

Charter Communications Operating, LLC
Charter Communications Operating Capital Corp.

Quarterly Report
For the three and nine months ended September 30, 2010

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This quarterly report is for the three and nine months ended September 30, 2010. In this quarterly report, "we," "us" and "our" refer to Charter Communications Operating, LLC 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 Annual Report. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," "aim," "on track," "target," "opportunity," "tentative," "positioning" and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report and in other reports or documents, and include, but are not limited to:

- our ability to sustain and grow revenues and free cash flow 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, the need for innovation and related capital expenditures and the difficult economic conditions in the United States;
- the impact of competition from other distributors, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband providers, and digital subscriber line ("DSL") providers and competition from video provided over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the significant downturn in the housing sector and overall economy;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- our ability to adequately deliver customer service;
- the effects of governmental regulation on our business;
- the availability and access, in general, of funds to meet our and our parent companies' 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, (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 and our parent companies' ability to fund debt obligations (by dividend, investment or otherwise) to the applicable obligor of such debt; and
- our and our parent companies' ability to comply with all covenants in our and our parent companies' indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our and our parent companies' 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 OPERATING, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN MILLIONS)**

	<u>Successor</u>	
	<u>September 30,</u>	<u>December 31,</u>
	<u>2010</u>	<u>2009</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 650	\$ 506
Restricted cash and cash equivalents	27	27
Accounts receivable, less allowance for doubtful accounts of \$20 and \$11, respectively	240	247
Prepaid expenses and other current assets	77	45
Total current assets	<u>994</u>	<u>825</u>
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation	6,832	6,797
Franchises	5,257	5,272
Customer relationships, net	2,081	2,335
Goodwill	951	951
Total investment in cable properties, net	<u>15,121</u>	<u>15,355</u>
OTHER NONCURRENT ASSETS		
	<u>157</u>	<u>38</u>
Total assets	<u>\$ 16,272</u>	<u>\$ 16,218</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 797	\$ 727
Payables to related party	257	225
Current portion of long-term debt	589	70
Total current liabilities	<u>1,643</u>	<u>1,022</u>
LONG-TERM DEBT	<u>7,608</u>	<u>10,044</u>
LOANS PAYABLE – RELATED PARTY	<u>542</u>	<u>494</u>
OTHER LONG-TERM LIABILITIES	<u>351</u>	<u>275</u>
MEMBERS' EQUITY:		
Members' equity	5,960	4,158
Accumulated other comprehensive loss	(84)	--
Total Charter Operating members' equity	<u>5,876</u>	<u>4,158</u>
Noncontrolling interest	252	225
Total members' equity	<u>6,128</u>	<u>4,383</u>
Total liabilities and members' equity	<u>\$ 16,272</u>	<u>\$ 16,218</u>

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

CHARTER COMMUNICATIONS OPERATING, LLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN MILLIONS)
Unaudited

	Three Months Ended		Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009	Successor September 30, 2010	Predecessor September 30, 2009
REVENUES	\$ 1,769	\$ 1,693	\$ 5,275	\$ 5,045
COSTS AND EXPENSES:				
Operating (excluding depreciation and amortization)	788	739	2,317	2,174
Selling, general and administrative	356	354	1,060	1,034
Depreciation and amortization	385	327	1,134	977
Impairment of franchises	--	2,854	--	2,854
Other operating (income) expenses, net	--	10	19	(38)
	<u>1,529</u>	<u>4,284</u>	<u>4,530</u>	<u>7,001</u>
Income (loss) from operations	<u>240</u>	<u>(2,591)</u>	<u>745</u>	<u>(1,956)</u>
OTHER EXPENSES:				
Interest expense, net	(137)	(122)	(412)	(435)
Reorganization items, net	(1)	(175)	(6)	(427)
Loss on extinguishment of debt	(3)	--	(21)	--
Other expenses, net	--	--	--	(3)
	<u>(141)</u>	<u>(297)</u>	<u>(439)</u>	<u>(865)</u>
Income (loss) before income taxes	99	(2,888)	306	(2,821)
INCOME TAX BENEFIT (EXPENSE)	<u>(9)</u>	<u>75</u>	<u>(15)</u>	<u>68</u>
Consolidated net income (loss)	90	(2,813)	291	(2,753)
Less: Net (income) loss – noncontrolling interest	<u>(9)</u>	<u>102</u>	<u>(27)</u>	<u>80</u>
Net income (loss) – Charter Operating member	<u>\$ 81</u>	<u>\$ (2,711)</u>	<u>\$ 264</u>	<u>\$ (2,673)</u>

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

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

	Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	\$ 291	\$ (2,753)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	1,134	977
Impairment of franchises	--	2,854
Noncash interest expense	72	16
Noncash reorganization items, net	--	106
Loss on extinguishment of debt	20	--
Deferred income taxes	8	(76)
Other, net	20	33
Changes in operating assets and liabilities, net of effects from dispositions:		
Accounts receivable	7	12
Prepaid expenses and other assets	10	(26)
Accounts payable, accrued expenses and other	65	(110)
Receivables from and payables to related party	52	(16)
Net cash flows from operating activities	<u>1,679</u>	<u>1,017</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(948)	(819)
Change in accrued expenses related to capital expenditures	(7)	(18)
Other, net	(7)	(4)
Net cash flows from investing activities	<u>(962)</u>	<u>(841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	157	--
Borrowings from related parties	30	--
Repayments of long-term debt	(2,244)	(52)
Repayments to related parties	--	(75)
Payments for debt issuance costs	(31)	--
Contributions	1,697	--
Distributions	(177)	--
Other, net	(5)	--
Net cash flows from financing activities	<u>(573)</u>	<u>(127)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	144	49
CASH AND CASH EQUIVALENTS, beginning of period	533	946
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 677</u>	<u>\$ 995</u>
CASH PAID FOR INTEREST	<u>\$ 343</u>	<u>\$ 597</u>

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

CHARTER COMMUNICATIONS OPERATING, LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions)

1. Organization and Basis of Presentation

Organization

Charter Communications Operating, LLC (“Charter Operating”) is a holding company whose principal assets at September 30, 2010 are the equity interests in its operating subsidiaries. Charter Operating is a direct subsidiary of CCO Holdings, LLC (“CCO Holdings”), which is an indirect subsidiary of Charter Communications, Inc. (“Charter”). The consolidated financial statements include the accounts of Charter Operating and all of its subsidiaries where the underlying operations reside, which are collectively referred to herein as the “Company.” All significant intercompany accounts and transactions among consolidated entities have been eliminated.

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

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information. Accordingly, certain information and footnote disclosures typically included in Charter Operating’s Annual Report 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 Operating and its subsidiaries for periods following November 30, 2009 (“Successor”), and of Charter Operating and its subsidiaries for the periods through 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 period amounts have been reclassified to conform with the 2010 presentation.

2. Emergence from Reorganization Proceedings

On March 27, 2009, the Company, its parent companies, 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 and its parent companies emerged from protection under Chapter 11 of the Bankruptcy Code.

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

Restricted cash on the accompanying condensed consolidated balance sheet of \$27 million as of September 30, 2010 and December 31, 2009 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.

3. Franchises, Goodwill and Other Intangible Assets

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

	September 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	\$ 5,257	\$ --	\$ 5,257	\$ 5,272	\$ --	\$ 5,272
Goodwill	951	--	951	951	--	951
	\$ 6,208	\$ --	\$ 6,208	\$ 6,223	\$ --	\$ 6,223
Finite-lived intangible assets:						
Customer relationships	\$ 2,359	\$ 278	\$ 2,081	\$ 2,363	\$ 28	\$ 2,335
Other intangible assets	48	5	43	33	--	33
	\$ 2,407	\$ 283	\$ 2,124	\$ 2,396	\$ 28	\$ 2,368

Amortization expense related to customer relationships and other intangible assets for the three months ended September 30, 2010 (Successor) and 2009 (Predecessor) was approximately \$85 million and \$2 million, respectively, and for the nine months ended September 30, 2010 (Successor) and 2009 (Predecessor) was approximately \$255 million and \$5 million, respectively. During the nine months ended September 30, 2010, the net carrying amount of franchises and customer relationships was reduced by \$15 million and \$4 million, respectively, related to asset sales.

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

3 months ended December 31, 2010	\$ 83
2011	312
2012	286
2013	259
2014	234
2015	208
Thereafter	742
	\$ 2,124

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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.

In the three months ended September 30, 2009, the Company recorded a preliminary non-cash franchise impairment charge of \$2.9 billion which represented the Company's best estimate of the impairment of its franchise assets at that time. The impairment was a result of the continued economic pressure on the Company's customers from the economic downturn along with increased competition and the related impact to its projected future growth rates.

