidated balance sheets as a component of total shareholders' equity.

7. 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. Comprehensive loss was $96 million and $322 million for the three and nine months ended September 30, 2011, respectively. Comprehensive loss for the three and nine months ended September 30, 2011 included a $11 million and $20 million loss on the change in the fair value of interest rate swap agreements designated as cash flow hedges, respectively. Comprehensive loss was $129 million and $236 million for the three and nine months ended September 30, 2010, respectively. Comprehensive loss for the three and nine months ended September 30, 2010 included a $34 million and $84 million loss on the change in the fair value of interest rate swap agreements designated as cash flow hedges, respectively.

8. 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. For the three and nine months ended September 30, 2011 and 2010, there was no cash flow hedge ineffectiveness on interest rate swap agreements.

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

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

	September 30, 2011	December 31, 2010
Other long-term liabilities:		
Fair value of interest rate derivatives designated as hedges	$ 77	$ 57
Accumulated other comprehensive loss:		
Interest rate derivatives designated as hedges	$ (77)	$ (57)

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 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 affected earnings (losses).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other comprehensive loss:				
Loss on interest rate derivatives designated as hedges (effective portion)	$(11)	$(34)	$(20)	$(84)
Amount of loss reclassified from accumulated other comprehensive loss into interest expense	$(10)	$(9)	$(30)	$(17)

As of September 30, 2011 and December 31, 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 were determined by reference to the notional amount and the other terms of the contracts.

9. Fair Value Measurements

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of September 30, 2011 and December 31, 2010 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 long-term debt at September 30, 2011 and December 31, 2010 is based on quoted market prices and is classified within Level 1 (defined below) of the valuation hierarchy.

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

A summary of the carrying value and fair value of the Company's long-term debt at September 30, 2011 and December 31, 2010 is as follows:

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
CCH II, LLC notes	$ 2,028	$ 2,018	$ 2,057	$ 2,113
CCO Holdings notes	5,491	5,484	2,600	2,709
Charter Operating notes	1,494	1,512	1,703	1,774
Credit facilities	3,568	3,629	5,946	6,252

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 $77 million and $57 million liabilities as of September 30, 2011 and December 31, 2010, respectively, using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparties' 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% (exclusive of applicable spread) at September 30, 2011 and December 31, 2010.

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 circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded in the three and nine months ended September 30, 2011 and 2010.

In the third quarter of 2011, the Company acquired cable systems for total purchase prices of approximately $89 million. The acquisitions were recorded by allocating the cost of the acquisitions to the assets acquired, including property, plant and equipment, franchises and customer relationships based on their estimated fair values at the acquisition dates. The excess of the cost of the acquisitions over the net amounts assigned to the fair value of the assets acquired was recorded as goodwill. The fair value inputs used for the acquired assets were classified as Level 3 within the fair value hierarchy.

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10. Other Operating Expenses, Net

Other operating expenses, net consist of the following for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Loss on sale of assets, net	$--	$1	$--	$4
Special charges, net	1	(1)	7	15
	$1	$--	$7	$19

Loss on sales of assets, net

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

Special charges, net

Special charges, net for the three and nine months ended September 30, 2011 primarily includes severance charges. For the three and nine months ended September 30, 2010, special charges, net primarily includes severance charges as well as net amounts of litigation settlements.

11. 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 Charter.

For the three and nine months ended September 30, 2011, the Company recorded $72 million and $232 million of income tax expense, respectively. For the three and nine months ended September 30, 2010, the Company recorded $109 million and $211 million of income tax expense, respectively, including $23 million related to changes in estimates on the 2009 tax provision.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 nine months ended September 30, 2010 was reduced by $69 million related to the reduction of the valuation allowance in connection with Mr. Allen's exchange of his 0.19% Charter Holdco interest for 212,923 shares of Charter's Class A common stock in a non-taxable transaction in February 2010.

As of September 30, 2011 and December 31, 2010, the Company had net deferred income tax liabilities of approximately $987 million and $762 million, respectively. Included in these net deferred tax liabilities is approximately $221 million and $225 million of net deferred tax liabilities at September 30, 2011 and December 31, 2010, 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 2008 through 2010 remain subject to examination and assessment. Years prior to 2008 remain open solely for purposes of examination of Charter's net operating loss and credit carryforwards.

