

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

FORM 10-K

(Mark One)

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

For the year ended December 31, 2004

or

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

For the Transition Period From to

Commission File Number: 000-27927



Charter Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware

43-1857213

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

12405 Powerscourt Drive
St. Louis, Missouri 63131

(314) 965-0555

(Address of principal executive offices including zip code)

(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act:
Class A Common Stock, \$.001 Par Value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the registrant of outstanding Class A Common Stock held by non-affiliates of the registrant at June 30, 2004 was approximately \$1.1 billion, computed based on the closing sale price as quoted on the NASDAQ National Market on that date. For purposes of this calculation only, directors, executive officers and the principal controlling shareholder or entities controlled by such controlling shareholder of the registrant are deemed to be affiliates of the registrant.

There were 304,795,728 shares of Class A Common Stock outstanding as of January 31, 2005. There were 50,000 shares of Class B Common Stock outstanding as of the same date.

Documents Incorporated By Reference

The following documents are incorporated into this Report by reference: None



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This annual report on Form 10-K is for the year ended December 31, 2004. The Securities and Exchange Commission (“SEC”) allows us to “incorporate by reference” information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. Information incorporated by reference is considered to be part of this annual report. In addition, information that we file with the SEC in the future will automatically update and supersede information contained in this annual report. In this annual report, “we,” “us” and “our” refer to Charter Communications, Inc., Charter Communications Holding Company, LLC and their subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

This annual 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 “Focus for 2005” section under Part I, Item 1. “Business,” “Overview of Operations” and the “Liquidity and Capital Resources” sections under Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this annual 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 “Certain Trends and Uncertainties” under Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this annual report. Many of the forward-looking statements contained in this annual report may be identified by the use of forward-looking words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “will,” “may,” “intend,” “estimated” and “potential,” among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this annual report are set forth in this annual report and in other reports or documents that we file from time to time with the United States Securities and Exchange Commission, or SEC, and include, but are not limited to:

- our ability to sustain and grow revenues and cash flows from operating activities by offering video, high-speed data, telephony and other services and to maintain a stable customer base, particularly in the face of increasingly aggressive competition from other service providers;
- the availability of funds to meet interest payment obligations under our debt and to fund our operations and necessary capital expenditures, either through cash flows from operating activities, further borrowings or other sources;
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which would result in a violation of the applicable facility or indenture and could trigger a default of other obligations under cross-default provisions;
- our ability to pay or refinance debt as it becomes due;
- the results of the pending grand jury investigation by the United States Attorney’s Office for the Eastern District of Missouri, and our ability to reach a final approved settlement with respect to the putative class action, the unconsolidated class action, and derivative shareholders litigation against us on the terms of the stipulations of settlement described herein;
- our ability to obtain programming at reasonable prices or to pass programming cost increases on to our customers;
- general business conditions, economic uncertainty or slowdown; and
- the effects of governmental regulation, including but not limited to local franchise taxing authorities, on our business.

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 annual report.

PART I

Item 1. *Business.*

Introduction

Charter Communications, Inc. (“Charter”) is a broadband communications company operating in the United States, with approximately 6.22 million customers at December 31, 2004. Through our broadband network of coaxial and fiber optic cable, we offer our customers traditional cable video programming (analog and digital, which we refer to as “video” service), high-speed cable Internet access (which we refer to as “high-speed data service”), advanced broadband cable services (such as video on demand (“VOD”), high definition television service and interactive television) and, in some of our markets, we offer telephone service (which we refer to as “telephony”). See “Business — Products and Services” for further description of these terms, including “customers.”

At December 31, 2004, we served approximately 5.99 million analog video customers, of which approximately 2.67 million were also digital video customers. We also served approximately 1.88 million high-speed data customers (including approximately 217,400 who received only high-speed data services). We also provided telephony service to approximately 45,400 customers as of that date.

At December 31, 2004, our investment in cable properties, long-term debt, accumulated deficit and total shareholders’ deficit were \$16.2 billion, \$19.5 billion, \$9.2 billion and \$4.4 billion, respectively. Our working capital deficit was \$295 million at December 31, 2004. For the year ended December 31, 2004, our revenues, net loss applicable to common stock and loss per common share were approximately \$5.0 billion, \$4.3 billion and \$14.47, respectively.

We have a history of net losses. Further, we expect to continue to report net losses for the foreseeable future. Our net losses are principally attributable to insufficient revenue to cover the interest costs we incur because of our high level of debt, the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties, and the amortization and impairment of our franchise intangibles. We expect that these expenses (other than impairment of franchises) will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. Additionally, because minority interest in Charter Communications Holding Company, LLC (“Charter Holdco”) was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, we absorb substantially all future losses before income taxes that otherwise would have been allocated to minority interest. This resulted in an additional \$2.4 billion of net loss for the year ended December 31, 2004. Under our existing capital structure, future losses will continue to be absorbed by Charter.

Charter was organized as a Delaware corporation in 1999 and completed an initial public offering of its Class A common stock in November 1999. Charter is a holding company whose principal assets are an approximate 47% equity interest and a 100% voting interest in Charter Holdco, the direct parent of Charter Communications Holdings, LLC (“Charter Holdings”). Charter also holds certain preferred equity and indebtedness of Charter Holdco that mirror the terms of securities issued by Charter. Charter’s only business is to act as the sole manager of Charter Holdco and its subsidiaries. As sole manager, Charter controls the affairs of Charter Holdco and its subsidiaries. Certain of our subsidiaries commenced operations under the “Charter Communications” name in 1994, and our growth to date has been primarily due to acquisitions and business combinations, most notably acquisitions completed from 1999 through 2001, pursuant to which we acquired a total of approximately 5.5 million customers. We do not expect to make any significant acquisitions in the foreseeable future, but plan to evaluate opportunities to consolidate our operations through exchanges of cable systems with other cable operators, as they arise. We may also sell certain assets from time to time. Paul G. Allen owns 53% of Charter Holdco through affiliated entities. His membership units are convertible at any time for shares of our Class A common stock on a one-for-one basis. Paul G. Allen controls Charter with an as-converted common equity interest of approximately 57% and a voting control interest of 93% as of December 31, 2004.

Our principal executive offices are located at Charter Plaza, 12405 Powerscourt Drive, St. Louis, Missouri 63131. Our telephone number is (314) 965-0555 and we have a website accessible at www.charter.com. Since January 1, 2002, our annual reports, quarterly reports and current reports on Form 8-K, and all amendments thereto, have been made available on our website free of charge as soon as reasonably practicable after they have been filed. The information posted on our website is not incorporated into this annual report.

Certain Significant Developments in 2004

In 2004, we completed several transactions that improved our liquidity. Our efforts in this regard have resulted in the completion of a number of transactions in 2004, as follows:

- the December 2004 sale by our subsidiaries, CCO Holdings, LLC and CCO Holdings Capital Corp., of \$550 million of senior floating rate notes due 2010;
- the November 2004 sale by Charter of \$862.5 million of 5.875% convertible senior notes due 2009;
- the December 2004 redemption of all of our 5.75% convertible senior notes due 2005 (\$588 million principal amount);
- the April 2004 sale of \$1.5 billion of senior second-lien notes by our subsidiary, Charter Communications Operating, LLC (“Charter Operating”), together with the concurrent refinancing of its credit facilities; and
- the sale in the first half of 2004 of non-core cable systems for a total of \$733 million, the proceeds of which were used to reduce indebtedness.

Recent Events

CC V Holdings, LLC Notes

In February 2005, CC V Holdings, LLC called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the anticipated date of redemption, on March 14, 2005. The total cost of redemption is expected to be approximately \$122 million and is expected to be funded through borrowings under our credit facilities.

Management Changes

On January 17, 2005, Robert P. May was appointed as Interim President and Chief Executive Officer of Charter, replacing Carl E. Vogel who, effective on the same date, resigned his position as President, Chief Executive Officer and a member of the board of directors of Charter and each of Charter’s subsidiaries for which Mr. Vogel served as a director and officer. Additionally, Mr. May was appointed to the Executive Committee and the Finance Committee of Charter’s board of directors and will continue to serve on the Board’s Strategic Planning Committee. He was also appointed as an officer and director of Charter’s subsidiaries for which Mr. Vogel was an officer and director.

Charter’s board of directors has formed an Executive Search Committee to oversee Charter’s search for a permanent President and Chief Executive Officer.

Derek Chang, our Executive Vice President of Finance and Strategy and Interim co-Chief Financial Officer, has informed Charter of his intention to resign effective April 15, 2005.

Sale of CCO Holdings, LLC Senior Floating Rate Notes

On December 15, 2004, our subsidiaries, CCO Holdings, LLC and CCO Holdings Capital Corp., issued and sold \$550 million senior floating rate notes due 2010 in a private transaction to qualified institutional buyers in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. The notes have an annual interest rate of LIBOR plus 4.125%, reset and payable quarterly. The net proceeds from the sale of the notes were used to pay down bank debt and for general corporate purposes.

Sale of 5.875% Convertible Senior Notes

On November 22, 2004, we issued \$862.5 million original principal amount of 5.875% convertible senior notes due 2009, which are convertible into shares of our Class A common stock, par value \$.001 per share, at a rate of 413.2231 shares per \$1,000 principal amount of notes (or approximately \$2.42 per share), subject to adjustment in certain circumstances. On December 23, 2004, we used a portion of the proceeds from the sale of the notes to redeem all of our outstanding 5.75% convertible senior notes due 2005 (total principal amount of \$588 million). We also used a portion of the proceeds from the sale of the notes to purchase certain U.S. government securities which were pledged as security for the notes and which we expect to use to fund the first six interest payments on the notes.

For additional terms of the notes, see “Description of Certain Indebtedness — Outstanding Notes — Charter Communications, Inc. Notes — 5.875% Convertible Senior Notes due 2009.”

Focus for 2005

Our principal financial goal is to maximize our return on invested capital. To do so, we will focus on increasing revenues, growing our customer base, improving customer retention and enhancing customer satisfaction by providing reliable, high-quality service offerings, superior customer service and attractive bundled offerings.

Specifically, in the near term, we are focusing on:

- generating improvements in the overall customer experience in such critical areas as service delivery, customer care, and new product offerings;
- developing more sophisticated customer management capabilities through investment in our customer care and marketing infrastructure, including targeted marketing capabilities;
- executing growth strategies for new services, including digital simulcast, VOD, telephony, and digital video recorder service (“DVR”);
- managing our operating costs by exercising discipline in capital and operational spending; and
- identifying opportunities to continue to improve our balance sheet and liquidity.

We have begun an internal operational improvement initiative aimed at helping us gain new customers and retain existing customers, which is focused on customer care, technical operations and sales. We intend to increase efforts to focus management attention on instilling a customer service oriented culture throughout the company and to give those areas of our operations increased priority of resources for staffing levels, training budgets and financial incentives for employee performance in those areas.

We believe that our high-speed data service will continue to provide a substantial portion of our revenue growth in the near future. We also plan to continue to expand our marketing of high-speed data service to the business community, which we believe has shown an increasing interest in high-speed data service and private network services. Additionally, we plan to continue to prepare additional markets for telephony launches in 2005.

We believe we offer our customers an excellent choice of services through a variety of bundled packages, particularly with respect to our digital video and high-speed data services, as well as telephony in certain markets. Our digital platform enables us to offer a significant number and variety of channels, and we offer customers the opportunity to choose among groups of channel offerings, including premium channels, and to combine selected programming with other services such as high-speed data, high definition television (in selected markets) and VOD (in selected markets).

Organizational Structure

The chart below sets forth our organizational structure and that of our principal direct and indirect subsidiaries. Equity ownership and voting percentages are actual percentages as of December 31, 2004 and do not give effect to any exercise, conversion or exchange of options, preferred stock, convertible notes or other convertible or exchangeable securities.