4. Accounts Payable and Accrued Expenses

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

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Accounts payable – trade	\$ 129	\$ 102
Accrued capital expenditures	39	46
Accrued expenses:		
Programming costs	295	270
Interest	41	59
Compensation	82	59
Franchise-related fees	48	53
Other	163	138
	<u>\$ 797</u>	<u>\$ 727</u>

5. Long-Term Debt

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

	<u>September 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Principal Amount</u>	<u>Accreted Value</u>	<u>Principal Amount</u>	<u>Accreted Value</u>
8% senior second-lien notes due April 30, 2012	\$ 1,100	\$ 1,114	\$ 1,100	\$ 1,120
8.375% senior second-lien notes due April 30, 2014	--	--	770	779
10.875% senior second-lien notes due September 15, 2014	546	594	546	601
Credit facilities	6,888	6,489	8,177	7,614
Total Debt	<u>\$ 8,534</u>	<u>\$ 8,197</u>	<u>\$ 10,593</u>	<u>\$ 10,114</u>
Less: Current Portion	631	589	70	70
Long-Term Debt	<u>\$ 7,903</u>	<u>\$ 7,608</u>	<u>\$ 10,523</u>	<u>\$ 10,044</u>

Current portion of long-term debt represents debt repaid on October 1, 2010 with cash on hand as of September 30, 2010. The accreted values presented above represent the fair value of the notes as of the Effective Date, plus accretion to the balance sheet dates. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. The Company has availability under the revolving portion of its credit facility of approximately \$1.2 billion as of September 30, 2010. As such, debt scheduled to mature during the next 12 months is reflected as long-term as of September 30, 2010.

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

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million. Under the amended and restated credit agreement, the Charter Operating credit facilities consist of the following as of September 30, 2010:

- A term B-1 loan with a remaining principal amount of approximately \$3.3 billion, which is repayable in equal quarterly installments and aggregating in each loan year to 1% of the original amount of the term B-1 loan, with the remaining balance due at final maturity on March 6, 2014;
- A term B-2 loan with a remaining principal amount of approximately \$367 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;
- A non-revolving loan with a remaining principal amount of approximately \$199 million, which is repayable in full on March 6, 2013; and
- A revolving loan which allows for borrowings of up to \$1.3 billion. The revolving loan matures on March 6, 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 6, 2015. As of September 30, 2010, Charter Operating had maturities of \$3.7 billion between January 1, 2014 and April 30, 2014. The revolving credit facility amount may be increased, but it may not exceed \$1.75 billion in aggregate revolving commitments plus the amount outstanding under the non-revolving loan.

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

The Charter Operating credit facilities also allow the Company to enter into incremental term loans in the future with an aggregate, together with all other then outstanding first lien indebtedness, including any first lien notes, of no more than \$7.5 billion (less any principal payments of term loan indebtedness and first lien notes as a result of any sale of 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, and subsidiaries of Charter Operating, except for certain subsidiaries, including immaterial subsidiaries and subsidiaries precluded from guaranteeing by reason of the provisions of other indebtedness to which they are subject (the "non-guarantor subsidiaries"). The Obligations are also secured by (i) a lien on substantially all of the assets of Charter Operating and its subsidiaries (other than assets of the non-guarantor subsidiaries), to the extent such lien can be perfected under the Uniform Commercial Code by the filing of a financing statement, and (ii) a pledge by CCO Holdings of the equity interests owned by it in Charter Operating or any of Charter Operating's subsidiaries, as well as intercompany obligations owing to it by any of such entities.

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(dollars in millions)

On April 28, 2010, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued \$900 million aggregate principal amount of 7.875% Senior Notes due 2018 (the “2018 Notes”) and \$700 million aggregate principal amount of 8.125% Senior Notes due 2020 (the “2020 Notes”). Such notes are guaranteed by Charter. The net proceeds were used to finance the tender offers and redemptions in which \$800 million principal amount of CCO Holdings' outstanding 8.75% Senior Notes due 2013 (the “2013 Notes”) and \$770 million principal amount of Charter Operating's outstanding 8.375% Senior Second Lien Notes due 2014 (the “2014 Notes”) were repurchased. The repurchase of the Charter Operating 2014 Notes resulted in a loss on extinguishment of debt for the nine months ended September 30, 2010 of approximately \$18 million.

In August and September 2010, the Company prepaid \$122 million principal amount of 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.

On September 27, 2010, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued \$1.0 billion aggregate principal amount of 7.25% Senior Notes due 2017 (the “2017 Notes”). Such Notes are guaranteed by Charter. A portion of the proceeds was used to repay amounts outstanding under the Charter Operating revolving credit facility with the remaining proceeds included in cash on hand at September 30, 2010 of \$677 million. On October 1, 2010, \$631 million was used to prepay portions of the amounts outstanding under the Charter Operating credit facilities. The Company expects to record a loss on extinguishment of debt of approximately \$34 million in the fourth quarter of 2010 related to the October prepayments.

6. Loans Payable – Related Party

Loans payable-related party as of September 30, 2010 consists of loans from Charter Communications Holding Company, LLC (“Charter Holdco”), CCH II, LLC (“CCH II”) and CCO Holdings to the Company of \$42 million, \$248 million and \$252 million, respectively. Loans payable-related party as of December 31, 2009 consists of loans from Charter Holdco, CCH II and CCO Holdings to the Company of \$13 million, \$239 million and \$242 million, respectively.

7. Noncontrolling Interest

Noncontrolling interest represents Charter's 5.6% membership interest and CCH I's 13% membership interest in CC VIII, LLC (“CC VIII”) of \$252 million and \$225 million as of September 30, 2010 and December 31, 2009, respectively. Noncontrolling interest in the accompanying condensed consolidated statements of operations represents the 2% accretion of the preferred membership interest in CC VIII plus approximately 18.6% of CC VIII's income.

8. Comprehensive Income (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 income (loss). Consolidated comprehensive income was \$56 million and \$207 million for the three and nine months ended September 30, 2010 (Successor), respectively. Consolidated comprehensive loss was \$2.8 billion and \$2.7 billion for the three and nine months ended September 30, 2009 (Predecessor), respectively. Consolidated comprehensive income (loss) for the three and nine months ended September 30, 2010 (Successor) includes a \$34 million and \$84 million loss, respectively, on the fair value of interest rate swap agreements designated as cash flow hedges and for the nine months ended September 30, 2009 (Predecessor) includes a \$9 million loss. For the three and nine months ended September 30, 2009 (Predecessor), consolidated comprehensive income (loss) also includes a \$23 million and \$45 million gain, respectively, related to the amortization of accumulated other comprehensive loss related to terminated interest rate swap agreements in connection with the bankruptcy.

9. 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

CHARTER COMMUNICATIONS OPERATING, LLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions)

specified intervals through 2015, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts.

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

Interest rate swap agreements are included in other long-term liabilities at fair value of \$84 million as of September 30, 2010. Changes in the fair value of interest rate agreements that are designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations, and that meet effectiveness criteria are reported in other comprehensive income (loss). The amounts are subsequently reclassified as an increase or decrease to interest expense in the same periods in which the related interest on the floating-rate debt obligations affects earnings (losses).

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

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

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

	Three Months Ended		Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009	Successor September 30, 2010	Predecessor September 30, 2009
Other expense, net:				
Loss on interest rate derivatives not designated as hedges or ineffective portion of hedges	\$ --	\$ --	\$ --	\$ (4)
Accumulated other comprehensive loss:				
Loss on interest rate derivatives designated as hedges (effective portion)	\$ (34)	\$ --	\$ (84)	\$ (9)
Amount of gain (loss) reclassified from accumulated other comprehensive loss into interest expense or reorganization items, net	\$ (9)	\$ 23	\$ (17)	\$ 12

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10. Fair Value Measurements

Financial Assets and Liabilities

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

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

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

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

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
Charter Operating debt	\$ 1,708	\$ 1,784	\$ 2,500	\$ 2,527
Credit facilities	6,489	6,750	7,614	7,679

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

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

The interest rate derivatives designated as hedges were valued as a \$84 million liability as of September 30, 2010 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% at September 30, 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, 2010. During the three months ended September 30, 2009, the Company recorded a preliminary impairment on its franchise assets of \$2.9 billion. The impairment charge was calculated by comparing the book value of franchise assets to their fair values as of September 30, 2009 which are determined utilizing an income approach that makes use of significant unobservable inputs. Such fair value was classified as level 3 in the fair value hierarchy.