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12. 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.

Allen Agreement

In connection with the Plan, Charter, Mr. Allen and Charter Investment, Inc. ("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 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 was convertible, at the option of the holder or the Disinterested Members of the Board of Directors of Charter, into one share of new Charter Class A common stock, and was 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. As of December 31, 2010, Mr. Allen held all 2.2 million shares of Class B common stock of Charter. Pursuant to the terms of the Certificate of Incorporation of Charter, on January 18, 2011, the Disinterested Members of the Board of Directors of Charter caused a conversion of the shares of Class B common stock into shares of Class A common stock on a one-for-one basis. As a result of such conversion, Mr. Allen no longer has the right to appoint four directors and the Class B directors became Class A directors. On January 18, 2011, directors William L. McGrath and Christopher M. Temple, both former Class B directors, resigned from Charter's board of directors. Edgar Lee and Stan Parker were appointed to fill the vacant positions.

Franklin Stock Repurchase

See "Note 6. Treasury Stock" for the description of Charter's purchase of 4.5 million shares of its Class A common stock from Franklin Advisers, Inc. At the time of the purchase, funds advised by Franklin Advisers, Inc. beneficially held more than 10% of Charter's Class A common stock.

13. 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 alleged that Charter and Charter LLC violated certain wage and hour statutes of those four states by failing to pay technicians for all hours worked. In May 2010, the parties entered into 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 September 24, 2010, the court granted final approval of the settlement. The Company had accrued and subsequently paid the 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 nor can it estimate a reasonable range of loss.

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 were events of default under the Charter Operating Credit Agreement. JPMorgan, as well as other parties, objected to the

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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 8.00% 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 former 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 appeal of the Company's 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 in April 2010, the case was dismissed. On December 3, 2009, Wilmington Trust withdrew its notice of appeal. In April 2010, Wells Fargo filed its Stipulation of Dismissal of their appeal on behalf of the lenders under the CCO Holdings credit facility and in April 2010, the case was dismissed. The appeals of the securities plaintiffs were denied by the District Court for the Southern District of New York in July 2011. The securities plaintiffs did not appeal to the United States Court of Appeals for the Second Circuit and therefore their claim has expired. In October 2011, the securities plaintiffs dismissed the underlying action that was pending in the United States District Court for the District of Arkansas. The appeals by Law Debenture Trust and R2 Investments were denied by the District Court for the Southern District of New York in March 2011. A Notice of Appeal of that denial has been filed by both Law Debenture Trust and R2. The Company cannot predict the ultimate outcome of the remaining appeals nor can it estimate a reasonable range of loss.

The Company is party to lawsuits and claims that arise in the ordinary course of conducting its business, including lawsuits claiming infringement of patents. The ultimate outcome of these other legal matters pending against the

Company 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.

14. Stock Compensation Plans

Charter's 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.

During the three and nine months ended September 30, 2011, the Company granted 27,000 and 57,100 shares of restricted stock, respectively. During the three and nine months ended September 30, 2010, the Company granted 800 and 42,800 shares of restricted stock, respectively. Restricted stock vests annually over a one to four-year period beginning from the date of grant. During the three and nine months ended September 30, 2011, the Company granted 201,900 and 2.4 million stock options. During the three and nine months ended September 30, 2010, the Company granted 1.3 million stock options. A portion of the stock options vest annually over four years from either the grant date or delayed vesting commencement dates. The remaining stock options vest based on achievement of stock price hurdles over a delayed vesting schedule. All stock options expire ten years from the grant date. During the three and nine months ended September 30, 2011, the Company granted 7,500 and 238,000 restricted stock units. Restricted stock units have no voting rights and vest ratably over four years from either the grant date or delayed vesting commencement dates. As of September 30, 2011, total unrecognized compensation remaining to be recognized in future periods totaled $22 million for restricted stock, $60 million for stock options and $11 million for restricted stock units and the weighted average period over which it is expected to be recognized is 1 year for restricted stock, 3 years for stock options and 4 years for restricted stock units.

The Company recorded $10 million and $25 million of stock compensation expense for the three and nine months ended September 30, 2011, respectively, and $7 million and $17 million of stock compensation expense for the three and nine months ended September 30, 2010, respectively, which is included in selling, general, and administrative expense.