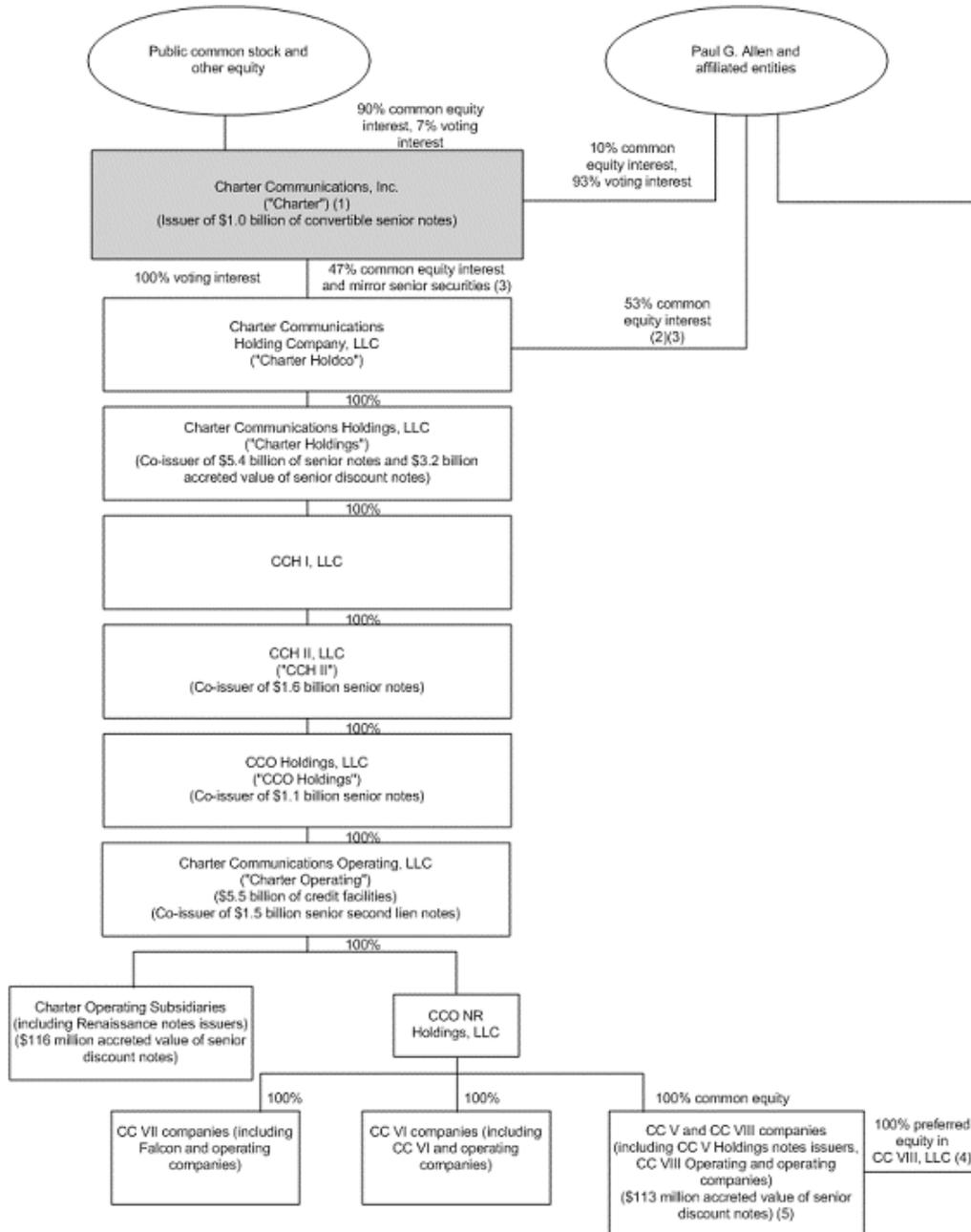


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- (1) Charter acts as the sole manager of Charter Holdco and its direct and indirect limited liability company subsidiaries. Charter's certificate of incorporation requires that its principal assets be securities of Charter Holdco, the terms of which mirror the terms of securities issued by Charter. See "Charter Communications, Inc." below.
- (2) These membership units are held by Charter Investment, Inc. and Vulcan Cable III Inc., each of which is 100% owned by Paul G. Allen, our chairman and controlling shareholder. They are exchangeable at any time on a one-for-one basis for shares of Charter Class A common stock.
- (3) Charter is a party to a share lending agreement with Citigroup Global Markets ("Citigroup") pursuant to which we expect to issue and lend to Citigroup up to 150 million shares of Class A common stock. The ownership percentages in this table do not reflect the issuance of those 150 million shares of Class A common stock and the corresponding expected issuance of an equal number of mirror membership units by Charter Holdco to Charter. Further, if such shares are issued, we expect that, for accounting purposes, Charter's common equity interest in Charter Holdco will nonetheless remain at 47%, and Paul G. Allen's ownership of Charter Holdco will remain at 53%, because the 150 million shares are expected to be returned to Charter under the terms of the share lending agreement and, upon such return, the mirror membership units would be returned to Charter Holdco.
- (4) Represents 100% of the preferred membership interests in CC VIII, LLC, a subsidiary of CC V Holdings, LLC. An issue has arisen regarding the ultimate ownership of such CC VIII, LLC membership interests following Mr. Allen's acquisition of those interests on June 6, 2003. See "Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen's Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII."
- (5) CC V Holdings, LLC, the issuer of \$113 million accreted value of senior discount notes, is a direct wholly owned subsidiary of CCO NR Holdings, LLC, and holds 100% of the common membership units of CC VIII, LLC. Mr. Allen, through Charter Investment, Inc., holds 100% of the preferred membership units in CC VIII, LLC. CC VIII, LLC holds 100% of the equity of CC VIII Operating, LLC, which in turn holds 100% of the equity of a number of operating subsidiaries. One such operating subsidiary (CC Michigan, LLC) is a guarantor of the CC V Holdings senior discount notes. The Charter Operating credit facilities require us to redeem the CC V Holdings notes within 45 days after the first date that the Charter Holdings leverage ratio is less than 8.75 to 1.0. In satisfaction of this requirement, CC V Holdings, LLC has called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption, which is anticipated to be March 14, 2005.

Charter Communications, Inc. Certain provisions of Charter's certification of incorporation and Charter Holdco's limited liability company agreement effectively require that Charter's investment in Charter Holdco replicate, on a "mirror" basis, Charter's outstanding equity and debt structure. As a result of these coordinating provisions, whenever Charter issues equity or debt, Charter transfers the proceeds from such issuance to Charter Holdco, and Charter Holdco issues a "mirror" security to Charter that replicates the characteristics of the security issued by Charter. Consequently, Charter's principal assets are an approximate 47% common equity interest and a 100% voting interest in Charter Holdco, "mirror" notes that are payable by Charter Holdco to Charter that have the same principal amount and terms as Charter's convertible senior notes and preferred units in Charter Holdco that mirror the terms and liquidation preferences of Charter's outstanding preferred stock. Charter Holdco, through its subsidiaries, owns cable systems and certain strategic investments. As sole manager under applicable operating agreements, Charter controls the affairs of Charter Holdco and most of its subsidiaries. In addition, Charter also provides management services to Charter Holdco and its subsidiaries under a management services agreement.

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The following table sets forth information as of December 31, 2004 with respect to the shares of common stock of Charter on an actual outstanding, “as converted” and “fully diluted” basis:

	Charter Communications, Inc.						
	Actual Shares Outstanding(a)			Assuming Exchange of Charter Holdco Membership Units (b)		Fully Diluted Shares Outstanding (c)	
	Number of Common Shares Outstanding	Percentage of Common Shares Outstanding	Voting Percentage	Number of As Converted Common Shares Outstanding	Percentage of As Converted Common Shares Outstanding	Number of Fully Diluted Common Shares Outstanding	Percentage of Fully Diluted Common Shares Outstanding
Class A Common Stock	305,203,770	99.98%	8.26%	305,203,770	47.36%	305,203,770	29.52%
Class B Common Stock	50,000	0.02%	91.74%	50,000	00.01%	50,000	*
Total Common Shares Outstanding	<u>305,253,770</u>	<u>100.00%</u>	<u>100.00%</u>				

One-for-One Exchangeable

Equity in Subsidiaries:

Charter Investment, Inc.	222,818,858	34.58%	222,818,858	21.54%
Vulcan Cable III Inc.	<u>116,313,173</u>	<u>18.05%</u>	116,313,173	11.25%
Total As Converted Shares Outstanding	<u>644,385,801</u>	<u>100.00%</u>		

Other Convertible Securities

in Charter

Communications, Inc.

Convertible Preferred Stock (d)			2,206,633	0.21%
Convertible Debt				
4.75% Convertible Senior Notes (e)			5,939,276	0.57%
5.875% Convertible Senior Notes (f)			356,404,924	34.46%
Employee, Director and Consultant Stock Options (g)			<u>25,310,166</u>	<u>2.45%</u>
Fully Diluted Common Shares Outstanding			<u>1,034,246,800</u>	<u>100.00%</u>

- (a) Paul G. Allen owns approximately 10% of the outstanding common stock of Charter (approximately 57% assuming the exchange by Mr. Allen of all units in Charter Holdco held by him and his affiliates for shares of Charter common stock) and beneficially controls approximately 93% of the voting power of Charter’s capital stock. Mr. Allen is entitled to ten votes for each share of Class B common stock held by him and his affiliates and for each membership unit in Charter Holdco held by him and his affiliates. These percentages exclude any shares of Charter Class A common stock that would be issuable upon exchange of membership units in Charter Holdco, which may be issued in exchange for preferred membership units in CC VIII, LLC held by an entity controlled by Mr. Allen. An issue has arisen regarding the ultimate ownership of these CC VIII membership units following the consummation of this put right. See “Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII.” In addition, the percentages do not reflect the 150 million shares of Class A common stock that may be issued under the share lending agreements.
- (b) Assumes only the exchange of Charter Holdco membership units held by Mr. Allen and his affiliates for shares of Charter Class A common stock on a one-for-one basis pursuant to exchange agreements between the holders of such units and Charter. Does not include shares issuable on conversion or exercise of any other convertible securities, including stock options, convertible notes and convertible preferred stock.
- (c) Represents “fully diluted” common shares outstanding, assuming exercise, exchange or conversion of all outstanding options and exchangeable or convertible securities, including the exchangeable membership units described in note (b) above, all shares of Series A convertible redeemable preferred stock of Charter, all outstanding 4.75% convertible senior notes and 5.875% convertible senior notes of Charter, and all employee, director and consultant stock options.
- (d) Reflects common shares issuable upon conversion of the 545,259 shares of Series A convertible redeemable

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preferred stock. Such shares have a current liquidation preference of approximately \$55 million and are convertible at any time into shares of Class A common stock at an initial conversion price of \$24.71 per share (or 4.0469446 shares of Class A common stock for each share of convertible redeemable preferred stock), subject to certain adjustments.

- (e) Reflects shares issuable upon conversion of all outstanding 4.75% convertible senior notes (\$156 million total principal amount), which are convertible into shares of Class A common stock at an initial conversion rate of 38.0952 shares of Class A common stock per \$1,000 principal amount of notes (or approximately \$26.25 per share), subject to certain adjustments.
- (f) Reflects shares issuable upon conversion of all outstanding 5.875% convertible senior notes (\$862.5 million total principal amount), which are convertible into shares of Class A common stock at an initial conversion rate of 413.2231 shares of Class A common stock per \$1,000 principal amount of notes (or approximately \$2.42 per share), subject to certain adjustments.
- (g) The weighted average exercise or conversion price of outstanding stock options is \$6.64.

Charter Communications Holding Company, LLC. Charter Holdco, a Delaware limited liability company formed on May 25, 1999, is the direct 100% parent of Charter Holdings. The common membership units of Charter Holdco are owned 47% by Charter, 18% by Vulcan Cable III Inc. and 35% by Charter Investment, Inc. All of the outstanding common membership units in Charter Holdco held by Vulcan Cable III Inc. and Charter Investment, Inc. are controlled by Mr. Allen and are exchangeable on a one-for-one basis at any time for shares of high vote Class B common stock of Charter, which are in turn convertible into Class A common stock of Charter. Charter controls 100% of the voting power of Charter Holdco and is its sole manager.

The following table sets forth the information as of December 31, 2004 with respect to the common units of Charter Holdco on an actual outstanding and “fully diluted” basis.

Charter Communications Holding Company, LLC (a)					
	<u>Actual Units Outstanding</u>			<u>Fully Diluted Units Outstanding (assuming exchange or conversion of all exchangeable and convertible securities)</u>	
	<u>Number of Common Units Outstanding</u>	<u>Percentage of Common Units Outstanding</u>	<u>Voting Percentage</u>	<u>Number of Fully Diluted Common Units Outstanding</u>	<u>Percentage of Fully Diluted Common Units Outstanding</u>
Common Units Outstanding					
Charter Communications, Inc.	305,253,770	47.37%	100%	305,253,770	29.52%
Vulcan Cable III Inc. (b)	116,313,173	18.05%	—	116,313,173	11.25%
Charter Investment, Inc. (c)	222,818,858	34.58%	—	222,818,858	21.54%
Total Common Units Outstanding	644,385,801	100%	100%		
Units Issuable on Conversion of Mirror Convertible Securities held by Charter Communications, Inc.					
Mirror Convertible Preferred units (d)				2,206,633	0.21%
Mirror Convertible Debt					
4.75% Convertible Senior Notes(d)				5,939,276	0.57%
5.875% Convertible Senior Notes(d)				356,404,924	34.46%
Mirror Employee, Director and Consultant Stock Options (d)				25,310,166	2.45%
Fully Diluted Common Units Outstanding				1,034,246,800	100.00%

- (a) These amounts do not include any membership units in Charter Holdco, which could be issued in exchange for preferred membership units in CC VIII, LLC held by an entity controlled by Mr. Allen. An issue has arisen regarding the ultimate ownership of these CC VIII membership units following the consummation of this put right. See “Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII.”

