

CHARTER COMMUNICATIONS, INC. /MO/
Form 424B3
June 08, 2010

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

PROSPECTUS SUPPLEMENT NO. 1
To Prospectus dated April 22, 2010

85,971,442 Shares

Charter Communications, Inc.

Class A Common Stock

This Prospectus Supplement No. 1 includes the (i) attached Quarterly Report on Form 10-Q of Charter Communication, Inc. for the quarter ended March 31, 2010 filed by us with the Securities and Exchange Commission; and (ii) the attached Current Reports on Form 8-K filed with the SEC on May 11, 2010 and May 4, 2010.

Our Class A Common Stock is quoted on the Over-the-Counter Bulletin Board under the symbol "CCMM.OB". On June 7, 2010, the last reported sale price of our Class A Common Stock on the Over-the-Counter Bulletin Board was \$33.75 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. 1 should be read in conjunction with our prospectus dated April 22 2010.

The date of this Prospectus Supplement is June 8, 2010.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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 (I.R.S. Employer
incorporation or organization) 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 Accelerated filer
Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

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 No

Number of shares of Class A common stock outstanding as of March 31, 2010: 112,481,877

Number of shares of Class B common stock outstanding as of March 31, 2010: 2,241,299

Charter Communications, Inc.
Quarterly Report on Form 10-Q for the Period ended March 31, 2010

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This quarterly report on Form 10-Q is for the three months ended March 31, 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. Information incorporated by reference is considered to be part of this quarterly report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this quarterly report. In this quarterly report, "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" 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 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.

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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 March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$221	\$709
Restricted cash and cash equivalents	33	45
Accounts receivable, less allowance for doubtful accounts of \$21 and \$11, respectively	223	248
Prepaid expenses and other current assets	69	69
Total current assets	546	1,071
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation	6,859	6,833
Franchises, net	5,272	5,272
Customer relationships, net	2,251	2,335
Goodwill	951	951
Total investment in cable properties, net	15,333	15,391
OTHER NONCURRENT ASSETS	320	196
Total assets	\$16,199	\$16,658
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$958	\$898
Current portion of long-term debt	--	70
Total current liabilities	958	968
LONG-TERM DEBT	12,762	13,252
OTHER LONG-TERM LIABILITIES	710	520
TEMPORARY EQUITY	6	1
SHAREHOLDERS' EQUITY:		
Class A common stock; \$.001 par value; 900 million shares authorized; 112,481,877 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
Retained earnings	26	2
Total Charter shareholders' equity	1,763	1,915
Noncontrolling interest	--	2
Total shareholders' equity	1,763	1,917
Total liabilities and shareholders' equity	\$16,199	\$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

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
REVENUES	\$ 1,735	\$ 1,662
COSTS AND EXPENSES:		
Operating (excluding depreciation and amortization)	751	713
Selling, general and administrative	352	344
Depreciation and amortization	369	321
Other operating (income) expenses, net	12	(50)
	1,484	1,328
Income from operations	251	334
OTHER EXPENSES:		
Interest expense, net (excluding unrecorded contractual interest expense of \$9 in 2009)	(204)	(463)
Reorganization items, net	(4)	(141)
Other expenses, net	--	(3)
	(208)	(607)
Income (loss) before income taxes	43	(273)
INCOME TAX EXPENSE	(19)	(61)
Consolidated net income (loss)	24	(334)
Less: Net loss – noncontrolling interest	--	129
Net income (loss) – Charter shareholders	\$ 24	\$ (205)
EARNINGS (LOSS) PER COMMON SHARE – CHARTER SHAREHOLDERS:		
Basic	\$ 0.21	\$ (0.54)

Diluted	\$0.21	\$(0.54)
Weighted average common shares outstanding, basic	113,020,967	378,095,547
Weighted average common shares outstanding, diluted	114,883,134	378,095,547