15. Consolidating Schedules

The CCO Holdings notes and the CCO Holdings credit facility are obligations of CCO Holdings. The CCH II, LLC ("CCH II") notes are obligations of CCH II. However, these notes of CCO Holdings and CCH II are also jointly, severally, fully and unconditionally guaranteed on an unsecured senior basis by Charter.

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 September 30, 2011 and December 31, 2010 and for the nine months ended September 30, 2011 and 2010 follow.

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Charter Communications, Inc.
Condensed Consolidating Balance Sheet
As of September 30, 2011

ASSETS	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
CURRENT ASSETS:							
Cash and cash equivalents	$ 3	$ --	$ --	$ 2	$ --	$ --	$ 5
Restricted cash and cash equivalents	--	--	--	--	27	--	27
Accounts receivable, net	--	2	--	--	251	--	253
Receivables from related party	68	173	6	5	--	(252)	--
Prepaid expenses and other current assets	1	16	--	--	33	--	50
Total current assets	72	191	6	7	311	(252)	335
INVESTMENT IN CABLE PROPERTIES:							
Property, plant and equipment, net	--	34	--	--	6,869	--	6,903
Franchises	--	--	--	--	5,287	--	5,287
Customer relationships, net	--	--	--	--	1,779	--	1,779
Goodwill	--	--	--	--	954	--	954
Total investment in cable properties	--	34	--	--	14,889	--	14,923
CC VIII PREFERRED INTEREST	88	206	--	--	--	(294)	--
INVESTMENT IN SUBSIDIARIES	1,479	972	2,768	8,407	--	(13,626)	--
LOANS RECEIVABLE – RELATED PARTY	--	43	256	231	--	(530)	--
OTHER NONCURRENT	--	158	--	81	141	--	380

ASSETS							
Total assets	$ 1,639	$ 1,604	$ 3,030	$ 8,726	$ 15,341	$ (14,702)	$ 15,638
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 10	$ 121	$ 30	$ 144	$ 776	$ --	$ 1,081
Payables to related party	--	--	--	--	252	(252)	--
Total current liabilities	10	121	30	144	1,028	(252)	1.081
LONG-TERM DEBT	--	--	2,028	5,814	4,739	--	12,581
LOANS PAYABLE – RELATED PARTY	--	--	--	--	530	(530)	--
OTHER LONG-TERM LIABILITIES	765	4	--	--	343	--	1,112
Shareholders'/Member's equity	864	1,479	972	2,768	8,407	(13,626)	864
Noncontrolling interest	--	--	--	--	294	(294)	--
Total shareholders'/member's equity	864	1,479	972	2,768	8,701	(13,920)	864
Total liabilities and shareholders'/member's equity	$ 1,639	$ 1,604	$ 3,030	$ 8,726	$ 15,341	$ (14,702)	$ 15,638

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Charter Communications, Inc.
Condensed Consolidating Balance Sheet
As of December 31, 2010

ASSETS	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
CURRENT ASSETS:							
Cash and cash equivalents	$ --	$ --	$ 3	$ 1	$ --	$ --	$ 4
Restricted cash and cash equivalents	--	--	--	--	28	--	28
Accounts receivable, net	--	1	--	--	246	--	247
Receivables from related party	57	182	8	8	--	(255)	--
Prepaid expenses and other current assets	2	20	--	--	25	--	47
Total current assets	59	203	11	9	299	(255)	326
INVESTMENT IN CABLE PROPERTIES:							
Property, plant and equipment, net	--	34	--	--	6,785	--	6,819
Franchises	--	--	--	--	5,257	--	5,257
Customer relationships, net	--	--	--	--	2,000	--	2,000
Goodwill	--	--	--	--	951	--	951
Total investment in cable properties	--	34	--	--	14,993	--	15,027
CC VIII PREFERRED INTEREST	79	183	--	--	--	(262)	--
INVESTMENT IN SUBSIDIARIES	1,887	1,409	3,296	5,946	--	(12,538)	--
LOANS RECEIVABLE – RELATED PARTY	--	42	248	252	--	(542)	--
	--	158	--	43	153	--	354