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- (b) Includes 106,715,233 non-voting Class B common units and 9,597,940 non-voting Class C common units.
- (c) Includes 217,585,246 non-voting Class B common units and 5,233,612 non-voting Class C common units.
- (d) Certain provisions of Charter's certificate of incorporation and Charter Holdco's limited liability company agreement effectively require that Charter's investment in Charter Holdco replicate, on a "mirror" basis, Charter's outstanding equity and debt structure. As a result, in addition to its equity interest in common units of Charter Holdco, Charter also holds 100% of the 4.75% and 5.875% mirror convertible notes of Charter Holdco that automatically convert into common membership units upon the conversion of any Charter 4.75% and 5.875% convertible senior notes and 100% of the mirror preferred membership units of Charter Holdco that automatically convert into common membership units upon the conversion of the Series A convertible redeemable preferred stock of Charter. The table reflects the common equity issuable on exercise or conversion of these mirror securities.

Charter Communications Holdings, LLC. Charter Holdings, a Delaware limited liability company formed on February 9, 1999, is a co-issuer of the publicly held Charter Holdings notes. These notes consist of \$2.8 billion total principal amount at maturity of notes issued in March 1999, \$1.4 billion total principal amount at maturity of notes issued in January 2000, \$2.0 billion total principal amount at maturity of notes issued in January 2001, \$2.3 billion total principal amount at maturity of notes issued in May 2001 (includes additional issuance in January 2002) and \$330 million total principal amount at maturity of notes issued in January 2002. Charter Holdings owns 100% of Charter Communications Holdings Capital, the co-issuer of these notes. Charter Holdings also owns CCH II, CCO Holdings and the subsidiaries that conduct all of our cable operations, including Charter Operating.

CCH II, LLC. CCH II, a Delaware limited liability company formed on March 20, 2003, is a co-issuer of \$1.6 billion principal amount of notes issued in September 2003. CCH II owns 100% of CCH II Capital Corp., the co-issuer of these notes. CCH II also owns CCO Holdings and the subsidiaries that conduct all of our cable operations, including Charter Operating.

CCO Holdings, LLC. CCO Holdings, a Delaware limited liability company formed on June 12, 2003, is a co-issuer of \$500 million principal amount of notes issued in November 2003 and \$550 million principal amount of notes issued in December 2004. CCO Holdings owns 100% of CCO Holdings Capital Corp., the co-issuer of these notes. CCO Holdings also owns the subsidiaries that conduct all of our cable operations, including Charter Operating.

Charter Operating. Charter Operating owns the subsidiaries that own or operate all of our cable systems, subject to a minority interest held by Mr. Allen as described below. There are four groups of these operating subsidiaries, identified as follows: the Charter Operating subsidiaries, the CC V/CC VIII companies, the CC VI companies, and the CC VII companies. The public notes issuers, Renaissance Media Group and CC V Holdings, are within two of these groups and prior to April 2004, each group of operating subsidiaries had a separate credit facility. The credit facilities for the CC V/CC VIII companies, the CC VI companies and the CC VII companies were all refinanced in April 2004 in connection with the amendment and restatement of the CCO credit facilities. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Preferred Equity in CC VIII, LLC. Upon the closing of the acquisition of certain cable systems by our subsidiary, CC VIII, LLC, in 2000, some of the former owners received a portion of their purchase price in the form of preferred membership units in CC VIII, LLC, which were exchangeable for shares of Charter Class A common stock. In April 2002, these former owners exercised their right to put their preferred CC VIII membership interests to Mr. Allen and this transaction closed on June 6, 2003. An issue has arisen regarding the ultimate ownership of these CC VIII membership units following the consummation of this put right. See "Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen's Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII."

Products and Services

We offer our customers traditional cable video programming (analog and digital video) as well as high-speed data services and in some areas advanced broadband services such as high definition television, VOD and interactive television. We sell our video programming and high-speed data services on a subscription basis, with prices and related charges, that vary primarily based on the types of service selected, whether the services are sold as a "bundle" versus on an "à la carte" basis, and the equipment necessary to receive the services, with some variation in prices depending on geographic location. In addition, we offer telephony service to a limited number of customers.

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The following table summarizes our customer statistics for analog and digital video, residential high-speed data and residential telephony as of December 31, 2004 and December 31, 2003.

	Approximate as of	
	December 31, 2004 (a)	December 31, 2003 (a)
Cable Video Services:		
Analog Video:		
Residential (non-bulk) analog video customers (b)	5,739,900	6,173,400
Multi-dwelling (bulk) and commercial unit customers (c)	251,600	257,900
Analog video customers (b)(c)	5,991,500	6,431,300
Digital Video:		
Digital video customers (d)	2,674,700	2,671,900
Non-Video Cable Services:		
Residential high-speed data customers (e)	1,884,400	1,565,600
Dial-up customers	3,800	9,600
Telephony customers (f)	45,400	24,900

Pro forma for the sale of systems to Atlantic Broadband Finance, LLC in March and April 2004 as if these sales had occurred as of December 31, 2003, analog video customers, digital video customers and residential high-speed data customers would have been 6,200,500, 2,588,600 and 1,527,800, respectively, as of December 31, 2003.

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- (a) “Customers” include all persons our corporate billing records show as receiving service (regardless of their payment status), except for complimentary accounts (such as our employees). In addition, at December 31, 2004 and 2003, “customers” include approximately 44,700 and 72,700 persons whose accounts were over 60 days past due in payment, approximately 5,200 and 6,500 persons, whose accounts were over 90 days past due in payment and approximately 2,300 and 2,000 of which were over 120 days past due in payment, respectively.
- (b) “Residential (non-bulk) analog video customers” include all customers who receive video services, except for complimentary accounts (such as our employees).
- (c) Included within “video customers” are those in commercial and multi-dwelling structures, which are calculated on an equivalent bulk unit (“EBU”) basis. EBU is calculated for a system by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. The EBU method of estimating analog video customers is consistent with the methodology used in determining costs paid to programmers and has been consistently applied year over year. As we increase our effective analog prices 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 households that have one or more digital set-top terminals. Included in “digital video customers” on December 31, 2004 and 2003 are approximately 10,100 and 12,200 customers, respectively, that receive digital video service directly through satellite transmission.
- (e) All of these customers also receive video service and are included in the video statistics above, except for approximately 217,400 and 105,700 of these customers at December 31, 2004 and 2003, respectively, who were residential high-speed data only customers.
- (f) “Telephony customers” include all households receiving telephone service.

Video Services

Our video service offerings include the following:

- **Basic Analog Video.** All of our video customers receive a package of basic programming which generally consists of local broadcast television, local community programming, including governmental and public access, and limited satellite-delivered or non-broadcast channels, such as weather, shopping and religious services. Our basic channel line-up generally has between 15 and 30 channels.
- **Expanded Basic Video.** This expanded programming level includes a package of satellite-delivered or non-broadcast channels and generally has between 30 and 50 channels in addition to the basic channel line-up.
- **Premium Channels.** These channels provide commercial-free movies, sports and other special event entertainment programming. Although we offer subscriptions to premium channels on an individual basis, we offer an increasing number of premium channel packages and we offer premium channels with our advanced services.
- **Pay-Per-View.** These channels allow customers to pay on a per event basis to view a single showing of a recently released movie, a one-time special sporting event, music concert or similar event on a commercial-free basis.
- **Digital Video.** We offer digital video service to our customers in several different service combination packages. All of our digital packages include a digital set-top terminal, an interactive electronic programming guide, an expanded menu of pay-per-view channels and the option to also receive digital packages which range from 4 to 30 additional video channels. We also offer our customers certain digital packages with one or more premium channels that give customers access to several different versions of the same premium channel. Some digital tier packages focus on the interests of a particular customer demographic and emphasize, for example, sports, movies, family or ethnic programming. In addition to video programming, digital video service enables customers to receive our advanced services such as VOD and high definition television. Other digital packages bundle digital television with our advanced services, such as high-speed data services.
- **Video On Demand and Subscription Video on Demand.** We offer VOD service, which allows customers to access hundreds of movies and other programming at any time with digital picture quality. In some systems we also offer subscription VOD (SVOD) for a monthly fee or included in a digital tier premium channel subscription.
- **High Definition Television.** High definition television offers our digital customers video programming at a higher resolution than the standard analog or digital video image.
- **Digital Video Recorder.** DVR service enables customers to digitally record programming and to pause and rewind live programming.

High-Speed Data Services

We offer high-speed data services to our residential and commercial customers primarily via cable modems attached to personal computers. We generally offer our high-speed data service as Charter High-Speed Internet™. We also offer traditional dial-up Internet access in a very limited number of our markets.

We ended 2004 with 18% penetration of high-speed data homes passed, up from the 15% penetration of high-speed data homes passed at year-end 2003. This gave us an annual percentage increase in high-speed data customers of 20% and an increase in high-speed data revenues of 33% in the year ended December 31, 2004.

Telephony Services

We continue to deploy voice communications services using VOIP to transmit digital voice signals over our systems. At December 31, 2004, telephone service was available to approximately 900,000 homes, and we were marketing to approximately two-thirds of those homes. We will continue to prepare additional markets for VOIP launches in 2005.

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Commercial Services

We offer integrated network solutions to commercial and institutional customers. These solutions include high-speed data and video services. In addition, we offer high-speed data services to small businesses.

Sale of Advertising

We receive revenues from the sale of local advertising on satellite-delivered networks such as MTV®, CNN® and ESPN®. In any particular market, we generally insert local advertising on up to 39 channels. Our system rebuilds have increased the number of available channels on which we are able to insert local advertising. We also provide cross-channel advertising to some programmers.

From time to time, certain of our vendors, including equipment vendors, have purchased advertising from us. For the years ending December 31, 2004, 2003 and 2002, we had advertising revenues from vendors of approximately \$16 million, \$15 million, and \$79 million, respectively. These revenues resulted from purchases at market rates pursuant to binding agreements.

Pricing of Our Products and Services

Our revenues are derived principally from the monthly fees our customers pay for the services we offer. A one-time installation fee, which is sometimes waived or discounted during certain promotional periods, is charged to new customers. The prices we charge vary based on the level of service the customer chooses and the geographic market. Most of our pricing is reviewed and adjusted on an annual basis.

In accordance with the Federal Communications Commission's rules, the prices we charge for cable-related equipment, such as set-top terminals and remote control devices, and for installation services are based on actual costs plus a permitted rate of return.

Although our cable service offerings vary across the markets we serve because of various factors including competition and regulatory factors, our services, when offered on a stand-alone basis, are typically offered at monthly price ranges, excluding franchise fees and other taxes, as follows:

<u>Service</u>	<u>Price Range as of December 31, 2004</u>		
Analog video packages	\$ 7.00	—	\$ 54.00
Premium channels	\$10.00	—	\$ 15.00
Pay-per-view events	\$ 2.99	—	\$179.00
Digital video packages (including high-speed data service for higher tiers)	\$34.00	—	\$112.00
High-speed data service	\$21.95	—	\$ 49.99
Video on demand (per selection)	\$ 0.99	—	\$ 29.99
High definition television	\$ 3.99	—	\$ 6.99
Digital video recorder (DVR)	\$ 6.99	—	\$ 9.99

In addition, from time to time we offer free service or reduced-price service during promotional periods in order to attract new customers. There is no assurance that these customers will remain as customers when the period of free service expires.

Our Network Technology

The following table sets forth the technological capacity of our systems as of December 31, 2004 based on a percentage of homes passed:

<u>Less than 550 megahertz</u>	<u>550 megahertz to 660 megahertz</u>	<u>750 megahertz</u>	<u>870 megahertz</u>	<u>Two-way capability</u>	<u>Two-way enabled</u>
8%	5%	42%	45%	92%	87%

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As a result of the upgrade of our systems over the past several years, approximately 92% of our homes passed are served by systems that have bandwidth of 550 megahertz or greater. This bandwidth capacity enables us to offer digital television, high-speed data services and other advanced services. It also enables us to offer up to 82 analog channels, and even more channels when our bandwidth is used for digital signal transmissions. Our increased bandwidth also permits two-way communication for Internet access, interactive services, and potentially, telephony services.