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11. Other Operating (Income) Expenses, Net

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

	Three Months Ended		Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009	Successor September 30, 2010	Predecessor September 30, 2009
Loss on sales of assets, net	\$ 1	\$ 3	\$ 4	\$ 6
Special charges, net	(1)	7	15	(44)
	<u>\$ --</u>	<u>\$ 10</u>	<u>\$ 19</u>	<u>\$ (38)</u>

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.

In October 2010, the Company sold systems serving approximately 64,900 customers. The assets held for sale are included in prepaid and other current assets at September 30, 2010. The Company does not anticipate a significant gain or loss from the sale of such systems.

Special charges, net

Special charges, net for the three and nine months ended September 30, 2010 and 2009 primarily includes net amounts received or paid in litigation settlements and severance charges.

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.

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

	Three Months Ended		Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009	Successor September 30, 2010	Predecessor September 30, 2009
Penalty interest, net	\$ --	\$ 113	\$ --	\$ 209
Loss on debt at allowed claim amount	--	--	--	49
Professional fees	1	58	6	145
Paul Allen management fee settlement – related party	--	--	--	11
Other	--	4	--	13
	<u>\$ 1</u>	<u>\$ 175</u>	<u>\$ 6</u>	<u>\$ 427</u>

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Reorganization items, net consist of adjustments to record liabilities at the allowed claim amounts 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

Charter Operating is a single member limited liability company not subject to income tax. Charter Operating holds all operations through indirect subsidiaries. The majority of these indirect subsidiaries are limited liability companies that are not subject to income tax. However, certain of the limited liability companies are subject to state income tax. In addition, certain of Charter Operating's indirect subsidiaries are corporations that are subject to income tax.

As of September 30, 2010 and December 31, 2009, the Company had net deferred income tax liabilities of approximately \$221 million and \$213 million, respectively. The net deferred tax liabilities relate to certain of the Company's indirect subsidiaries, which file separate income tax returns.

For the three and nine months ended September 30, 2010 (Successor), the Company recorded \$9 million and \$15 million of income tax expense, respectively. Income tax expense was recognized through increases in deferred tax liabilities and current federal and state income tax expense. For the three and nine months ended September 30, 2009 (Predecessor), the Company recorded \$75 million and \$68 million of income tax benefit, respectively. Income tax benefit for the three and nine months ended September 30, 2009 included \$78 million of deferred tax benefit related to the impairment of franchises.

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

14. Related Party Transactions

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

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

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

In May 2008, Charter Operating entered into an agreement with 9 OM, LLC (formerly known as Digeo Interactive, LLC), a subsidiary of 9 OM, Inc., for the minimum purchase of high-definition DVR units for approximately \$21 million. This minimum purchase commitment is subject to reduction as a result of certain specified events such as the failure to deliver units timely and catastrophic failure. The software for these units is being supplied under a software license agreement with 9 OM, LLC; the cost of which is expected to be approximately \$2 million for the initial licenses and on-going maintenance fees of approximately \$0.3 million annually, subject to reduction to coincide with any reduction in the minimum purchase commitment. For the three and nine months ended September 30, 2009 (Predecessor), the Company purchased approximately \$4 million and \$15 million, respectively, of DVR units from 9 OM, LLC under these agreements.

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CC VIII Interest

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

Allen Agreement

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

15. Contingencies

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

On March 27, 2009, Charter filed its chapter 11 petition in the United States Bankruptcy Court for the Southern District of New York. On the same day, JPMorgan Chase Bank, N.A., ("JPMorgan"), for itself and as Administrative Agent under the Charter Operating Credit Agreement, filed an adversary proceeding (the "JPMorgan Adversary Proceeding") in Bankruptcy Court against Charter Operating and CCO Holdings seeking a declaration that there 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% 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 pending 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 it was signed by the judge on April 1, 2010 and the case dismissed. On December 3, 2009, Wilmington Trust withdrew its notice of appeal. On April 14, 2010, Wells Fargo filed their Stipulation of Dismissal of their appeal on behalf of the lenders under the CCO Holdings credit facility. This Stipulation was signed by the judge on April 19, 2010 and the case dismissed. The remaining appeals by Law Debenture Trust, R2 Investments and the securities plaintiffs are in the briefing phase. The Company cannot predict the ultimate outcome of the appeals.

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

16. Stock Compensation Plans

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

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

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

During the three and nine months ended September 30, 2010 (Successor), Charter granted 800 and 42,800 shares of restricted stock, respectively, and 1.3 million stock options. Restricted stock vests annually over a one to three-year period beginning from the date of grant. Stock options vest annually over four years from the grant date and expire ten years from the grant date. As of September 30, 2010, total unrecognized compensation remaining to be recognized in future periods totaled \$40 million for restricted stock and \$19 million for stock options.

During the three and nine months ended September 30, 2009 (Predecessor), no equity awards were granted; however, Charter granted \$0.2 million and \$12 million of performance cash and restricted cash under Charter's 2009 incentive program, respectively.

The Company recorded \$7 million and \$6 million of stock compensation expense for the three months ended September 30, 2010 (Successor) and 2009 (Predecessor), respectively, and \$17 million and \$23 million for the nine months ended September 30, 2010 (Successor) and 2009 (Predecessor), respectively, which is included in selling, general, and administrative expense.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Charter Communications Operating, LLC ("Charter Operating") is a holding company whose principal assets at September 30, 2010 are the equity interests in its operating subsidiaries. Charter Operating is a direct subsidiary of CCO Holdings, LLC ("CCO Holdings"), which is an indirect subsidiary of Charter Communications, Inc. ("Charter"). The consolidated financial statements include the accounts of Charter Operating and all of its subsidiaries where the underlying operations reside.

We are a broadband communications company operating in the United States with approximately 5.2 million customers at September 30, 2010. We offer our customers traditional cable video programming (basic and digital, which we refer to as "video" service), high-speed Internet access, and telephone services, as well as advanced broadband services (such as OnDemand, high definition television service and DVR).

Overview

For the three months ended September 30, 2010 and 2009, adjusted earnings before interest expense, income taxes, depreciation and amortization ("Adjusted EBITDA") was \$632 million and \$606 million, respectively, and for each of the nine months ended September 30, 2010 and 2009, Adjusted EBITDA was \$1.9 billion. See "—Use of Adjusted EBITDA and Free Cash Flow" for further information on Adjusted EBITDA and free cash flow. Adjusted EBITDA increased as a result of continued growth in high-speed Internet and telephone customers combined with growth in our commercial services and advertising sales businesses. For the three and nine months ended September 30, 2010, our income from operations was \$240 million and \$745 million, respectively, and for the three and nine months ended September 30, 2009, our loss from operations was \$2.6 billion and \$2.0 billion, respectively. The loss from operations for the three and nine months ended September 30, 2009 as compared to the income from operations for the three and nine months ended September 30, 2010 is primarily due to impairment of franchises incurred during the third quarter of 2009 that did not recur in 2010.

We believe that continued competition and the weakened economic conditions in the United States, including a continued downturn in the housing market over the past year and high unemployment levels, have adversely affected consumer demand for our services. In addition, we believe these factors have contributed to an increase in the number of homes that replace their traditional telephone service with wireless service thereby impacting the growth of our telephone business. These conditions have affected our net customer additions and revenue growth during 2010. If these conditions do not improve, we believe the growth of our business and results of operations will be further adversely affected which may contribute to future impairments of our franchises and goodwill.

The following table summarizes our customer statistics for basic video, digital video, residential high-speed Internet, and residential telephone as of September 30, 2010 and 2009:

	Approximate as of	
	September 30, 2010 (a)	September 30, 2009 (a)
Residential (non-bulk) basic video customers (b)	4,399,900	4,616,100
Multi-dwelling (bulk) and commercial unit customers (c)	252,800	263,000
Total basic video customers (b)(c)	4,652,700	4,879,100
Digital video customers (d)	3,379,300	3,174,800
Residential high-speed Internet customers (e)	3,238,700	3,010,100
Residential telephone customers (f)	1,688,000	1,499,800
Total Revenue Generating Units (g)	12,958,700	12,563,800

After giving effect to sales of cable systems in 2009 and 2010, basic video customers, digital video customers, high-speed Internet customers and telephone customers would have been approximately 4,873,100, 3,172,900, 3,010,500, and 1,499,800, respectively, as of September 30, 2009.