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

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	\$24	\$(334)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	369	321
Noncash interest expense	18	15
Noncash reorganization items, net	--	108
Deferred income taxes	16	59
Other, net	7	16
Changes in operating assets and liabilities:		
Accounts receivable	25	34
Prepaid expenses and other assets	--	(78)
Accounts payable, accrued expenses and other	71	46
Net cash flows from operating activities	530	187
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(310)	(269)
Change in accrued expenses related to capital expenditures	(15)	(27)
Other, net	(5)	4
Net cash flows from investing activities	(330)	(292)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term debt	(667)	(17)
Payments for debt issuance costs	(31)	--
Other, net	(2)	(2)
Net cash flows from financing activities	(700)	(19)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(500)	(124)
CASH AND CASH EQUIVALENTS, beginning of period	754	960
CASH AND CASH EQUIVALENTS, end of period	\$254	\$836
CASH PAID FOR INTEREST	\$152	\$221

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 March 31, 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 of the Company 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 is included in cash and cash equivalents on the accompanying condensed consolidated statements of cash flows. Approximately \$12 million of restricted cash held in an escrow account established in bankruptcy proceedings was used to pay for professional services for the three months ended March 31, 2010.

3. Franchises, Goodwill and Other Intangible Assets

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

	March 31, 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	\$ 5,272	\$ --	\$ 5,272	\$ 5,272	\$ --	\$ 5,272
Goodwill	951	--	951	951	--	951
Trademarks	158	--	158	158	--	158
	\$ 6,381	\$ --	\$ 6,381	\$ 6,381	\$ --	\$ 6,381
Finite-lived intangible assets:						
Customer relationships	\$ 2,363	\$ 112	\$ 2,251	\$ 2,363	\$ 28	\$ 2,335
Other intangible assets	38	2	36	33	--	33
	\$ 2,401	\$ 114	\$ 2,287	\$ 2,396	\$ 28	\$ 2,368

Amortization expense related to customer relationships and other intangible assets for the three months ended March 31, 2010 (Successor) and 2009 (Predecessor) was approximately \$86 million and \$2 million, respectively.

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

9 months ended December 31, 2010	\$252
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2011	311
2012	286
2013	260
2014	234
2015	208
Thereafter	736
	\$2,287

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.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

4. Accounts Payable and Accrued Expenses

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

	March 31, 2010	December 31, 2009
Accounts payable – trade	\$132	\$ 113
Accrued capital expenditures	31	46
Accrued expenses:		
Programming costs	283	270
Interest	124	90
Compensation	102	102
Franchise-related fees	48	53
Other	238	224
	\$958	\$ 898

5. Long-Term Debt

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

	March 31, 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	\$2,083	\$1,766	\$2,092
CCO Holdings, LLC:				
8.75 % senior notes due November 15, 2013	800	811	800	812
Credit facility	350	306	350	304
Charter Communications Operating, LLC:				
8% senior second-lien notes due April 30, 2012	1,100	1,118	1,100	1,120
8.375% senior second-lien notes due April 30, 2014	770	778	770	779
10.875% senior second-lien notes due September 15, 2014	546	599	546	601
Credit facilities	7,510	7,067	8,177	7,614
Total Debt	\$12,842	\$12,762	\$13,509	\$13,322
Less: Current Portion	--	--	70	70
Long-Term Debt	\$12,842	\$12,762	\$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. It is management's intent to fund the repayments of debt schedule to mature during the next 12 months from borrowings on the Company's revolving credit facility. The accompanying condensed consolidated balance sheets reflect this intent by presenting all debt balances as long-term as of March 31, 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 three months ended March 31, 2010 of approximately \$1 million recorded in other expense, net. Under the amended and restated credit agreement, the Charter Operating credit facilities consist of the following as of March 31, 2010:

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

- A term B-1 loan with a remaining principal amount of approximately \$3.4 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 \$490 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 \$665 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 March 31, 2010, Charter Operating had maturities of \$4.6 billion between January 1, 2014 and April 30, 2014. Upon completion of the tender offer for Charter Operating's 8.375% senior second-lien notes and redemption of any such notes not tendered, described below, the Company will have refinanced approximately \$770 million of this amount with proceeds from the recently completed CCO Holdings notes offering. 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 initial applicable LIBOR margin for the non-revolving loans and the term B-1 loans is 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. With respect to the LIBOR term B-2 loans, the applicable margin is the sum of 5% and the amount (expressed as a percentage), if any, by which 3.5% exceeds the Eurodollar rate applicable to the term B-2 loans at such time. With respect to the base rate for the term B-2 loans, the applicable margin is 4%. The applicable margin for the term C loans is 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 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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