As part of our systems upgrade and partly as a result of system sales, we reduced the number of headends that serve our customers from 1,138 at January 1, 2001 to 744 at December 31, 2004. Because headends are the control centers of a cable system, where incoming signals are amplified, converted, processed and combined for transmission to the customer, reducing the number of headends reduces related equipment, service personnel and maintenance expenditures. We believe that the headend consolidation, together with our other upgrades, allows us to provide enhanced picture quality and greater system reliability. As a result of the upgrade, approximately 84% of our customers were served by headends serving at least 10,000 customers as of December 31, 2004.

As of December 31, 2004, our cable systems consisted of approximately 222,100 strand miles, including approximately 53,600 strand miles of fiber optic cable, passing approximately 12.1 million households and served approximately 6.2 million customers.

We adopted the hybrid fiber coaxial cable (“HFC”) architecture as the standard for our systems upgrades. HFC architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable is a communication medium that uses glass fibers to transmit signals over long distances with minimum signal loss or distortion. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video, data and voice channels over extended distances. Coaxial cable is less expensive and requires a more extensive signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fiber optic cable from the headend to a group of nodes, and use coaxial cable to deliver the signal from individual nodes to the homes passed served by that node. Our system design enables a maximum of 500 homes passed to be served by a single node. Currently, our average node serves approximately 385 homes passed. Our system design provides for six strands of fiber to each node, with two strands activated and four strands reserved for spares and future services. We believe that this hybrid network design provides high capacity and superior signal quality. The design also provides reserve capacity for the addition of future services.

The primary advantages of HFC architecture over traditional coaxial-only cable networks include:

- increased bandwidth capacity, for more channels and other services;
- dedicated bandwidth for two-way services, which avoids reverse signal interference problems that can occur with two-way communication capability; and
- improved picture quality and service reliability.

We currently maintain a national network operations center to monitor our data networks and to further our strategy of providing high quality service. Centralized monitoring is increasingly important as we increase the number of high-speed data customers utilizing two-way high-speed data service. Our local dispatch centers focus primarily on monitoring the HFC plant.

Management of Our Systems

Many of the functions associated with our financial management are centralized, including accounting, billing, finance and acquisitions, payroll, accounts payable and benefit administration, information system design and support, internal audit, purchasing, marketing, programming contract administration and Internet service, network and circuits administration. We operate with four divisions. Each division is supported by operational, financial, marketing and engineering functions.

Customer Care

We have 36 customer service locations, including 14 divisional contact centers that serve approximately 97% of our customers. Our customer care centers are managed divisionally by a Vice President of Customer Care and are

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supported by a corporate care team, which oversees and supports deployment and execution of care strategies and initiatives on a company-wide basis. This reflects a substantial consolidation of our customer care function from over 300 service centers in 2001. We believe that this consolidation will allow us to improve the consistency of our service delivery and customer satisfaction by reducing or eliminating the logistical challenges and poor economies of scale inherent in maintaining and supervising a larger number of separately managed service centers.

Specifically, through this consolidation, we are now able to service our customers 24 hours a day, seven days a week and utilize technologically advanced equipment that we believe enhances interactions with our customers through more intelligent call routing, data management, and forecasting and scheduling capabilities. We believe this consolidation also allows us to more effectively provide our customer care specialists with ongoing training intended to improve complaint resolution, equipment troubleshooting, sales of new and additional services, and customer retention.

We believe that, despite our consolidation, we have not yet sufficiently improved in the area of customer care, and that this lack of improvement has in part led to a continued net loss of customers. Accordingly, we have begun an internal operational improvement initiative aimed at helping us gain new customers and retain existing customers, which is focused on customer care, among other areas. We intend to increase our efforts to focus management attention on instilling a customer service oriented culture throughout the company and to give those areas of our operations increased priority of resources for staffing levels, training budgets and financial incentives for employee performance in those areas.

In a further effort to better serve our customers, we have also entered into outsource partnership agreements with two key outsource providers. We believe the establishment of these relationships expands our ability to achieve our service objectives and increases our ability to support marketing activities by providing additional capacity available to support customer inquiries.

We also utilize our website to enhance customer care by enabling customers to view and pay their bills online, obtain useful information and perform various equipment troubleshooting procedures.

Sales and Marketing

In the third quarter of 2004, Charter shifted primary responsibility for implementing sales and marketing strategies to the divisional and system level, with a single corporate team to ensure compliance with guidelines established by the corporate marketing department designed to promote national branding consistency. Our marketing infrastructure is intended to promote interaction, information flow and sharing of best practices between our corporate office and our field offices, which make strategic decisions as to when and how marketing programs will be implemented.

Due to our focus in 2003 on certain other operational matters and due to certain financial constraints, we reduced spending in 2003 on marketing our products and services. Marketing expenditures increased 14% for the year ended December 31, 2004 to \$122 million. We expect to increase our spending on marketing in 2005.

We monitor government regulation, customer perception, competition, pricing and product preferences, among other factors, to increase our responsiveness to our customers. Our coordinated marketing strategies include door-to-door solicitation, telemarketing, media advertising, e-marketing, direct mail solicitation and retail locations. In 2004, we increased our focus on marketing and selling our services through consumer electronics retailers and other retailers that sell televisions or cable modems.

In January 2004, we introduced the first national branding campaign in Charter's history. The "Get Hooked" branding initiative was a key focal point of our national marketing campaigns in 2004 with the aim of promoting deeper market penetration and increased revenue per customer. In 2004, our corporate team produced eight national "Get Hooked" marketing campaigns designed to:

- Promote awareness and loyalty among existing customers and attract new customers;
- Announce the availability of our advanced services as we roll them out in our systems;
- Promote our advanced services (such as DVR, high definition television, telephony, VOD and SVOD) with the goal that our customers will view their cable connection as one-stop shopping for video, voice, high-speed data and interactive services; and
- Promote our bundling of digital video and high-speed data services and pricing strategies.

Programming

General

We believe that offering a wide variety of programming is an important factor that influences a customer's decision to subscribe to and retain our cable services. We rely on market research, customer demographics and local programming preferences to determine channel offerings in each of our markets. We obtain basic and premium

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programming from a number of suppliers, usually pursuant to a written contract. Our programming contracts generally continue for a fixed period of time, usually from three to ten years, and are subject to negotiated renewal. Some program suppliers offer financial incentives to support the launch of a channel and ongoing marketing support or launch fees. We also negotiate volume discount pricing structures. Programming costs are usually payable each month based on calculations performed by us and are subject to adjustment based on the results of periodic audits by the programmers.

Costs

Programming tends to be made available to us for a license fee, which is generally paid based on the number of customers to whom we make such programming available. Such license fees may include “volume” discounts available for higher numbers of customers, as well as discounts for channel placement or service penetration. Some channels are available without cost to us for a limited period of time, after which we pay for the programming. For home shopping channels, we receive a percentage of the amount our customers spend on home shopping purchases.

Our cable programming costs have increased, in every year we have operated, in excess of customary inflationary and cost-of-living type increases. We expect them to continue to increase due to a variety of factors, including: annual increases imposed by programmers and additional programming being provided to customers as a result of system rebuilds and bandwidth reallocation, both of which increase channel capacity.

In particular, sports programming costs have increased significantly over the past several years. In addition, contracts to purchase sports programming sometimes contain built-in cost increases for programming added during the term of the contract.

Historically, we have absorbed increased programming costs in large part through increased prices to our customers. However, with the impact of competition and other marketplace factors, there is no assurance that we will be able to continue to do so. In order to maintain or mitigate reductions of margins despite increasing programming costs, we plan to continue to migrate certain program services from our analog level of service to our digital tiers. As we migrate our programming to our digital tier packages, certain programming that was previously available to all of our customers via an analog signal, may be part of an elective digital tier package. As a result, the customer base upon which we pay programming fees will proportionately decrease, and the overall expense for providing that service would likewise decrease. Reductions in the size of certain programming customer bases may result in the loss of specific volume discount benefits.

As measured by programming costs, and excluding premium services (substantially all of which were renegotiated and renewed in 2003), as of December 31, 2004 approximately 10% of our current programming contracts were expired, and approximately another 34% are scheduled to expire by the end of 2005. We plan to seek to renegotiate the terms of our agreements with certain programmers as these agreements come due for renewal. There can be no assurance that these agreements will be renewed on favorable or comparable terms. To the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable, we may be forced to remove such programming channels from our line-up, which could result in a further loss of customers. In addition, our inability to fully pass these programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins.

Franchises

As of December 31, 2004, our systems operated pursuant to a total of approximately 4,200 franchises, permits and similar authorizations issued by local and state governmental authorities. Each franchise is awarded by a governmental authority and such governmental authority often must approve a transfer to another party. Most franchises are subject to termination proceedings in the event of a material breach. In addition, most franchises require us to pay the granting authority a franchise fee of up to 5.0% of revenues as defined in the various agreements, which is the maximum amount that may be charged under the applicable federal law. We are entitled to and generally do pass this fee through to the customer.

Prior to the scheduled expiration of most franchises, we initiate renewal proceedings with the granting authorities. This process usually takes three years but can take a longer period of time. The Communications Act provides for an orderly franchise renewal process in which granting authorities may not unreasonably withhold renewals. In

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connection with the franchise renewal process, many governmental authorities require the cable operator to make certain commitments. Historically we have been able to renew our franchises without incurring significant costs, although any particular franchise may not be renewed on commercially favorable terms or otherwise. Our failure to obtain renewals of our franchises, especially those in the major metropolitan areas where we have the most customers, could have a material adverse effect on our consolidated financial condition, results of operations or our liquidity, including our ability to comply with our debt covenants. Approximately 11% of our franchises, covering approximately 10% of our analog video customers were expired at December 31, 2004. Approximately 8% of additional franchises, covering approximately 9% of additional analog video customers will expire on or before December 31, 2005, if not renewed prior to expiration. We expect to renew substantially all of these franchises.

Under the Telecommunications Act of 1996 (the "1996 Telecom Act"), state and local authorities are prohibited from limiting, restricting or conditioning the provision of telecommunications services. They may, however, impose "competitively neutral" requirements and manage the public rights-of-way. Granting authorities may not require a cable operator to provide telecommunications services or facilities, other than institutional networks, as a condition of an initial franchise grant, a franchise renewal, or a franchise transfer. The 1996 Telecom Act also limits franchise fees to an operator's cable-related revenues and clarifies that they do not apply to revenues that a cable operator derives from providing new telecommunications services. In a March 2002 decision, the Federal Communications Commission ("FCC") held that revenue derived from the provision of cable modem service should not be added to franchise fee payments already limited by federal law to 5% of traditional cable service revenue. The same decision tentatively limited local franchising authority regulation of cable modem service. On October 6, 2003, the United States Court of Appeals for the Ninth Circuit vacated in part the FCC's March 2002 decision and remanded for further proceedings. The Ninth Circuit affirmed the portion of the FCC's March 2002 decision holding that cable modem service is not a "cable service." Although the Ninth Circuit's decision should not subject cable operators to additional cable franchise fee requirements for the provision of cable modem service, it could possibly result in other telecommunications regulation.

Competition

We face competition in the areas of price, service offerings, and service reliability. We compete with other providers of television signals and other sources of home entertainment. In addition, as we continue to expand into additional services such as high-speed Internet access and telephony, we face competition from other providers of each type of service. We operate in a very competitive business environment, which can adversely affect our business and operations.

In terms of competition for customers, we view ourselves as a member of the broadband communications industry, which encompasses multi-channel video for television and related broadband services, such as high-speed data and other interactive video services. In the broadband industry, our principal competitor for video services throughout our territory is direct broadcast satellite ("DBS"), and in markets where it is available, our principal competitor for data services is digital subscriber line ("DSL"). We do not consider other cable operators to be significant one-on-one competitors in the market overall, as traditional overbuilds are infrequent and spotty geographically (although in a particular market, a cable operator overbuilder would likely be a significant competitor at the local level). As of December 31, 2004, we are aware of traditional overbuild situations in service areas covering approximately 5% of our total homes passed and potential overbuilds in areas servicing approximately 2% of our total homes passed.

Although cable operators tend not to be direct competitors for customers, their relative size may affect the competitive landscape in terms of how a cable company competes against non-cable competitors in the market place as well as in relationships with vendors who deal with cable operators. For example, a larger cable operator might have better access to and pricing for the multiple types of services cable companies offer. Also, a larger entity might have different access to financial resources and acquisition opportunities.