- (a) We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, at September 30, 2010 and 2009, customers include approximately 14,400 and 33,300 persons, respectively, whose accounts were over 60 days past due in payment, approximately 1,900 and 5,700 persons, respectively, whose accounts were over 90 days past due in payment, and approximately 1,100 and 2,500 persons, respectively, of which were over 120 days past due in payment.
- (b) "Basic video customers" include all residential customers who receive video cable services.
- (c) Included within "basic video customers" are those in commercial and multi-dwelling structures, which are calculated on an equivalent bulk unit ("EBU") basis. We calculate EBUs by dividing the bulk price charged to accounts in an area by the published rate charged to non-bulk residential customers in that market for the comparable tier of service rather than the most prevalent price charged. This EBU method of estimating basic video customers is consistent with the methodology used in determining costs paid to programmers and is consistent with the methodology used by other multiple system operators ("MSOs"). As we increase our published video rates to residential customers without a corresponding increase in the prices charged to commercial service or multi-dwelling customers, our EBU count will decline even if there is no real loss in commercial service or multi-dwelling customers.
- (d) "Digital video customers" include all basic video customers that have one or more digital set-top boxes or cable cards deployed.
- (e) "Residential high-speed Internet customers" represent those residential customers who subscribe to our high-speed Internet service.
- (f) "Residential telephone customers" represent those residential customers who subscribe to our telephone service.
- (g) "Revenue generating units" represent the sum total of all basic video, digital video, high-speed Internet and telephone customers, not counting additional outlets within one household. For example, a customer who receives two types of service (such as basic video and digital video) would be treated as two revenue generating units and, if that customer added on high-speed Internet service, the customer would be treated as three revenue generating units. This statistic is computed in accordance with the guidelines of the National Cable & Telecommunications Association ("NCTA").

For the three and nine months ended September 30, 2010, our consolidated net income was \$90 million and \$291 million, respectively, and for each of the three and nine months ended September 30, 2009, our consolidated net losses were \$2.8 billion. We have a history of net losses. Our net losses were principally attributable to insufficient revenue to cover the combination of operating expenses, interest expenses that we incurred because of our debt, depreciation expenses resulting from the capital investments we have made and continue to make in our cable properties, and in 2010, amortization expenses resulting from the application of fresh start accounting and in 2009, impairment of franchises.

Emergence from Reorganization Proceedings

On March 27, 2009, we, our parent companies 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, we 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 we and our parent companies emerged from protection under Chapter 11 of the Bankruptcy Code.

Upon our emergence from bankruptcy, we adopted fresh start accounting. This resulted in us 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 our capital structure or changes in the fair value of assets and liabilities as a result of fresh start accounting.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates therefore, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2009 Annual Report.

RESULTS OF OPERATIONS

The following table sets forth the percentages of revenues that items in the accompanying condensed consolidated statements of operations constituted for the periods presented (dollars in millions):

	Three Months Ended				Nine Months Ended			
	Successor September 30, 2010		Predecessor September 30, 2009		Successor September 30, 2010		Predecessor September 30, 2009	
REVENUES	\$ 1,769	100%	\$ 1,693	100%	\$ 5,275	100%	\$ 5,045	100%
COSTS AND EXPENSES:								
Operating (excluding depreciation and amortization)	788	44%	739	43%	2,317	44%	2,174	43%
Selling, general and administrative	356	20%	354	21%	1,060	20%	1,034	21%
Depreciation and amortization	385	22%	327	19%	1,134	22%	977	19%
Impairment of franchises	--	--	2,854	169%	--	--	2,854	57%
Other operating (income) expenses, net	--	--	10	1%	19	--	(38)	(1%)
	1,529	86%	4,284	253%	4,530	86%	7,001	139%
Income (loss) from operations	240	14%	(2,591)	(153%)	745	14%	(1,956)	(39)%
OTHER EXPENSES:								
Interest expense, net	(137)		(122)		(412)		(435)	
Reorganization items, net	(1)		(175)		(6)		(427)	
Loss on extinguishment of debt	(3)		--		(21)		--	
Other expenses, net	--		--		--		(3)	
	(141)		(297)		(439)		(865)	
Income (loss) before income taxes	99		(2,888)		306		(2,821)	
INCOME TAX BENEFIT (EXPENSE)	(9)		75		(15)		68	
Consolidated net income (loss)	90		(2,813)		291		(2,753)	
Less: Net (income) loss – noncontrolling interest	(9)		102		(27)		80	
Net income (loss) – Charter Operating member	\$ 81		\$ (2,711)		\$ 264		\$ (2,673)	

Revenues. Average monthly revenue per basic video customer increased to \$126 for the three months ended September 30, 2010 from \$115 for the three months ended September 30, 2009 and increased to \$124 for the nine months ended September 30, 2010 from \$113 for the nine months ended September 30, 2009. Average monthly revenue per basic video customer represents total revenue, divided by the number of respective months, divided by the average number of basic video customers during the respective period. Revenue growth primarily reflects increases in the number of high-speed Internet, telephone, and digital video customers, price increases, and incremental video revenues from premium, DVR, and high-definition television services, offset by a decrease in basic video customers. Asset sales, net of acquisitions in 2009 and 2010, reduced the increase in revenues for the three and nine months ended September 30, 2010 as compared to the three and nine months ended September 30, 2009 by approximately \$2 million and \$5 million, respectively.

Revenues by service offering were as follows (dollars in millions):

	Successor		Predecessor		2010 over 2009	
	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009			
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	\$ 918	52%	\$ 916	54%	\$ 2	--
High-speed Internet	404	23%	371	22%	33	9%
Telephone	208	12%	192	11%	16	8%
Commercial	126	7%	113	7%	13	12%
Advertising sales	75	4%	64	4%	11	17%
Other	38	2%	37	2%	1	3%
	\$ 1,769	100%	\$ 1,693	100%	\$ 76	4%

	Successor		Predecessor		2010 over 2009	
	Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009			
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	\$ 2,776	53%	\$ 2,772	55%	\$ 4	--
High-speed Internet	1,201	23%	1,098	22%	103	9%
Telephone	612	11%	555	11%	57	10%
Commercial	365	7%	330	6%	35	11%
Advertising sales	206	4%	180	4%	26	14%
Other	115	2%	110	2%	5	5%
	\$ 5,275	100%	\$ 5,045	100%	\$ 230	5%

Certain prior year amounts have been reclassified to conform with the 2010 presentation, including the reflection of franchise fees, equipment rental and video customer installation revenue as video revenue, and telephone regulatory fees as telephone revenue, rather than other revenue.

Video revenues consist primarily of revenues from basic and digital video services provided to our non-commercial customers, as well as franchise fees, equipment rental and video installation revenue. Basic video customers decreased by 226,400 customers from September 30, 2009 compared to September 30, 2010, 6,000 of which were related to asset sales. Digital video customers increased by 204,500 during the same period, offset by asset sales of 1,900 customers. The increase in video revenues is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Incremental video services and rate adjustments	\$ 11	\$ 41
Increase in digital video customers	18	44
Decrease in basic video customers	(26)	(77)
Asset sales, net of acquisitions	(1)	(4)
	<u>\$ 2</u>	<u>\$ 4</u>

Residential high-speed Internet customers grew by 228,600 customers from September 30 2009 to September 30, 2010. The increase in high-speed Internet revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Increase in residential high-speed Internet customers	\$ 29	\$ 83
Rate adjustments and service upgrades	4	20
	<u>\$ 33</u>	<u>\$ 103</u>

Residential telephone customers grew by 188,200 customers from September 30 2009 to September 30, 2010. The increase in telephone revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Increase in residential telephone customers	\$ 25	\$ 80
Rate adjustments and service upgrades	(9)	(23)
	<u>\$ 16</u>	<u>\$ 57</u>

Average monthly revenue per telephone customer decreased during the three and nine months ended September 30, 2010 compared to the corresponding period in 2009 due to promotional activity to increase sales of The Charter Bundle®.

Commercial revenues consist primarily of revenues from services provided to our commercial customers. Commercial revenues increased primarily as a result of increased sales of the Charter Business Bundle® and customer relationship growth.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers, and other vendors. Advertising sales revenues for the three and nine months ended September 30, 2010 increased as a result of increases in revenues from all sectors, especially the political and automotive sectors. For each of the three months ended September 30, 2010 and 2009, we received \$12 million, and for the nine months ended September 30, 2010 and 2009, we received \$33 million and \$30 million, respectively, in advertising sales revenues from vendors.

Other revenues consist of home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. The increase in other revenues for the three and nine months ended September 30, 2010 was primarily the result of increases in home shopping, wire maintenance fees and late payment fees.