OTHER NONCURRENT ASSETS							
Total assets	$ 2,025	$ 2,029	$ 3,555	$ 6,250	$ 15,445	$ (13,597)	$ 15,707
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	$ 11	$ 138	$ 89	$ 40	$ 771	$ --	$ 1,049
Payables to related party	--	--	--	--	255	(255)	--
Total current liabilities	11	138	89	40	1,026	(255)	1,049
LONG-TERM DEBT	--	--	2,057	2,914	7,335	--	12,306
LOANS PAYABLE – RELATED PARTY	--	--	--	--	542	(542)	--
OTHER LONG-TERM LIABILITIES	536	4	--	--	334	--	874
Shareholders'/Member's equity	1,478	1,887	1,409	3,296	5,946	(12,538)	1,478
Noncontrolling interest	--	--	--	--	262	(262)	--
Total shareholders'/member's equity	1,478	1,887	1,409	3,296	6,208	(12,800)	1,478
Total liabilities and shareholders'/member's equity	$ 2,025	$ 2,029	$ 3,555	$ 6,250	$ 15,445	$ (13,597)	$ 15,707

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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Charter Communications, Inc.
Condensed Consolidating Statement of Operations
For the nine months ended September 30, 2011

	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
REVENUES	$ 24	$ 92	$ --	$ --	$ 5,370	$ (116)	$ 5,370
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	--	--	--	--	2,344	--	2,344
Selling, general and administrative	24	92	--	--	1,062	(116)	1,062
Depreciation and amortization	--	--	--	--	1,181	--	1,181
Other operating expenses, net	--	--	--	--	7	--	7
	24	92	--	--	4,594	(116)	4,594
Income from operations	--	--	--	--	776	--	776
OTHER INCOME (EXPENSES):							
Interest expense, net	--	1	(144)	(274)	(301)	--	(718)
Loss on extinguishment of debt	--	--	--	--	(124)	--	(124)
Other expenses, net	--	--	--	--	(4)	--	(4)
Equity in income (losses) of subsidiaries	(82)	(106)	38	312	--	(162)	--
	(82)	(105)	(106)	38	(429)	(162)	(846)
Income (loss) before income taxes	(82)	(105)	(106)	38	347	(162)	(70)
INCOME TAX EXPENSE	(229)	--	--	--	(3)	--	(232)

Consolidated net income (loss)	(311)	(105)	(106)	38	344	(162)	(302)
Less: Net (income) loss – noncontrolling interest	9	23	--	--	(32)	--	--
Net income (loss)	$ (302)	$ (82)	$ (106)	$ 38	$ 312	$ (162)	$ (302)

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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Charter Communications, Inc.
Condensed Consolidating Statement of Operations
For the nine months ended September 30, 2010

	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
REVENUES	$ 26	$ 85	$ --	$ --	$ 5,275	$ (111)	$ 5,275
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	--	--	--	--	2,317	--	2,317
Selling, general and administrative	26	85	--	--	1,060	(111)	1,060
Depreciation and amortization	--	--	--	--	1,134	--	1,134
Other operating expenses, net	--	--	--	--	19	--	19
	26	85	--	--	4,530	(111)	4,530
Income from operations	--	--	--	--	745	--	745
OTHER INCOME (EXPENSES):							
Interest expense, net	--	1	(147)	(87)	(412)	--	(645)
Loss on extinguishment of debt	--	--	--	(17)	(21)	--	(38)
Other income, net	3	--	--	--	(6)	--	(3)
Equity in income of subsidiaries	33	13	160	264	--	(470)	--
	36	14	13	160	(439)	(470)	(686)
Income before income taxes	36	14	13	160	306	(470)	59
INCOME TAX EXPENSE	(196)	--	--	--	(15)	--	(211)

Consolidated net income (loss)	(160)	14	13	160	291	(470)	(152)
Less: Net (income) loss – noncontrolling interest	8	19	--	--	(27)	--	--
Net income (loss)	$ (152)	$ 33	$ 13	$ 160	$ 264	$ (470)	$ (152)

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Charter Communications, Inc.
Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2011

	Charter	Intermediate Holding Companies	CCH II	CCO Holdings	Charter Operating and Subsidiaries	Eliminations	Charter Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:							
Consolidated net income (loss)	$ (311)	$ (105)	$ (106				