Our key competitors include:

DBS

Direct broadcast satellite is a significant competitor to cable systems. The DBS industry has grown rapidly over the last several years, far exceeding the growth rate of the cable television industry, and now serves more than 24 million subscribers nationwide. DBS service allows the subscriber to receive video services directly via satellite using a relatively small dish antenna. Consistent with increasing consolidation in the communications industry, News Corp., one of the world's largest media companies, acquired a controlling interest in DIRECTV, Inc. ("DirecTV") in 2003, the largest domestic DBS company. This business combination could further strengthen

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DirecTV's competitive posture, particularly through favorable programming arrangements with various News Corp. affiliates and subsidiaries, such as the Fox television network. Additionally, EchoStar and DirecTV both have entered into joint marketing agreements with major telecommunications companies to offer bundled packages combining phone service, DSL and DBS services.

Video compression technology and high powered satellites allow DBS providers to offer more than 200 digital channels from a single transponder satellite, thereby surpassing the typical analog cable system. In 2003, major DBS competitors offered a greater variety of channel packages, and were especially competitive at the lower end pricing, such as a monthly price of approximately \$30 for 75 channels compared to approximately \$40 for the closest comparable package in most of our markets. In addition, while we continue to believe that the initial investment by a DBS customer exceeds that of a cable customer, the initial equipment cost for DBS has decreased substantially, as the DBS providers have aggressively marketed offers to new customers of incentives for discounted or free equipment, installation and multiple units. DBS providers are able to offer service nationwide and are able to establish a national image and branding with standardized offerings, which together with their ability to avoid franchise fees of up to 5% of revenues and property tax, leads to greater efficiencies and lower costs in the lower tiers of service. However, we believe that most consumers continue to prefer our stronger local presence in our markets. We believe that cable-delivered VOD and SVOD service are superior to DBS service because cable headends can store thousands of titles which customers can access and control independently, whereas DBS technology can only make available a much smaller number of titles with DVR-like customer control. We also believe that our higher tier products, particularly our bundled premium packages, are price-competitive with DBS packages and that many consumers prefer our ability to economically bundle video packages with data packages. Further, cable providers have the potential in some areas to provide a more complete "whole house" communications package when combining video, high-speed data and voice. We believe that this, combined with the introduction of more new products that DBS cannot offer (local high definition television and local interactive television) differentiates us from DBS competitors and could enable us to win back some of our former customers who migrated to satellite. Recent joint marketing arrangements between DBS providers and telecommunications carriers allow similar bundling of services in certain areas.

DBS companies historically were prohibited from retransmitting popular local broadcast programming. However, a change to the copyright laws in 1999, which was continued in 2004, eliminated this legal impediment. As a result, DBS companies now may retransmit such programming, once they have secured retransmission consent from the popular broadcast stations they wish to carry, and honor mandatory carriage obligations of less popular broadcast stations in the same television markets. In response to the legislation, DirecTV and EchoStar have been carrying the major network stations in many of the nation's television markets. DBS, however, is limited in the local programming it can provide because of the current capacity limitations of satellite technology. DBS companies do not offer local broadcast programming in every U.S. market, although the number of markets covered is increasing.

DBS providers have made attempts at widespread deployment of high-speed Internet access services via satellite but those services have been technically constrained and of limited appeal. However, DBS providers have entered into joint marketing arrangements with telecommunications carriers allowing them to offer terrestrial DSL services in many markets.

DSL and other Broadband Services

Digital subscriber line service allows Internet access to subscribers at data transmission speeds greater than those available over conventional telephone lines. DSL service therefore is competitive with high-speed Internet access over cable systems. Most telephone companies which already have plant, an existing customer base, and other operational functions in place (such as, billing, service personnel, etc.) offer DSL service. DSL actively markets its service and many providers have offered promotional pricing with a one-year service agreement. The FCC has initiated a rulemaking proceeding that could materially reduce existing regulation of DSL service, essentially freeing such service from traditional telecommunications regulation. It is also possible that federal legislation could reduce regulation of Internet services offered by incumbent telephone companies. Legislative action and the FCC's decisions and policies in this area are subject to change. We expect DSL to remain a significant competitor to our data services. In addition, the further deployment of fiber by telephone companies into their networks will enable them to provide higher bandwidth Internet service than provided over traditional DSL lines.

DSL and other forms of high-speed Internet access provide competition to our high-speed data service. For example, as discussed above, satellite-based delivery options are in development. In addition, local wireless Internet services have recently begun to operate in many markets using available unlicensed radio spectrum. This service option, popularly known as "wi-fi", offers another alternative to cable-based Internet access.

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High-speed Internet access facilitates the streaming of video into homes and businesses. As the quality and availability of video streaming over the Internet improves, video streaming likely will compete with the traditional delivery of video programming services over cable systems. It is possible that programming suppliers will consider bypassing cable operators and market their services directly to the consumer through video streaming over the Internet.

We believe that pricing for residential and commercial data services on our system is generally comparable to that for similar DSL services and that some residential customers prefer our ability to bundle data services with video services. However, DSL providers may currently be in a better position to offer data services to businesses since their networks tend to be more complete in commercial areas. They also have the ability to bundle telephony with data services for a higher percentage of their customers, and that ability is appealing to many consumers. Joint marketing arrangements between DSL providers and DBS providers may allow some additional bundling of services. Moreover, major telephone companies, such as SBC and Verizon, are now deploying fiber deep into their networks that will enable them to offer high bandwidth video services over their networks, in addition to established voice and Internet services.

Broadcast Television

Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an “off-air” antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through “off-air” reception compared to the services provided by the local cable system. Traditionally, cable television has provided a higher picture quality and more channel offerings than broadcast television. However, the recent licensing of digital spectrum by the FCC will provide traditional broadcasters with the ability to deliver high definition television pictures and multiple digital-quality program streams, as well as advanced digital services such as subscription video and data transmission.

Traditional Overbuilds

Cable systems are operated under non-exclusive franchises granted by local authorities. More than one cable system may legally be built in the same area. It is possible that a franchising authority might grant a second franchise to another cable operator and that such a franchise might contain terms and conditions more favorable than those afforded us. In addition, entities willing to establish an open video system, under which they offer unaffiliated programmers non-discriminatory access to a portion of the system’s cable system, may be able to avoid local franchising requirements. Well financed businesses from outside the cable industry, such as public utilities that already possess fiber optic and other transmission lines in the areas they serve, may over time become competitors. There are a number of cities that have constructed their own cable systems, in a manner similar to city-provided utility services. There also has been interest in traditional overbuilds by private companies. Constructing a competing cable system is a capital intensive process which involves a high degree of risk. We believe that in order to be successful, a competitor’s overbuild would need to be able to serve the homes and businesses in the overbuilt area on a more cost-effective basis than we can. Any such overbuild operation would require either significant access to capital or access to facilities already in place that are capable of delivering cable television programming.

As of December 31, 2004, we are aware of overbuild situations impacting approximately 5% of our total homes passed and potential overbuild situations in areas servicing approximately 2% of our total homes passed. Additional overbuild situations may occur in other systems. In response to such overbuilds, these systems have been designated priorities for the upgrade of cable plant and the launch of new and enhanced services. As of December 31, 2004, we have upgraded many of these systems to at least 750 megahertz two-way HFC architecture.

Telephone Companies and Utilities

The competitive environment has been significantly affected by technological developments and regulatory changes enacted under the 1996 Telecom Act, which is designed to enhance competition in the cable television and local telephone markets. Federal cross-ownership restrictions historically limited entry by local telephone companies into the cable business. The 1996 Telecom Act modified this cross-ownership restriction, making it possible for local exchange carriers, who have considerable resources, to provide a wide variety of video services competitive with services offered by cable systems.

Telephone companies can lawfully enter the cable television business, and although activity in this area historically has been quite limited, recent announcements by telephone companies indicate a growing interest in offering a video

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product. Local exchange carriers do already provide facilities for the transmission and distribution of voice and data services, including Internet services, in competition with our existing or potential interactive services ventures and businesses. In addition, major telephone companies, such as SBC and Verizon, are now deploying fiber into their networks that will enable them to offer video services over their networks, in addition to established voice and Internet services. Some telephone companies have begun more extensive deployment of fiber in their networks that will enable them to begin providing video services, as well as telephony and Internet access service. At least one major telephone company, SBC, plans to provide Internet protocol video over its upgraded network. SBC contends that its use of this technology should allow it to provide video service without a cable franchise as required under Title VI of the Communications Act. Other telephone companies deploying fiber more extensively are attempting through various means to weaken or streamline the franchising requirements applicable to them. If telephone companies are successful in avoiding or weakening the franchise and other regulatory requirements applicable to Charter, their competitive posture would be enhanced. We cannot predict the likelihood of success of the broadband services offered by our competitors or the impact on us of such competitive ventures. The large scale entry of major telephone companies as direct competitors in the video marketplace could adversely affect the profitability and valuation of established cable systems.

As we expand our offerings to include Internet access and other telecommunications services, we will be subject to competition from other telecommunications providers. The telecommunications industry is highly competitive and includes competitors with greater financial and personnel resources, who have brand name recognition and long-standing relationships with regulatory authorities and customers. Moreover, mergers, joint ventures and alliances among franchise, wireless or private cable operators, local exchange carriers and others may result in providers capable of offering cable television, Internet, and telecommunications services in direct competition with us. For example, major local exchange carriers have entered into arrangements with EchoStar and DirecTV in which they will market packages combining phone service, DSL and DBS services.

Additionally, we are subject to competition from utilities which possess fiber optic transmission lines capable of transmitting signals with minimal signal distortion. Utilities are also developing broadband over power line technology, which will allow the provision of Internet and other broadband services to homes and offices.

Private Cable

Additional competition is posed by satellite master antenna television systems, or SMATV systems, serving multiple dwelling units, or MDUs, such as condominiums, apartment complexes, and private residential communities. These private cable systems may enter into exclusive agreements with such MDUs, which may preclude operators of franchise systems from serving residents of such private complexes. Private cable systems can offer both improved reception of local television stations and many of the same satellite-delivered program services that are offered by cable systems. SMATV systems currently benefit from operating advantages not available to franchised cable systems, including fewer regulatory burdens and no requirement to service low density or economically depressed communities. Exemption from regulation may provide a competitive advantage to certain of our current and potential competitors.

Wireless Distribution

Cable systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems or "wireless cable," known as MMDS, which uses low-power microwave frequencies to transmit television programming over-the-air to paying customers. Wireless distribution services generally provide many of the programming services provided by cable systems, and digital compression technology increases significantly the channel capacity of their systems. Both analog and digital MMDS services, however, require unobstructed "line of sight" transmission paths and MMDS ventures have been quite limited to date.

The FCC has completed its auction of Multichannel Video Distribution & Data Service ("MVDDS") licenses. MVDDS is a new terrestrial video and data fixed wireless service that the FCC hopes will spur competition in the cable and DBS industries.

Regulation and Legislation

The following summary addresses the key regulatory and legislative developments affecting the cable industry. Cable system operations are extensively regulated by the FCC, some state governments and most local governments. A failure to comply with these regulations could subject us to substantial penalties. Our business can be dramatically impacted by changes to the existing regulatory framework, whether triggered by legislative,

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administrative, or judicial rulings. Congress and the FCC have expressed a particular interest in increasing competition in the communications field generally and in the cable television field specifically. The 1996 Telecom Act altered the regulatory structure governing the nation's communications providers. It removed barriers to competition in both the cable television market and the local telephone market. At the same time, the FCC has pursued spectrum licensing options designed to increase competition to the cable industry by wireless multichannel video programming distributors. We could be materially disadvantaged in the future if we are subject to new regulations that do not equally impact our key competitors.

Congress and the FCC have frequently revisited the subject of communications regulation, and they are likely to do so in the future. In addition, franchise agreements with local governments must be periodically renewed, and new operating terms may be imposed. Future legislative, regulatory, or judicial changes could adversely affect our operations. We can provide no assurance that the already extensive regulation of our business will not be expanded in the future.

Cable Rate Regulation

The cable industry has operated under a federal rate regulation regime for more than a decade. The regulations currently restrict the prices that cable systems charge for basic service and associated equipment. All other cable offerings are now universally exempt from rate regulation. Although rate regulation operates pursuant to a federal formula, local governments, commonly referred to as local franchising authorities, are primarily responsible for administering this regulation. The majority of our local franchising authorities have never certified to regulate basic cable rates, but they retain the right to do so (and order rate reductions and refunds), except in those specific communities facing "effective competition." Federal law defines effective competition as existing in a variety of circumstances that historically were rarely satisfied, but are increasingly likely to be satisfied with the recent increase in DBS competition.

There have been frequent calls to impose expanded rate regulation on the cable industry. Confronted with rapidly increasing cable programming costs, it is possible that Congress may adopt new constraints on the retail pricing or packaging of cable programming. Such constraints could adversely affect our operations.