Operating expenses. The increase in operating expenses is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Programming costs	\$ 25	\$ 77
Labor costs	11	33
Franchise and regulatory fees	2	12
Commercial services	3	8
Maintenance costs	3	5
Other, net	5	10
Asset sales, net of acquisitions	--	(2)
	<u>\$ 49</u>	<u>\$ 143</u>

Programming costs were approximately \$462 million and \$437 million, representing 59% of total operating expenses, for each of the three months ended September 30, 2010 and 2009 and were approximately \$1.4 billion and \$1.3 billion, representing 59% and 60% of total operating expenses, for the nine months ended September 30, 2010 and 2009, respectively. Programming costs consist primarily of costs paid to programmers for basic, premium, digital, OnDemand, and pay-per-view programming. The increase in programming costs is primarily a result of annual contractual rate adjustments, offset in part by customer losses. Programming costs were also offset by the amortization of payments received from programmers of \$4 million and \$6 million for the three months ended September 30, 2010 and 2009, respectively, and \$12 million and \$20 million for the nine months ended September 30, 2010 and 2009, respectively. We expect programming expenses to continue to increase due to a variety of factors, including amounts paid for retransmission consent, annual increases imposed by programmers, and additional programming, including high-definition, OnDemand, and pay-per-view programming, being provided to our customers.

Service labor and commercial services expenses increased as a result of growth in our commercial business and increases in service calls resulting from strategic bandwidth initiatives.

Selling, general and administrative expenses. The increase in selling, general and administrative expenses is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Commercial services	\$ 6	\$ 19
Bad debt and collection costs	(2)	7
Marketing costs	(2)	6
Stock compensation	1	(6)
Other, net	--	1
Asset sales, net of acquisitions	(1)	(1)
	<u>\$ 2</u>	<u>\$ 26</u>

Depreciation and amortization. Depreciation and amortization expense increased by \$58 million and \$157 million for the three and nine months ended September 30, 2010, respectively, primarily as a result of increased amortization associated with the increase in customer relationships as a part of applying fresh start accounting.

Impairment of franchises. In the three months ended September 30, 2009, we recorded a preliminary non-cash franchise impairment charge of \$2.9 billion which represented our best estimate of the impairment of our franchise assets at that time. The impairment was a result of the continued economic pressure on our customers from the economic downturn along with increased competition and the related impact to our projected future growth rates.

Other operating (income) expenses, net. The change in other operating (income) expense, net is attributable to the following (dollars in millions):

	Three months ended September 30, 2010 compared to three months ended September 30, 2009 Increase / (Decrease)	Nine months ended September 30, 2010 compared to nine months ended September 30, 2009 Increase / (Decrease)
Special charges, net	\$ (8)	\$ 59
Loss on sales of assets, net	(2)	(2)
	<u>\$ (10)</u>	<u>\$ 57</u>

The change in special charges in the three and nine months ended September 30, 2010 as compared to the prior period is the result of amounts paid or net amounts received in litigation settlements. For more information, see Note 11 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Interest expense, net. For the three months ended September 30, 2010 compared to September 30, 2009, net interest expense increased by \$15 million, which was primarily a result of the reclassification of realized losses on interest rate swap agreements from accumulated other comprehensive loss into interest expense and an increase in our weighted average interest rate offset by a decrease in our weighted average debt outstanding. For the nine months ended September 30, 2010 compared to September 30, 2009, net interest expense decreased by \$23 million, which was primarily a result of a decrease in average debt outstanding.

Reorganizations items, net. Reorganization items, net of \$1 million and \$175 million for the three months ended September 30, 2010 and 2009, respectively, and \$6 million and \$427 million for the nine months ended September 30, 2010 and 2009, respectively, represent items of income, expense, gain or loss that we realized or incurred related

to our reorganization under Chapter 11 of the U.S. Bankruptcy Code. For more information, see Note 12 to the accompanying condensed consolidated financial statements contained in “Item 1. Financial Statements.”

Loss on extinguishment of debt. Loss on extinguishment of debt for the nine months ended September 30, 2010 primarily represents the loss recognized on the tender offer and redemption in which \$770 million principal amount of Charter Operating’s 8.375% senior second lien notes due 2014 were repurchased. Also included in the loss on extinguishment of debt for the three and nine months ended September 30, 2010 are losses recognized on early repayments of borrowings under portions of the term loans under Charter Operating’s credit facilities. For more information, see Note 5 to the accompanying condensed consolidated financial statements contained in “Item 1. Financial Statements.”

Income tax benefit (expense). Income tax expense was recognized for the three and nine months ended September 30, 2010, through net increases in deferred tax liabilities and current federal and state income tax expense of certain of our indirect subsidiaries. Income tax benefit for the three and nine months ended September 30, 2009 included \$78 million of deferred tax benefit related to the impairment of franchises.

Net income (loss) – noncontrolling interest. Noncontrolling interest includes the 2% accretion of the preferred membership interests in CC VIII, LLC (“CC VIII”) plus approximately 18.6% of CC VIII’s income, net of accretion. For more information, see Note 7 to the accompanying condensed consolidated financial statements contained in “Item 1. Financial Statements.”

Net income (loss) – Charter Operating member. Net income (loss) – Charter Operating member changed from a net loss of \$2.7 billion for the three months ended September 30, 2009 to net income of \$81 million for the three months ended September 30, 2010 and changed from a net loss of \$2.7 billion for the nine months ended September 30, 2009 to net income of \$264 million for the nine months ended September 30, 2010 primarily a result of the factors described above.

Use of Adjusted EBITDA and Free Cash Flow

We use certain measures that are not defined by accounting principles generally accepted in the United States (“GAAP”) to evaluate various aspects of our business. Adjusted EBITDA and free cash flow are non-GAAP financial measures and should be considered in addition to, not as a substitute for, net loss and net cash flows from operating activities reported in accordance with GAAP. These terms, as defined by us, may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA and free cash flow are reconciled to consolidated net income (loss) and net cash flows from operating activities, respectively, below.

Adjusted EBITDA is defined as consolidated net income (loss) plus net interest expense, income taxes, depreciation and amortization, impairment of franchises, reorganization items, stock compensation expense, loss on extinguishment of debt, and other expenses, such as special charges and loss on sale or retirement of assets. As such, it eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of our businesses as well as other non-cash or special items, and is unaffected by our capital structure or investment activities. Adjusted EBITDA is used by management and Charter’s board of directors to evaluate the performance of our business. For this reason, it is a significant component of Charter’s annual incentive compensation program. However, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues and our cash cost of financing. Management evaluates these costs through other financial measures.

Free cash flow is defined as net cash flows from operating activities, less capital expenditures and changes in accrued expenses related to capital expenditures.

We believe that Adjusted EBITDA and free cash flow provide information useful to investors in assessing our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the United States Securities and Exchange Commission). Adjusted EBITDA includes management fee expenses in the amount of \$34 million for each of the three months ended September 30, 2010 and 2009, and \$105 million and \$100 million for the nine months ended September 30,

2010 and 2009, respectively, which expense amounts are excluded for the purposes of calculating compliance with leverage covenants.

	Three Months Ended		Nine Months Ended	
	Successor September 30, 2010	Predecessor September 30, 2009	Successor September 30, 2010	Predecessor September 30, 2009
Consolidated net income (loss)	\$ 90	\$ (2,813)	\$ 291	\$ (2,753)
Plus: Interest expense, net	137	122	412	435
Income tax (benefit) expense	9	(75)	15	(68)
Depreciation and amortization	385	327	1,134	977
Impairment of franchises	--	2,854	--	2,854
Stock compensation expense	7	6	17	23
Reorganization items, net	1	175	6	427
Loss on extinguishment of debt	3	--	21	--
Other, net	--	10	19	(35)
Adjusted EBITDA	<u>\$ 632</u>	<u>\$ 606</u>	<u>\$ 1,915</u>	<u>\$ 1,860</u>
Net cash flows from operating activities	\$ 565	\$ 386	\$ 1,679	\$ 1,017
Less: Purchases of property, plant and equipment	(299)	(279)	(948)	(819)
Change in accrued expenses related to capital expenditures	(7)	1	(7)	(18)
Free cash flow	<u>\$ 259</u>	<u>\$ 108</u>	<u>\$ 724</u>	<u>\$ 180</u>

Liquidity and Capital Resources

This section contains a discussion of our liquidity and capital resources, including a discussion of our cash position, sources and uses of cash, access to credit facilities and other financing sources, historical financing activities, cash needs, capital expenditures and outstanding debt.

Recent Events

On March 31, 2010, Charter Operating and its affiliates closed on a transaction to amend and restate its senior secured credit facilities to, among other things, allow for the creation of a new revolving facility of \$1.3 billion, the extension of maturities of a portion of the facilities and the amendment and restatement of certain other terms and conditions. Upon the closing, each of Bank of America, N.A. and JPMorgan Chase Bank, N.A., as agent and retiring agent, respectively, for itself and on behalf of the lenders under the Charter Operating senior secured credit facilities, agreed to dismiss with prejudice the pending appeal of our Confirmation Order pending before the Bankruptcy Court and to waive any objections to our Confirmation Order issued by the Bankruptcy Court. The dismissal was entered on April 1, 2010.