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 also completed on April 28, 2010, in which \$741 million principal amount of CCO Holdings' outstanding 8.75% Senior Notes due 2013 (\$800 million aggregate principal amount outstanding) (the "2013 Notes") and \$677 million principal amount of Charter Operating's outstanding 8.375% Senior Second Lien Notes due 2014 (\$770 million aggregate principal amount outstanding) (the "2014 Notes") were repurchased. On May 28, 2010, the remainder of the net proceeds from the 2018 Notes and 2020 Notes will be used to further fund purchases of the remaining amounts outstanding under the 2013 Notes and 2014 Notes.

The Company is exposed to various market risks, including fluctuations in interest rates. The Company uses interest rate swap agreements to manage its interest costs and reduce its 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. In April 2010, the Company entered into \$2.0 billion in notional amounts of interest rate swap agreements with durations between 3 and 5 years with an average fixed rate of 2.25%. 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.

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 is included in other long-term liabilities on the Company's consolidated balance sheets at fair value of \$145 million and \$148 million as of March 31, 2010 and December 31, 2009, respectively. The Preferred Stock is 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 \$6 million and \$1 million as of March 31, 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.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

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 income	24	--	24
Charter Investment Inc.'s exchange of Charter Holdco interest (see Note 13)	(176)	(2)	(178)
Balance, March 31, 2010	\$1,763	\$ --	\$1,763

9. Comprehensive (Income) Loss

The Company reports changes in the fair value of interest rate agreements designated as hedging the variability of cash flows associated with floating-rate debt obligations, that meet the effectiveness criteria in accumulated other comprehensive income (loss). Consolidated comprehensive income was \$24 million for the three months ended March 31, 2010 (Successor) and consolidated comprehensive loss was \$343 million for the three months ended March 31, 2009 (Predecessor). Consolidated comprehensive loss for the three months ended March 31, 2009 includes a \$9 million loss in the fair value of interest rate swap agreements designated as cash flow hedges. There were no cash flow hedges outstanding for the three months ended March 31, 2010.

10. Fair Value Measurements

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of March 31, 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 March 31, 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 March 31, 2010 and December 31, 2009 is as follows:

	March 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				

CCH II debt	\$ 2,083	\$ 2,108	\$ 2,092	\$ 2,086
CCO Holdings debt	811	820	812	816
Charter Operating debt	2,495	2,571	2,500	2,527
Credit facilities	7,373	7,578	7,918	8,000

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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 preferred stock was valued at \$145 million and \$148 million as of March 31, 2010 and December 31, 2009, respectively, using an income approach based on yields of similar securities of comparable companies and based on yields of the Company's debt securities and is 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 circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded in the three months ended March 31, 2010 or 2009.

11. Other Operating (Income) Expenses, Net

Other operating (income) expenses, net consist of the following for the three months ended March 31, 2010 and 2009:

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
Loss on sale of assets, net	\$ 1	\$ 2
Special charges, net	11	(52)
	\$ 12	\$ (50)

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 months ended March 31, 2010 primarily includes unfavorable litigation settlements and for the three months ended March 31, 2009 primarily includes favorable litigation settlements.

12. 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.

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(dollars in millions, except per share amounts and where indicated)

Reorganization items, net consisted of the following items for the three months ended March 31, 2010 and 2009.

	Successor Three Months Ended March 31, 2010	Predecessor Three Months Ended March 31, 2009
Loss on debt at allowed claim amount	\$ --	\$ 97
Professional fees	4	23
Paul Allen management fee settlement – related party	--	11
Other	--	10
Total Reorganization Items, Net	\$ 4	\$ 141

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.

13. 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 Agreeeme