The federal rate regulations also require cable operators to maintain a "geographically uniform" rate within each community, except in those communities facing effective competition. As we attempt to respond to a changing marketplace with competitive pricing practices, we may face legal restraints and challenges that impede our ability to compete.

Must Carry/Retransmission Consent

Federal law currently includes "must carry" regulations, which require cable systems to carry certain local broadcast television stations that the cable operator would not select voluntarily. Alternatively, popular commercial television stations can prohibit cable carriage unless the cable operator first negotiates for "retransmission consent," which may be conditioned on significant payments or other concessions. Either option has a potentially adverse effect on our business. The burden associated with must carry could increase significantly if cable systems were required to simultaneously carry both the analog and digital signals of each television station (dual carriage), as the broadcast industry transitions from an analog to a digital format.

The burden could also increase significantly if cable systems become required to carry multiple program streams included within a single digital broadcast transmission (multicast carriage). Additional government-mandated broadcast carriage obligations could disrupt existing programming commitments, interfere with our preferred use of limited channel capacity and limit our ability to offer services that would maximize customer appeal and revenue potential. Although the FCC issued a decision on February 10, 2005, confirming an earlier ruling against mandating either dual carriage or multicast carriage, that decision could be appealed or Congress could legislate additional carriage obligations.

Access Channels

Local franchise agreements often require cable operators to set aside certain channels for public, educational and governmental access programming. Federal law also requires cable systems to designate a portion of their channel capacity for commercial leased access by unaffiliated third parties. Increased activity in this area could further burden the channel capacity of our cable systems.

Access to Programming

The FCC recently extended a regulation prohibiting video programmers affiliated with cable companies from favoring cable operators over new competitors and requiring such programmers to sell their satellite-delivered programming to other multichannel video distributors. This provision limits the ability of vertically integrated cable programmers to offer exclusive programming arrangements to cable companies. DBS providers traditionally had no similar restriction on exclusive programming, but the FCC recently imposed that restriction as part of its approval of the DirecTV-News Corp. merger.

The FCC has also adopted regulations to avoid unreasonable conduct in retransmission consent negotiations between broadcasters and multichannel video programming distributors, including cable and DBS. It imposed special conditions on the DirecTV-News Corp. merger, including a requirement that Fox affiliated broadcast stations enter into commercial arbitration for disputes over retransmission consent. Given the heightened competition and media consolidation that Charter faces, it is possible that we will find it increasingly difficult to gain access to popular programming at favorable terms. Such difficulty could adversely impact our business.

Ownership Restrictions

Federal regulation of the communications field traditionally included a host of ownership restrictions, which limited the size of certain media entities and restricted their ability to enter into competing enterprises. Through a series of legislative, regulatory, and judicial actions, most of these restrictions recently were eliminated or substantially relaxed. For example, historic restrictions on local exchange carriers offering cable service within their telephone service area, as well as those prohibiting broadcast stations from owning cable systems within their broadcast service area, no longer exist. Changes in this regulatory area, including some still subject to judicial review, could alter the business landscape in which we operate, as formidable new competitors (including electric utilities, local exchange carriers, and broadcast/media companies) may increasingly choose to offer cable services.

The FCC previously adopted regulations precluding any cable operator from serving more than 30% of all domestic multichannel video subscribers and from devoting more than 40% of the activated channel capacity of any cable system to the carriage of affiliated national video programming services. These cable ownership restrictions were invalidated by the courts, and the FCC is now considering adoption of replacement regulations.

Internet Service

Over the past several years, proposals have been advanced at the FCC and Congress that would require cable operators offering Internet service to provide non-discriminatory access to unaffiliated Internet service providers. Several local franchising authorities actually adopted mandatory “open access” requirements, but various federal courts rejected each of these actions, relying on different legal theories. It remains unclear today precisely what regulatory regime ultimately will be applied to the cable industry’s high-speed Internet service. The FCC has ruled that cable modem service is an interstate “information service,” rather than a “cable” or “telecommunications service.” This classification left cable modem service exempt from the burdens associated with traditional cable and telecommunications regulation. The United States Court of Appeals for the Ninth Circuit however, vacated in part the FCC’s ruling and remanded for further proceedings. The Ninth Circuit held that cable modem service is not “cable service,” but is part “telecommunications service” and part “information service.” That decision has been appealed to the Supreme Court, which has agreed to hear the case. The Ninth Circuit decision, if not overturned, could potentially result in adverse regulatory treatment, including the imposition of “open access” requirements on the cable industry’s Internet access service.

Although the FCC previously suggested that regulatory forbearance of cable modem service would be appropriate, regardless of the technical classification ultimately assigned to it, a number of technology companies continue to press the FCC to subject cable modem service to certain “nondiscrimination principles.” The final regulatory status of cable modem service remains uncertain. Its outcome could materially affect our business. It could also affect whether local franchising authorities can collect franchise fees on cable modem service and whether cable systems will have any payment obligations to the federal government’s universal service fund and be subject to other common carrier regulations.

As the Internet has matured, it has become the subject of increasing regulatory interest. There is now a host of federal laws affecting Internet service, including the Digital Millennium Copyright Act, which affords copyright owners certain rights against us that could adversely affect our relationship with any customer accused of violating

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copyright laws. Recently enacted Anti-Spam legislation also imposes new obligations on our operations. The adoption of new Internet regulations could adversely affect our business.

Phone Service

The 1996 Telecom Act created a more favorable regulatory environment for us to provide telecommunications services. In particular, it limited the regulatory role of local franchising authorities and established requirements ensuring that we could interconnect with other telephone companies to provide a viable service. Many implementation details remain unresolved, and there are substantial regulatory changes being considered that could impact, in both positive and negative ways, our primary telecommunications competitors and our own entry into the field of phone service. The FCC and state regulatory authorities are considering, for example, whether common carrier regulation traditionally applied to incumbent local exchange carriers should be modified. The FCC recently decided that alternative voice technologies, like certain types of VOIP, should be regulated only at the federal level, rather than by individual states. As the FCC generally does not favor extensive regulation of such services, this decision appears to be a positive development for VOIP offerings. It is unclear how these regulatory matters ultimately will be resolved and how they will affect our potential expansion into phone service.

Pole Attachments

The Communications Act requires most utilities to provide cable systems with access to poles and conduits and simultaneously regulates the rates charged for this access. The Act specifies that significantly higher rates apply if the cable plant is providing telecommunications service, as well as traditional cable service. The FCC has clarified that a cable operator's favorable pole rates are not endangered by the provision of Internet access. Although that determination was upheld by the United States Supreme Court, a subsequent decision by the United States Court of Appeals for the Ninth Circuit regarding the proper regulatory classification of Internet service has once again created controversy in this area. The U.S. Supreme Court has agreed to hear an appeal of that decision. It remains possible that the underlying pole attachment formula, or its application to Internet and telecommunications offerings, will be modified in a manner that substantially increases our pole attachment costs.

Cable Equipment

The FCC has undertaken several steps to promote competition in the delivery of cable equipment and compatibility with new digital technology. The FCC has expressly ruled that cable customers must be allowed to purchase set-top terminals from third parties and established a multi-year phase-in during which security functions (which would remain in the operator's exclusive control) would be unbundled from the basic converter functions, which could then be provided by third party vendors. The first phase of implementation has already passed. A prohibition on cable operators leasing digital set-top terminals that integrate security and basic navigation functions is currently scheduled to go into effect as of July 1, 2006, although the FCC may extend the deadline.

The FCC has adopted rules implementing an agreement between major cable operators and manufacturers of consumer electronics on "plug and play" specifications for one-way digital televisions. The rules require cable operators to provide "CableCard" security modules and support to customer owned digital televisions and similar devices already equipped with built-in set-top terminal functionality. Cable operators must support basic home recording rights and copy protection rules for digital programming content. The FCC has adopted companion "broadcast flag" rules, requiring cable carriage of a code embedded in digital broadcast programming that will regulate the further use of copyright programming, although the FCC's jurisdiction to impose broadcast flag rules is currently being challenged in court.

The FCC is conducting additional related rulemakings, and the cable and consumer electronics industries are currently negotiating an agreement that would establish additional "plug and play" specifications for two-way digital televisions.

The FCC rules are subject to challenge and inter-industry negotiations are ongoing. It is unclear how this process will develop and how it will affect our offering of cable equipment and our relationship with our customers.

Other Communications Act Provisions and FCC Regulatory Matters

In addition to the Communications Act provisions and FCC regulations noted above, there are other statutory provisions and FCC regulations affecting our business. The Communications Act, for example, includes cable-specific privacy obligations. The Act carefully limits our ability to collect and disclose personal information.

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FCC regulations include a variety of additional areas, including, among other things: (1) equal employment opportunity obligations; (2) customer service standards; (3) technical service standards; (4) mandatory blackouts of certain network, syndicated and sports programming; (5) restrictions on political advertising; (6) restrictions on advertising in children's programming; (7) restrictions on origination cablecasting; (8) restrictions on carriage of lottery programming; (9) sponsorship identification obligations; (10) closed captioning of video programming; (11) licensing of systems and facilities; and (12) maintenance of public files; and (13) emergency alert systems.

It is possible that Congress or the FCC will expand or modify its regulation of cable systems in the future, and we cannot predict at this time how that might impact our business. For example, there have been recent discussions about imposing "indecent" restrictions directly on cable programming.

Copyright

Cable systems are subject to federal copyright licensing covering carriage of television and radio broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative review and could adversely affect our ability to obtain desired broadcast programming. We cannot predict the outcome of this legislative activity. Moreover, the Copyright Office has not yet provided any guidance as to the how the compulsory copyright license should apply to newly offered digital broadcast signals.

Copyright clearances for non-broadcast programming services are arranged through private negotiations. Cable operators also must obtain music rights for locally originated programming and advertising from the major music performing rights organizations. These licensing fees have been the source of litigation in the past, and we cannot predict with certainty whether license fee disputes may arise in the future.

Franchise Matters

Cable systems generally are operated pursuant to nonexclusive franchises granted by a municipality or other state or local government entity in order to cross public rights-of-way. Cable franchises generally are granted for fixed terms and in many cases include monetary penalties for noncompliance and may be terminable if the franchisee fails to comply with material provisions.

The specific terms and conditions of cable franchises vary materially between jurisdictions. Each franchise generally contains provisions governing cable operations, franchise fees, system construction, maintenance, technical performance, and customer service standards. A number of states subject cable systems to the jurisdiction of centralized state government agencies, such as public utility commissions. Although local franchising authorities have considerable discretion in establishing franchise terms, there are certain federal protections. For example, federal law caps local franchise fees and includes renewal procedures designed to protect incumbent franchisees from arbitrary denials of renewal. Even if a franchise is renewed, however, the local franchising authority may seek to impose new and more onerous requirements as a condition of renewal. Similarly, if a local franchising authority's consent is required for the purchase or sale of a cable system, the local franchising authority may attempt to impose more burdensome requirements as a condition for providing its consent.

Employees

As of December 31, 2004, we had approximately 15,500 full-time equivalent employees. At December 31, 2004, approximately 100 of our employees were represented by collective bargaining agreements. We have never experienced a work stoppage. At December 31, 2003, these numbers were approximately 15,500 and approximately 300, respectively.

The corporate office, which includes employees of Charter and Charter Holdco, is responsible for coordinating and overseeing our operations. The corporate office performs certain financial and administrative functions on a centralized basis such as accounting, taxes, billing, finance and acquisitions, payroll and benefit administration, information system design and support, internal audit, purchasing, marketing and programming contract administration and oversight and coordination of external auditors and consultants. The corporate office performs these services on a cost reimbursement basis pursuant to a management services agreement. See "Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen's Investment in Charter and Its Subsidiaries — Intercompany Management Agreements" and "— Mutual Services Agreements."

Item 2. Properties.

Our principal physical assets consist of cable distribution plant and equipment, including signal receiving, encoding and decoding devices, headend reception facilities, distribution systems and customer drop equipment for each of our cable systems.

Our cable plant and related equipment are generally attached to utility poles under pole rental agreements with local public utilities and telephone companies, and in certain locations are buried in underground ducts or trenches. We own or lease real property for signal reception sites and own most of our service vehicles.

Historically, our subsidiaries have owned the real property and buildings for our data centers, customer contact centers and our divisional administrative offices. Since early 2003 we have reduced our total real estate portfolio square footage by approximately 17% and have decreased our operating annual lease costs by approximately 30%. We plan to continue reducing our number of administrative offices and lease the space, where possible, while attempting to sell those existing locations that we believe are no longer required. Our subsidiaries generally have leased space for business offices throughout our operating divisions. Our headend and tower locations are located on owned or leased parcels of land, and we generally own the towers on which our equipment is located. Charter Holdco owns the real property and building for our principal executive offices.