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

On September 27, 2010, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued \$1.0 billion aggregate principal amount of 7.25% Senior Notes due 2017 (the "Notes"). Such Notes are

guaranteed by Charter. The net proceeds were used to repay borrowings under a portion of the term loans and revolver under Charter Operating's credit facilities.

Overview of Our Debt and Liquidity

We continue to have significant amounts of debt. The accreted value of our debt as of September 30, 2010 was \$8.2 billion, consisting of \$6.5 billion of credit facility debt and \$1.7 billion of high-yield notes. Our business requires significant cash to fund principal and interest payments on our debt. For the remainder of 2010, \$17 million of our debt matures. As of October 1, 2010, \$61 million of our debt matures in 2011, \$1.2 billion in 2012, \$363 million in 2013, \$3.4 billion in 2014 and \$2.9 billion thereafter.

As we continue to evaluate potential uses of our anticipated future free cash flow, we will consider all of our options, including reducing leverage and investing in our business growth and other strategic opportunities as well as dividends and stock repurchases. We intend to make all capital allocation decisions in a way that maximizes value for Charter's stockholders.

As of September 30, 2010, the amount available under the revolving credit facility was approximately \$1.2 billion. The revolving credit facility 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 credit facility will mature on December 1, 2013 unless lenders holding more than 50% of the revolving credit facility consent to the maturity being March 2015. As of October 1, 2010, Charter Operating had maturities of \$3.0 billion between January 1, 2014 and April 30, 2014. We expect to utilize free cash flow and cash on hand as well as future refinancing transactions to further extend or reduce the maturities of our principal obligations. The timing and terms of any refinancing transactions will be subject to market conditions. Additionally, we may, from time to time, depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings, to retire our debt through open market purchases, privately negotiated purchases, tender offers, or redemption provisions.

Our business requires significant cash to fund capital expenditures and ongoing operations. Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating's revolving credit facility as well as access to the capital markets to fund our projected operating cash needs.

Free Cash Flow

Free cash flow was \$724 million and \$180 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in free cash flow is primarily due to decreases in cash paid for interest and reorganization items offset by increases in capital investments to enhance our residential and commercial products and service capabilities.

Limitations on Distributions

Distributions by Charter's subsidiaries to a parent company for payment of principal on parent company notes are restricted under indentures and credit facilities governing our and our parent companies' indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable subsidiary's leverage ratio test is met at the time of such distribution. For the quarter ended September 30, 2010, there was no default under any of these indentures or credit facilities and each subsidiary met its applicable leverage ratio tests based on September 30, 2010 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at the time of the contemplated distribution. In the past, certain subsidiaries have from time to time failed to meet their leverage ratio test. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in its credit facilities.

Distributions by CCO Holdings and Charter Operating to a parent company for payment of parent company interest are permitted if there is no default under the aforementioned indentures and CCO Holdings and Charter Operating credit facilities.

In addition to the limitation on distributions under the various indentures discussed above, distributions by Charter Operating may be limited by applicable law, including the Delaware Limited Liability Company Act, under which it may only make distributions if it has “surplus” as defined in the act.

Historical Operating, Investing and Financing Activities

Cash and Cash Equivalents. We held \$677 million in cash and cash equivalents, including restricted cash, as of September 30, 2010 compared to \$533 million as of December 31, 2009. On October 1, 2010, we used the proceeds remaining from the CCO Holdings debt transaction on September 27, 2010 described above to repay \$631 million of principal amounts outstanding under the Charter Operating credit facilities.

Operating Activities. Net cash provided by operating activities increased \$662 million from \$1.0 billion for the nine months ended September 30, 2009 to \$1.7 billion for the nine months ended September 30, 2010, primarily as a result of a decrease of \$254 million in cash paid for interest, \$153 million in cash paid for reorganization items other than interest and revenues increasing at a faster rate than cash expenses.

Investing Activities. Net cash used in investing activities was \$962 million and \$841 million for the nine months ended September 30, 2010 and 2009, respectively. The increase is primarily due to an increase of \$129 million in purchases of property, plant, and equipment as a result of capital investments to enhance our residential and commercial products and services capabilities.

Financing Activities. Net cash used in financing activities was \$573 million and \$127 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in cash used during the nine months ended September 30, 2010 as compared to the corresponding period in 2009, was primarily the result of repayments on Charter Operating’s credit facilities and notes offset by contributions from our parent company.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were \$948 million and \$819 million for the nine months ended September 30, 2010 and 2009, respectively, and increased as a result of strategic investments including DOCSIS 3.0, bandwidth reclamation projects such as switched-digital video launches, and investments made to move into new commercial segments. See the table below for more details.

Our capital expenditures are funded primarily from free cash flow and the issuance of debt. In addition, our liabilities related to capital expenditures decreased \$7 million and \$18 million for the nine months ended September 30, 2010 and 2009 compared to year end, respectively.

During 2010, we expect capital expenditures to be approximately \$1.2 billion. We expect the nature of these expenditures will continue to be composed primarily of purchases of customer premise equipment related to advanced services, scalable infrastructure, and support capital. The actual amount of our capital expenditures depends in part on the deployment of advanced broadband services and offerings. We may need to increase capital expenditures if there is accelerated growth in high-speed Internet, telephone, commercial business or digital customers or there is an increased need to respond to competitive pressures by expanding the delivery of other advanced services.

We have adopted capital expenditure disclosure guidance, which was developed by the publicly traded cable system operators, including Charter, with the support of the NCTA. The disclosure is intended to provide more consistency in the reporting of capital expenditures among peer companies in the cable industry. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the three and nine months ended September 30, 2010 (Successor) and 2009 (Predecessor) (dollars in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Customer premise equipment (a)	\$ 141	\$ 152	\$ 437	\$ 460
Scalable infrastructure (b)	64	46	259	141
Line extensions (c)	23	18	61	49
Upgrade/Rebuild (d)	4	6	20	20
Support capital (e)	67	57	171	149
Total capital expenditures (f)	\$ 299	\$ 279	\$ 948	\$ 819

- (a) Customer premise equipment includes costs incurred at the customer residence to secure new customers, revenue units and additional bandwidth revenues. It also includes customer installation costs and customer premise equipment (e.g., set-top boxes and cable modems, etc.).
- (b) Scalable infrastructure includes costs not related to customer premise equipment or our network, to secure growth of new customers, revenue units, and additional bandwidth revenues, or provide service enhancements (e.g., headend equipment).
- (c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
- (d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
- (e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).
- (f) Total capital expenditures includes \$34 million and \$19 million of capital expenditures related to commercial services for the three months ended September 30, 2010 and 2009, respectively, and \$86 million and \$54 million for the nine months ended September 30, 2010 and 2009, respectively.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to various market risks, including fluctuations in interest rates. We use interest rate swap agreements to manage our interest costs and reduce our exposure to increases in floating interest rates. We manage our exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals through 2015, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts.

As of September 30, 2010 and December 31, 2009, the accreted value of our debt was approximately \$8.2 billion and \$10.1 billion, respectively. As of September 30, 2010 and December 31, 2009, the weighted average interest rate on the credit facility debt, including the effects of our interest rate swap agreements, was approximately 3.7% and 2.6%, respectively, and the weighted average interest rate on the high-yield notes was approximately 9.0% and 8.8%, respectively, resulting in a blended weighted average interest rate of 4.7% and 4.0%, respectively. The increase in the credit facility and blended weighted average interest rates is primarily due to the \$2.0 billion notional amount of interest rate swap agreements entered into in April 2010. The interest rate on approximately 43% and 23% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate swap agreements, as of September 30, 2010 and December 31, 2009, respectively.

We do not hold or issue derivative instruments for speculative trading purposes. We have 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, derivative gains and losses offset related results on hedged items in the consolidated statements of operations. We have formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. For each of the three and nine months ended September 30, 2010 and 2009, there was no cash flow hedge ineffectiveness on interest rate swap agreements.

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. For the three and nine months ended September 30, 2010, losses of \$34 million and \$84 million, respectively, and for the nine months ended September 30, 2009, losses of \$9 million, related to derivative instruments designated as cash flow hedges, were recorded in other comprehensive loss. No gains or losses related to derivative instruments designated as cash flow hedges were recorded in other comprehensive loss for the three months ended September 30, 2009 as no interest rate swaps were outstanding during this period. The amounts are subsequently reclassified as an increase or decrease to interest expense in the same periods in which the related interest on the floating-rate debt obligations affects earnings (losses).