The physical components of our cable systems require maintenance as well as periodic upgrades to support the new services and products we introduce. See “Item 1. Business – Our Network Technology.” We believe that our properties are generally in good operating condition and are suitable for our business operations.

Item 3. Legal Proceedings.

Securities Class Actions and Derivative Suits

Fourteen putative federal class action lawsuits (the “Federal Class Actions”) were filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter’s securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages were sought by the plaintiffs. In general, the lawsuits alleged that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleading financial statements and press releases concerning Charter’s operations and prospects. The Federal Class Actions were specifically and individually identified in public filings made by Charter prior to the date of this annual report.

In October 2002, Charter filed a motion with the Judicial Panel on Multidistrict Litigation (the “Panel”) to transfer the Federal Class Actions to the Eastern District of Missouri. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Panel’s transfer order assigned the Federal Class Actions to Judge Charles A. Shaw. By virtue of a prior court order, StoneRidge Investment Partners LLC became lead plaintiff upon entry of the Panel’s transfer order. StoneRidge subsequently filed a Consolidated Amended Complaint. The Court subsequently consolidated the Federal Class Actions into a single action (the “Consolidated Federal Class Action”) for pretrial purposes. On June 19, 2003, following a status and scheduling conference with the parties, the Court issued a Case Management Order setting forth a schedule for the pretrial phase of the Consolidated Federal Class Action. Motions to dismiss the Consolidated Amended Complaint were filed. On February 10, 2004, in response to a joint motion made by StoneRidge and Defendants Charter, Vogel and Allen, the Court entered an order providing, among other things, that: (1) the parties who filed such motion engage in a mediation within ninety (90) days; and (2) all proceedings in the Consolidated Federal Class Actions were stayed until May 10, 2004. On May 11, 2004, the Court extended the stay in the Consolidated Federal Class Action for an additional sixty (60) days. On July 12, 2004, the parties submitted a joint motion to again extend the stay, this time until September 10, 2004. The Court granted that extension on July 20, 2004. On August 5, 2004, Stoneridge, Charter and the individual defendants who were the subject of the suit entered into a Memorandum of Understanding setting forth agreements in principle to settle the Consolidated Federal Class Action. These parties subsequently entered into Stipulations of Settlement dated as of January 24, 2005 (described more fully below) which incorporate the terms of the August 5, 2004 Memorandum of Understanding.

The Consolidated Federal Class Action is entitled:

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- In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (All Cases), StoneRidge Investments Partners, LLC, Individually and On Behalf of All Others Similarly Situated, v. Charter Communications, Inc., Paul Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith, III, Scientific-Atlanta, Inc., Motorola, Inc. and Arthur Andersen, LLP, Consolidated Case No. 4:02-CV-1186-CAS.

On September 12, 2002, a shareholders derivative suit (the “State Derivative Action”) was filed in the Circuit Court of the City of St. Louis, State of Missouri (the “Missouri State Court”), against Charter and its then current directors, as well as its former auditors. A substantively identical derivative action was later filed and consolidated into the State Derivative Action. The plaintiffs allege that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter’s behalf, are sought by the plaintiffs.

The consolidated State Derivative Action is entitled:

- Kenneth Stacey, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Charter Communications, Inc.

On March 12, 2004, an action substantively identical to the State Derivative Action was filed in the Missouri State Court, against Charter and certain of its current and former directors, as well as its former auditors. The plaintiffs in that case alleged that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter’s behalf, were sought by plaintiffs. On July 14, 2004, the Court consolidated this case with the State Derivative Action.

This action is entitled:

- Thomas Schimmel, Derivatively on behalf on Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Arthur Andersen, LLP, and Charter Communications, Inc.

Separately, on February 12, 2003, a shareholders derivative suit (the “Federal Derivative Action”), was filed against Charter and its then current directors in the United States District Court for the Eastern District of Missouri. The plaintiff in that suit alleged that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter’s behalf, were sought by the plaintiffs.

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The Federal Derivative Action is entitled:

- Arthur Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, and Charter Communications, Inc.

As noted above, Charter entered into Memoranda of Understanding on August 5, 2004 setting forth agreements in principle regarding settlement of the Consolidated Federal Class Action, the State Derivative Action(s) and the Federal Derivative Action (the “Actions”). Charter and various other defendants in those actions subsequently entered into Stipulations of Settlement dated as of January 24, 2005, setting forth a settlement of the Actions in a manner consistent with the terms of the Memoranda of Understanding. The Stipulations of Settlement, along with various supporting documentation, were filed with the Court on February 2, 2005. The Stipulations of Settlement provide that, in exchange for a release of all claims by plaintiffs against Charter and its former and present officers and directors named in the Actions, Charter will pay to the plaintiffs a combination of cash and equity collectively valued at \$144 million, which will include the fees and expenses of plaintiffs’ counsel. Of this amount, \$64 million will be paid in cash (by Charter’s insurance carriers) and the balance will be paid in shares of Charter Class A common stock having an aggregate value of \$40 million and ten-year warrants to purchase shares of Charter Class A common stock having an aggregate warrant value of \$40 million, with such values in each case being determined pursuant to formulas set forth in the Stipulations of Settlement. The warrants would have an exercise price equal to 150% of the fair market value (as defined) of Charter Class A common stock as of the date of the entry of the order of final judgment approving the settlement. In addition, Charter expects to issue additional shares of its Class A common stock to its insurance carrier having an aggregate value of \$5 million. As part of the settlements, Charter will also commit to a variety of corporate governance changes, internal practices and public disclosures, some of which have already been undertaken and none of which are inconsistent with measures Charter is taking in connection with the recent conclusion of the SEC investigation described below. Documents related to the settlement of the Actions have now been executed and filed. On February 15, 2005, the United States District Court for the Eastern District of Missouri gave preliminary approval to the settlement of the Actions. The settlement of each of the lawsuits remains conditioned upon, among other things, final judicial approval of the settlements following notice to the class, and dismissal with prejudice of the consolidated derivative actions now pending in Missouri State Court, which are related to the Federal Derivative Action. In the event that the valuation formula in the Stipulations provides for a per share value of less than \$2.25, Charter may elect to terminate the settlement.

In addition to the Federal Class Actions, the State Derivative Action(s), the new Missouri State Court derivative action and the Federal Derivative Action, six putative class action lawsuits were filed against Charter and certain of its then current directors and officers in the Court of Chancery of the State of Delaware (the “Delaware Class Actions”). The lawsuits were filed after the filing of a Schedule 13D amendment by Mr. Allen indicating that he was exploring a number of possible alternatives with respect to restructuring or expanding his ownership interest in Charter. We believe the plaintiffs speculated that Mr. Allen might have been contemplating an unfair bid for shares of Charter or some other sort of going private transaction on unfair terms and generally alleged that the defendants breached their fiduciary duties by participating in or acquiescing to such a transaction. The lawsuits, which are substantively identical, were brought on behalf of Charter’s securities holders as of July 29, 2002, and sought unspecified damages and possible injunctive relief. However, no such transaction by Mr. Allen has been presented. On April 30, 2004, orders of dismissal without prejudice were entered in each of the Delaware Class Actions.

The Delaware Class Actions consist of:

- Eleanor Leonard, v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc., filed on August 12, 2002;
- Helene Giarraputo, on behalf of herself and all others similarly situated, v. Paul G. Allen, Carl E. Vogel, Marc B. Nathanson, Ronald L. Nelson, Nancy B. Peretsman, William Savoy, John H. Tory, Larry W. Wangberg, and Charter Communications, Inc., filed on August 13, 2002;
- Ronald D. Wells, Whitney Council and Manny Varghese, on behalf of themselves and all others similarly situated, v. Charter Communications, Inc., Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg, filed on August 13, 2002;

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- Gilbert Herman, on behalf of himself and all others similarly situated, v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc., filed on August 14, 2002;
- Stephen Noteboom, on behalf of himself and all others similarly situated, v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc., filed on August 16, 2002; and
- John Fillmore on behalf of himself and all others similarly situated, v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc., filed on October 18, 2002.

Government Investigations

In August 2002, Charter became aware of a grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers, and its reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney's Office has publicly stated that Charter is not a target of the investigation. Charter was also advised by the U. S. Attorney's Office that no current officer or member of its board of directors is a target of the investigation. On July 24, 2003, a federal grand jury charged four former officers of Charter with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. Trial was set for February 7, 2005. Subsequently, each of the indicted former officers pled guilty to single conspiracy counts related to the original mail and wire fraud charges and are awaiting sentencing. We are fully cooperating with the investigation.

On November 4, 2002, Charter received an informal, non-public inquiry from the staff of the SEC. The SEC issued a formal order of investigation dated January 23, 2003, and subsequently served document and testimony subpoenas on Charter and a number of its former employees. The investigation and subpoenas generally concerned Charter's prior reports with respect to its determination of the number of customers, and various of its accounting policies and practices including its capitalization of certain expenses and dealings with certain vendors, including programmers and digital set-top terminal suppliers. On July 27, 2004, the SEC and Charter reached a final agreement to settle the investigation. In the Settlement Agreement and Cease and Desist Order, Charter agreed to entry of an administrative order prohibiting any future violations of United States securities laws and requiring certain other remedial internal practices and public disclosures. Charter neither admitted nor denied any wrongdoing, and the SEC assessed no fine against Charter.

Indemnification

Charter is generally required to indemnify each of the named individual defendants in connection with the matters described above pursuant to the terms of its bylaws and (where applicable) such individual defendants' employment agreements. In accordance with these documents, in connection with the pending grand jury investigation, the now settled SEC investigation and the above described lawsuits, some of Charter's current and former directors and current and former officers have been advanced certain costs and expenses incurred in connection with their defense. See "Item 13. Certain Relationships and Related Transactions – Indemnification Advances" for greater detail. On February 22, 2005, Charter filed suit against four of its former officers who were indicted in the course of the grand jury investigation. These suits seek to recover the legal fees and other related expenses advanced to these individuals by Charter for the grand jury investigation, SEC investigation and class action and related lawsuits.

Other Litigation

In October 2001, two customers, Nikki Nicholls and Geraldine M. Barber, filed a class action suit against Charter Holdco in South Carolina Court of Common Pleas (the "South Carolina Class Action"), purportedly on behalf of a class of Charter Holdco's customers, alleging that Charter Holdco improperly charged them a wire maintenance fee without request or permission. They also claimed that Charter Holdco improperly required them to rent analog and/or digital set-top terminals even though their television sets were "cable ready." A substantively identical case was filed in the Superior Court of Athens — Clarke County, Georgia by Emma S. Tobar on March 26, 2002 (the "Georgia Class Action"), alleging a nationwide class for these claims. Charter Holdco removed the South Carolina Class Action to the United States District Court for the District of South Carolina in November 2001, and moved to dismiss the suit in December 2001. The federal judge remanded the case to the South Carolina Court of Common

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Pleas in August 2002 without ruling on the motion to dismiss. The plaintiffs subsequently moved for a default judgment, arguing that upon return to state court, Charter Holdco should have, but did not file a new motion to dismiss. The state court judge granted the plaintiff's motion over Charter Holdco's objection in September 2002. Charter Holdco immediately appealed that decision to the South Carolina Court of Appeals and the South Carolina Supreme Court, but those courts ruled that until a final judgment was entered against Charter Holdco, they lacked jurisdiction to hear the appeal.

In January 2003, the Court of Common Pleas granted the plaintiffs' motion for class certification. In October and November 2003, Charter Holdco filed motions (a) asking that court to set aside the default judgment, and (b) seeking dismissal of plaintiffs' suit for failure to state a claim. In January 2004, the Court of Common Pleas granted in part and denied in part Charter Holdco's motion to dismiss for failure to state a claim. It also took under advisement Charter Holdco's motion to set aside the default judgment. In April 2004, the parties to both the Georgia and South Carolina Class Actions participated in a mediation. The mediator made a proposal to the parties to settle the lawsuits. In May 2004, the parties accepted the mediator's proposal and reached a tentative settlement, subject to final documentation and court approval. As a result of the tentative settlement, we recorded a special charge of \$9 million in our consolidated statement of operations in the first quarter of 2004. On July 8, 2004, the Superior Court of Athens — Clarke County, Georgia granted a motion to amend the Tobar complaint to add Nicholls, Barber and April Jones as plaintiffs in the Georgia Class Action and to add any potential class members in South Carolina. The court also granted preliminary approval of the proposed settlement on that date. On August 2, 2004, the parties submitted a joint request to the South Carolina Court of Common Pleas to stay the South Carolina Class Action pending final approval of the settlement and on August 17, 2004, that court granted the parties' request. On November 10, 2004, the court granted final approval of the settlement, rejecting positions advanced by two objectors to the settlement. On December 13, 2004 the court entered a written order formally approving that settlement. On January 11, 2005, certain class members appealed the order entered by the Georgia court. That appeal was dismissed on or about February 3, 2005. Additionally, one of the objectors to this settlement recently filed a similar, but not identical, lawsuit.