Certain interest rate derivative instruments are not designated as hedges as they did not meet effectiveness criteria. However, management believes such instruments are closely correlated with the respective debt, thus managing associated risk. Interest rate derivative instruments not designated as hedges are marked to fair value, with the impact recorded as other expenses, net in our consolidated statements of operations. For the nine months ended September 30, 2009, other expense, net included losses of \$4 million, resulting from interest rate derivative instruments not designated as hedges. No gains or losses resulting from interest rate derivative instruments not designated as hedges were recorded in other expense, net for the three and nine months ended September 30, 2010 or the three months ended September 30, 2009.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of September 30, 2010 (dollars in millions):

	2010	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value at September 30, 2010
Debt:									
Fixed Rate	\$ --	\$ --	\$ 1,100	\$ --	\$ 546	\$ --	\$ --	\$ 1,646	\$ 1,784
Average Interest Rate	--	--	8.00%	--	10.88%	--	--	8.95%	
Variable Rate	\$ 17	\$ 68	\$ 68	\$ 268	\$ 3,602	\$ 30	\$ 2,835	\$ 6,888	\$ 6,750
Average Interest Rate	3.24%	3.40%	3.82%	3.80%	4.75%	6.18%	6.60%	5.46%	
Interest Rate Instruments:									
Variable to Fixed Rate	\$ --	\$ --	\$ --	\$ 900	\$ 800	\$ 300	\$ --	\$ 2,000	\$ 84
Average Pay Rate	--	--	--	5.21%	5.65%	5.99%	--	5.50%	
Average Receive Rate	--	--	--	4.76%	5.46%	5.99%	--	5.22%	

At September 30, 2010, we had \$2.0 billion in notional amounts of interest rate swaps outstanding. The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of our exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts. The estimated fair value is determined using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparties' credit risk). Interest rates on variable debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at September 30, 2010 including applicable bank spread.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based in part upon reports and certifications provided by a number of executives. Based upon, and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of

achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the above evaluation, we believe that our controls provide such reasonable assurances.

There was no change in our internal control over financial reporting during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

Patent Litigation

Ronald A. Katz Technology Licensing, L.P. v. Charter Communications, Inc. et al. On September 5, 2006, Ronald A. Katz Technology Licensing, L.P. served a lawsuit on Charter and a group of other companies in the U. S. District Court for the District of Delaware alleging that Charter and the other defendants have infringed its interactive call processing patents. Charter denied the allegations raised in the complaint. On March 20, 2007, the Judicial Panel on Multi-District Litigation transferred this case, along with 24 others, to the U.S. District Court for the Central District of California for coordinated and consolidated pretrial proceedings. On May 5, 2010, the court denied Katz's motion for summary judgment, struck two affirmative defenses that Charter had raised, invalidated one of the nine remaining claims Katz had asserted and entered a ruling limiting Katz's damages claims. Charter is vigorously contesting this matter.

Rembrandt Patent Litigation. On June 6, 2006, Rembrandt Technologies, LP sued Charter and several other cable companies in the U.S. District Court for the Eastern District of Texas, alleging that each defendant's high-speed data service infringes three patents owned by Rembrandt and that Charter's receipt and retransmission of ATSC digital terrestrial broadcast signals infringes a fourth patent owned by Rembrandt (*Rembrandt I*). On November 30, 2006, Rembrandt Technologies, LP again filed suit against Charter and another cable company in the U.S. District Court for the Eastern District of Texas, alleging patent infringement of an additional five patents allegedly related to high-speed Internet over cable (*Rembrandt II*). Charter has denied all of Rembrandt's allegations. On June 18, 2007, the *Rembrandt I* and *Rembrandt II* cases were combined in a multi-district litigation proceeding in the U.S. District Court for the District of Delaware. On November 21, 2007, certain vendors of the equipment that is the subject of *Rembrandt I* and *Rembrandt II* cases filed an action against Rembrandt in U.S. District Court for the District of Delaware seeking a declaration of non-infringement and invalidity on all but one of the patents at issue in those cases. On January 16, 2008 Rembrandt filed an answer in that case and a third party counterclaim against Charter and the other MSOs for infringement of all but one of the patents already at issue in *Rembrandt I* and *Rembrandt II* cases. On February 7, 2008, Charter filed an answer to Rembrandt's counterclaims and added a counter-counterclaim against Rembrandt for a declaration of noninfringement on the remaining patent. On October 28, 2009, Rembrandt filed a Supplemental Covenant Not to Sue promising not to sue Charter and the other defendants on eight of the contested patents. One patent remains in litigation, and Charter is vigorously contesting Rembrandt's claims regarding it.

Verizon Patent Litigation. On February 5, 2008, four Verizon entities sued Charter and two other Charter subsidiaries in the U.S. District Court for the Eastern District of Texas, alleging that the provision of telephone service by Charter infringes eight patents owned by the Verizon entities (*Verizon I*). On December 31, 2008, forty-four Charter entities filed a complaint in the U.S. District Court for the Eastern District of Virginia alleging that Verizon and two of its subsidiaries infringe four patents related to television transmission technology (*Verizon II*). On February 6, 2009, Verizon responded to the complaint by denying Charter's allegations, asserting counterclaims for non-infringement and invalidity of Charter's patents and asserting counterclaims against Charter for infringement of eight patents. On January 15, 2009, Charter filed a complaint in the U.S. District Court for the Southern District of New York seeking a declaration of non-infringement on two patents owned by Verizon (*Verizon III*). On March 1, 2010, Charter and Verizon settled *Verizon I*, *Verizon II*, and *Verizon III*, and both parties withdrew their respective claims.

We and our parent companies are also defendants or co-defendants in several other unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. Other industry participants are also defendants in certain of these cases, and, in many cases including those described above, we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions.

In the event that a court ultimately determines that we or our parent companies infringe on any intellectual property rights, we may be subject to substantial damages and/or an injunction that could require us or our vendors to modify certain products and services we offer to our subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. While we believe the lawsuits are without merit and intend to defend the actions vigorously, all of these patent lawsuits could be material to our consolidated results of operations of any one period,

and no assurance can be given that any adverse outcome would not be material to our consolidated financial condition, results of operations, or liquidity.

Employment Litigation

On August 28, 2008, a lawsuit was filed against Charter and Charter Communications, LLC (“Charter LLC”) in the United States District Court for the Western District of Wisconsin (now entitled, *Marc Goodell et al. v. Charter Communications, LLC and Charter Communications, Inc.*). The plaintiffs sought to represent a class of current and former broadband, system and other types of technicians who are or were employed by Charter or Charter LLC in the states of Michigan, Minnesota, Missouri or California. Plaintiffs allege that Charter and Charter LLC violated certain wage and hour statutes of those four states by failing to pay technicians for all hours worked. In May 2010, the parties entered a settlement agreement disposing of all claims, including those potential wage and hour claims for potential class members in additional states beyond the four identified above. On September 24, 2010, the court granted final approval of the settlement. We and our parent companies have 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. We cannot predict the outcome of any such claims.

Bankruptcy Proceedings

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 Plan. The Bankruptcy Court jointly held 19 days of trial in the JPMorgan Adversary Proceeding and on the objections to the Plan.

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

Six appeals were filed relating to confirmation of the Plan. The parties initially pursuing appeals were: (i) JPMorgan; (ii) Wilmington Trust Company (“Wilmington Trust”) (as indenture trustee for the holders of the 8% Senior Second Lien Notes due 2012 and 8.375% senior second lien notes due 2014 issued by and among Charter Operating and Charter Communications Operating Capital Corp. and the 10.875% senior second lien notes due 2014 issued by and among Charter Operating and Charter Communications Operating Capital Corp.); (iii) Wells Fargo Bank, N.A. (“Wells Fargo”) (in its capacities as successor Administrative Agent and successor Collateral Agent for the third lien prepetition secured lenders to CCO Holdings under the CCO Holdings credit facility); (iv) Law Debenture Trust Company of New York (“Law Debenture Trust”) (as the Trustee with respect to the \$479 million in aggregate principal amount of 6.50% convertible senior notes due 2027 issued by Charter which are no longer outstanding following consummation of the Plan); (v) R2 Investments, LDC (“R2 Investments”) (an equity interest holder in Charter); and (vi) certain plaintiffs representing a putative class in a securities action against three 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 pending appeal of our Confirmation Order pending before the District Court for the Southern District of New York and to waive any objections to our Confirmation Order issued by the United States Bankruptcy Court for the Southern District of New York. The lenders filed their Stipulation of that dismissal and waiver of objections and it was signed by the judge on April 1, 2010 and the case dismissed. On December 3, 2009, Wilmington Trust withdrew its notice of appeal. On April 14, 2010, Wells Fargo filed their Stipulation of Dismissal of their appeal on behalf of the lenders under the

CCO Holdings credit facility. This Stipulation was signed by the judge on April 19, 2010 and the case dismissed. The remaining appeals by Law Debenture Trust, R2 Investments and the securities plaintiffs are in the briefing phase. We cannot predict the ultimate outcome of the appeals.

Other Proceedings

In March 2009, Gerald Paul Bodet, Jr. filed a putative class action against Charter and Charter Communications Holding Company, LLC (*Gerald Paul Bodet, Jr. v. Charter Communications, Inc. and Charter Communications Holding Company, LLC*) in the U.S. District Court for the Eastern District of Louisiana. In April 2010, plaintiff filed a Third Amended Complaint which also named Charter Communications, LLC as a defendant. In the Third Amended Complaint, plaintiff alleges that the defendants violated the Sherman Act, state antitrust law and state unjust enrichment law by forcing subscribers to rent a set top box in order to subscribe to cable video services which are not available to subscribers by simply plugging a cable into a cable-ready television. In June 2009, Derrick Lebryk and Nichols Gladson filed, but did not serve, a putative class action against Charter, Charter Communications Holding Company, LLC, CCHC, LLC and Charter Communications Holding, LLC (*Derrick Lebryk and Nicholas Gladson v. Charter Communications, Inc., Charter Communications Holding Company, LLC, CCHC, LLC and Charter Communications Holding, LLC*) in the U.S. District Court for the Southern District of Illinois. The plaintiffs allege that the defendants violated the Sherman Act based on similar allegations as those alleged in *Bodet v. Charter, et al.* We understand similar claims have been made against other MSOs. The Charter defendants deny any liability and plan to vigorously contest these cases.

We are also aware of three suits filed by holders of securities issued by us or our subsidiaries. *Key Colony Fund, LP. v. Charter Communications, Inc. and Paul W. Allen* (sic), was filed in February 2009 in the Circuit Court of Pulaski County, Arkansas and asserts violations of the Arkansas Deceptive Trade Practices Act and fraud claims. Key Colony alleges that it purchased certain senior notes based on representations of Charter and agents and representatives of Paul Allen as part of a scheme to defraud certain Charter noteholders. *Clifford James Smith v. Charter Communications, Inc. and Paul Allen*, was filed in May 2009 in the United States District Court for the Central District of California. Mr. Smith alleges that he purchased Charter common stock based on statements by Charter and Mr. Allen and that Charter's bankruptcy filing was not necessary. The defendants' responded to that Complaint in February 2010 and filed a motion to dismiss thereafter. In April 2010, the court entered an order dismissing the Complaint, holding that Mr. Smith's claims are expressly released by the Third Party Release and Injunction within Charter's Plan of Reorganization. Mr. Smith has appealed. *Herb Lair, Iron Workers Local No. 25 Pension Fund et al. v. Neil Smit, Eloise Schmitz, and Paul G. Allen* ("Iron Workers Local No. 25"), was filed in the United States District Court for the Eastern District of Arkansas on June 1, 2009. Mr. Smit was the Chief Executive Officer and Ms. Schmitz was the Chief Financial Officer of Charter. The plaintiffs, who seek to represent a class of plaintiffs who acquired Charter stock between October 23, 2006 and February 12, 2009, allege that they and others similarly situated were misled by statements by Ms. Schmitz, Mr. Smit, Mr. Allen and/or in Charter SEC filings. The plaintiffs assert violations of the Securities Exchange Act of 1934. In February 2010, the United States Bankruptcy Court for the Southern District of New York held that these plaintiffs' causes of action were released by the Third Party Release and Injunction within Charter's Plan of Reorganization. Plaintiffs thereafter filed an appeal with the United States District Court for the Southern District of New York. Charter denies the allegations made by the plaintiffs in these matters, believes all of the claims asserted in these cases were released through the Plan and intends to seek dismissal of these cases and otherwise vigorously contest these cases.

We and our parent companies also are party to other lawsuits and claims that arise in the ordinary course of conducting our business. The ultimate outcome of these other legal matters pending against us or our parent companies cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on our consolidated financial condition, results of operations, or liquidity, such lawsuits could have in the aggregate a material adverse effect on our consolidated financial condition, results of operations, or liquidity. Whether or not we ultimately prevail in any particular lawsuit or claim, litigation can be time consuming and costly and injure our reputation.

Item 1A. Risk Factors.

Our Annual Report for the year ended December 31, 2009 includes "Risk Factors" under Item 1A of Part I. Except for the updated risk factors described below, there have been no material changes from the risk factors described in our Annual Report. The information below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report.

Risks Related to Our Business

If Charter and its subsidiaries are unable to attract new key employees, the ability of our parent companies to manage our business could be adversely affected.

Our operational results during the recent prolonged economic downturn have depended, and our future results will depend, upon the retention and continued performance of our management team. On October 29, 2010, Charter announced the appointment of Christopher L. Winfrey to the position of Executive Vice President and Chief Financial Officer effective November 1, 2010. He filled the vacancy resulting from Eloise Schmitz's departure on July 31, 2010. Mr. Kevin D. Howard, Senior Vice President – Finance, Controller and Chief Accounting Officer had served as Interim Chief Financial Officer. Our parent companies' ability to hire new key employees for management positions could be impacted adversely by the competitive environment for management talent in the telecommunications industry. The loss of the services of key members of management and the inability to hire new key employees could adversely affect our ability to manage our business and our future operational and financial results.

Risks Related to Ownership Positions of Charter's Principal Shareholders

If Charter were to have a person with a 35% or greater voting interest and Paul G. Allen did not maintain a voting interest in us greater than such holder, a change of control default could be triggered under our credit facilities.

On March 31, 2010, Charter Operating entered into an amended and restated credit agreement governing its credit facility. Such amendment removed the requirement that Mr. Allen retain a voting interest in us. However, the credit agreement continues to provide that a change of control under certain of our other debt instruments could result in an event of default under the credit agreement. Certain of those other instruments define a change of control as including a holder holding more than 35% of our direct or indirect voting interest and the failure by (a) Mr. Allen, (b) his estate, spouse, immediate family members and heirs and (c) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners or other owners of which consist exclusively of Mr. Allen or such other persons referred to in (b) above or a combination thereof to maintain a greater percentage of direct or indirect voting interest than such other holder. Such a default could result in the acceleration of repayment of our indebtedness, including borrowings under the Charter Operating credit facilities.

Item 5. Other Information.

Appointment of Chief Financial Officer

On October 29, 2010, Charter announced that Christopher L. Winfrey has been elected Executive Vice President and Chief Financial Officer, effective November 1, 2010.

Mr. Winfrey, 35, most recently served as Chief Financial Officer and Managing Director for Unitymedia, Germany's second-largest provider of media and communication services via broadband cable, from March 2006 through March 2010 and was responsible for accounting, treasury, investor relations, corporate finance, procurement and administration. Previously, Mr. Winfrey was Senior Vice President – Corporate Finance and Development for Cablecom from December 2002 to December 2005 and Director of Financial Planning and Analysis of NTL Europe from February 2001 to March 2003. Prior to that, he was with Communications Equity Associates from May 1998 to January 2001. Mr. Winfrey received a Bachelor of Science in Accounting and a Master of Business Administration, both from the University of Florida.

Charter has entered into an employment agreement, effective as of November 1, 2010, with Mr. Winfrey (the "Agreement"). The following is a brief summary of the Agreement. The Agreement provides that Mr. Winfrey shall be employed in an executive capacity as Executive Vice President and Chief Financial Officer with such responsibilities, duties and authority as are customary for such role, at a current annual base salary of \$525,000, to be reviewed on an annual basis. He shall be paid an annual cash performance bonus, pursuant to Charter's Executive Bonus Plan, with a target bonus equal to 75% of base salary; provided that any bonus earned for 2010 shall be prorated to apply to the portion of the year that he was employed by Charter.

The Agreement provides that Mr. Winfrey may be granted annual long-term incentive awards in the form of restricted stock, stock options and/or performance shares. For 2010, his grant shall consist of a stock option grant of 90,000 shares and a grant of 80,000 restricted shares of Charter's Class A common stock, granted as of the effective date of the Agreement. Mr. Winfrey may participate in any other bonus or retention plans established by Charter's Compensation and Benefits Committee and shall receive such other employee benefits as are available to other senior executives, including relocation assistance to the St. Louis, Missouri area, Charter's headquarters, pursuant to Charter's executive relocation plan. The Agreement contains two-year non-compete and customer non-solicitation provisions and a one-year employee non-solicitation clause. The term of the Agreement is two years from the effective date of the Agreement, and will terminate, unless renewed by Charter upon at least 180 days written notice on renewal.