The South Carolina Class Action was entitled:

- Nikki Nicholls and Geraldine M. Barber, on behalf of themselves and all others similarly situated v. Charter Communications Holding Company, LLC and City of Spartanburg filed on October 29, 2001.

The Georgia Class Action is now entitled:

- Emma S. Tobar, Nikki Nicholls, Geraldine M. Barber and April Jones, on behalf of themselves and all others similarly situated v. Charter Communications Holding Company, LLC, et al, originally filed on March 26, 2002.

Outcome

In addition to the matters set forth above, Charter is also party to other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims are not expected to have a material adverse effect on our consolidated financial condition, results of operations or our liquidity.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2004.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.****(A) Market Information**

Our Class A common stock is quoted on the NASDAQ National Market under the symbol "CHTR." The following table sets forth, for the periods indicated, the range of high and low last reported sale price per share of Class A common stock on the NASDAQ National Market. There is no established trading market for our Class B common stock.

Class A Common Stock

	<u>High</u>	<u>Low</u>
2004		
First quarter	\$ 5.43	\$ 3.99
Second quarter	\$ 4.70	\$ 3.61
Third quarter	\$ 3.90	\$ 2.61
Fourth quarter	\$ 3.01	\$ 2.03
2003		
First quarter	\$ 1.73	\$ 0.76
Second quarter	\$ 4.18	\$ 0.94
Third quarter	\$ 5.50	\$ 3.32
Fourth quarter	\$ 4.71	\$ 3.72

(B) Holders

As of December 31, 2004, there were 3,793 holders of record of our Class A common stock, one holder of our Class B common stock, and 13 holders of record of our Series A Convertible Redeemable Preferred Stock.

(C) Dividends

Charter has not paid stock or cash dividends on any of its common stock, and we do not intend to pay cash dividends on common stock for the foreseeable future. Except for the cash dividends we pay on our outstanding Series A convertible redeemable preferred stock, we intend to retain future earnings, if any, to finance our business. Additionally, Charter is prohibited from declaring or paying cash dividends on any class of stock on par with or junior to the Series A convertible redeemable preferred stock, including the common stock, unless the cumulative dividends on the preferred stock and any accrued dividends on stock on par with the preferred stock for any past or current period have been paid or set aside in full.

Charter Holdco may make pro rata distributions to all holders of its common membership units, including Charter. Covenants in the indentures and credit agreements governing the debt obligations of Charter Communications Holdings and its subsidiaries restrict their ability to make distributions to us, and accordingly, limit our ability to declare or pay cash dividends. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

(D) Recent Sales of Unregistered Securities

During 2004, there were no unregistered sales of securities of the registrant other than those previously reported on a Form 10-Q or Form 8-K.

For information regarding securities issued under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management — Securities authorized for issuance under equity compensation plans."

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Item 6. Selected Financial Data.

The following table presents selected consolidated financial data for the periods indicated (dollars in millions, except share data):

	Charter Communications, Inc. Year Ended December 31,				
	2004	2003 (a)	2002 (a)	2001 (a)(b)	2000 (a)(b)
Statement of Operations Data:					
Revenues	\$ 4,977	\$ 4,819	\$ 4,566	\$ 3,807	\$ 3,141
Costs and Expenses:					
Operating (excluding depreciation and amortization)	2,080	1,952	1,807	1,486	1,187
Selling, general and administrative	971	940	963	826	606
Depreciation and amortization	1,495	1,453	1,436	2,683	2,398
Impairment of franchises	2,433	—	4,638	—	—
(Gain) loss on sale of assets, net	(86)	5	3	10	—
Option compensation expense (income), net	31	4	5	(5)	38
Special charges, net	104	21	36	18	—
Unfavorable contracts and other settlements	(5)	(72)	—	—	—
	<u>7,023</u>	<u>4,303</u>	<u>8,888</u>	<u>5,018</u>	<u>4,229</u>
Income (loss) from operations	(2,046)	516	(4,322)	(1,211)	(1,088)
Interest expense, net	(1,670)	(1,557)	(1,503)	(1,310)	(1,040)
Gain (loss) on derivative instruments and hedging activities, net	69	65	(115)	(50)	—
Loss on debt to equity conversions	(23)	—	—	—	—
Gain (loss) on extinguishment of debt	(31)	267	—	—	—
Other, net	3	(16)	(4)	(59)	(20)
Loss before minority interest, income taxes and cumulative effect of accounting change	(3,698)	(725)	(5,944)	(2,630)	(2,148)
Minority interest	19	377	3,176	1,461	1,280
Loss before income taxes and cumulative effect of accounting change	(3,679)	(348)	(2,768)	(1,169)	(868)
Income tax benefit	103	110	460	12	10
Loss before cumulative effect of accounting change	(3,576)	(238)	(2,308)	(1,157)	(858)
Cumulative effect of accounting change, net of tax	(765)	—	(206)	(10)	—
Net loss	(4,341)	(238)	(2,514)	(1,167)	(858)
Dividends on preferred stock — redeemable	(4)	(4)	(3)	(1)	—
Net loss applicable to common stock	\$ (4,345)	\$ (242)	\$ (2,517)	\$ (1,168)	\$ (858)
Loss per common share, basic and diluted	\$ (14.47)	\$ (0.82)	\$ (8.55)	\$ (4.33)	\$ (3.80)
Weighted-average common shares outstanding	<u>300,291,877</u>	<u>294,597,519</u>	<u>294,440,261</u>	<u>269,594,386</u>	<u>225,697,775</u>
Balance Sheet Data (end of period):					
Total assets	\$ 17,673	\$ 21,364	\$ 22,384	\$ 26,463	\$ 24,352
Long-term debt	19,464	18,647	18,671	16,343	13,061
Minority interest	648	689	1,050	4,434	4,571
Redeemable securities	—	—	—	—	1,104
Preferred stock — redeemable	55	55	51	51	—
Shareholders' equity (deficit)	(4,406)	(175)	41	2,585	2,767

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- (a) Certain prior year amounts have been reclassified to conform with the 2004 presentation.
- (b) In 2002, the Company restated its consolidated financial statements for 2001 and prior. The restatements were primarily related to the following categories: (i) launch incentives from programmers; (ii) customer incentives and inducements; (iii) capitalized labor and overhead costs; (iv) customer acquisition costs; (v) rebuild and upgrade of cable systems; (vi) deferred tax liabilities/franchise assets; and (vii) other adjustments. These adjustments reduced revenue for the years ended December 31, 2001 and 2000 by \$146 million and \$108 million, respectively. The Company's consolidated net loss decreased by \$11 million for the year ended December 31, 2001. Net loss increased by \$29 million for the year ended December 31, 2000, primarily due to adjustments related to the original accounting for acquisitions and for elements of the rebuild and upgrade activities.

Comparability of the above information from year to year is affected by acquisitions and dispositions completed by us. See Note 2 and Note 4 to our consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Reference is made to "Certain Trends and Uncertainties" of this section and "Cautionary Statement Regarding Forward-Looking Statements," which describes important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements of Charter Communications, Inc. and subsidiaries as of and for the years ended December 31, 2004, 2003 and 2002.

Introduction

In 2004, we completed several transactions that improved our liquidity. Our efforts in this regard have resulted in the completion of a number of transactions in 2004, as follows:

- the December 2004 sale by our subsidiaries, CCO Holdings, LLC and CCO Holdings Capital Corp., of \$550 million of senior floating rate notes due 2010;
- the November 2004 sale by Charter of \$862.5 million of 5.875% convertible senior notes due 2009;
- the December 2004 redemption of all of our 5.75% convertible senior notes due 2005 (\$588 million principal amount);
- the April 2004 sale of \$1.5 billion of senior second-lien notes by our subsidiary, Charter Operating, together with the concurrent refinancing of its credit facilities; and
- the sale in the first half of 2004 of non-core cable systems for a total of \$733 million, the proceeds of which were used to reduce indebtedness.

During the years 1999 through 2001, we grew significantly, principally through acquisitions of other cable businesses financed by debt and, to a lesser extent, equity. We have no current plans to pursue any significant acquisitions. However, we may pursue exchanges of non-strategic assets or divestitures, such as the sale of cable systems to Atlantic Broadband Finance, LLC discussed above. We therefore do not believe that our historical growth rates are accurate indicators of future growth.

The industry's and our most significant operational challenges in 2004 and 2003 included competition from DBS providers and DSL service providers. See "Business — Competition." We believe that competition from DBS has resulted in net analog video customer losses and decreased growth rates for digital video customers. Competition from DSL providers combined with limited opportunities to expand our customer base now that approximately 28% of our analog video customers subscribe to our high-speed data services has resulted in decreased growth rates for high-speed data customers. In the recent past, we have grown revenues by offsetting video customer losses with price increases and sales of incremental advanced services such as high-speed data, video on demand, digital video recorders and high definition television. We expect to continue to grow revenues through continued growth in high-speed data and incremental new services including VOIP telephony, high definition television, VOD and DVR service.

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Historically, our ability to fund operations and investing activities has depended on our continued access to credit under our subsidiaries' credit facilities. We expect we will continue to borrow under our subsidiaries' credit facilities from time to time to fund cash needs. The occurrence of an event of default under our subsidiaries' credit facilities could result in borrowings from these facilities being unavailable to us and could, in the event of a payment default or acceleration, trigger events of default under our notes and our subsidiaries' outstanding notes and would have a material adverse effect on us. Approximately \$30 million of indebtedness under our subsidiaries' credit facilities is scheduled to mature during 2005. We expect to fund payment of such indebtedness through borrowings under our subsidiaries' revolving credit facilities.

Overview of Operations

Approximately 86% of our revenues for the each of the years ended December 31, 2004 and 2003 are attributable to monthly subscription fees charged to customers for our video, high-speed data, telephone and commercial services provided by our cable systems. Generally, these customer subscriptions may be discontinued by the customer at any time. The remaining 14% of revenue is derived primarily from advertising revenues, franchise fee revenues, which are collected by us but then paid to local franchising authorities, pay-per-view and VOD programming where users are charged a fee for individual programs viewed, installation or reconnection fees charged to customers to commence or reinstate service, and commissions related to the sale of merchandise by home shopping services. We have increased revenues during the past three years, primarily through the sale of digital video and high-speed data services to new and existing customers and price increases on video services offset in part by dispositions of systems. Going forward, our goal is to increase revenues by stabilizing our analog video customer base, implementing price increases on certain services and packages and increasing the number of our customers who purchase high-speed data services, digital video and new products and services such as VOIP telephony, VOD, high definition television and DVR service. To accomplish this, we are increasing prices for certain services and we are offering new bundling of services combining digital video and our advanced services (such as high-speed data service and high definition television) at what we believe are attractive price points. See "Business — Sales and Marketing" for more details.

Our success in our efforts to grow revenues and improve margins will be impacted by our ability to compete against companies with often fewer regulatory burdens, easier access to financing, greater personnel resources, greater brand name recognition and long-established relationships with regulatory authorities and customers. Additionally, controlling our cost of operations is critical, particularly cable programming costs, which have historically increased at rates in excess of inflation and are expected to continue to increase. See "Business — Programming" for more details. We are attempting to control our costs of operations by maintaining strict controls on expenses. More specifically, we are focused on managing our cost structure by renegotiating programming agreements to reduce the rate of historical increases in programming cost, managing our workforce to control increases and improve productivity, and leveraging our size in purchasing activities.

Our expenses primarily consist of operating costs, selling, general and administrative expenses, depreciation and amortization expense and interest expense. Operating costs primarily include programming costs, the cost of our workforce, cable service related expenses, advertising sales costs, franchise fees and expenses related to customer billings. Our income from operations decreased from \$516 million for year ended December 31, 2003 to loss from operations of \$2.0 billion for the year ended December 31, 2004. We had a negative operating margin (defined as income (loss) from operations divided by revenues) of 41% for the year ended December 31, 2004 whereas for the year ended December 31, 2003, we had a positive operating margin of 11%. The decline in income from operations and operating margin for the year end December 31, 2004 is principally due to the impairment of franchises of \$2.4 billion recorded in the third quarter of 2004. The year ended December 31, 2004 also includes a gain on the sale of certain cable systems to Atlantic Broadband Finance, LLC which is substantially offset by an increase in option compensation expense and special charges when compared to the year ended December 31, 2003. For the year ended December 31, 2003, income from operations was \$516 million and for the year ended December 31, 2002, our loss from operations was \$4.3 billion. Operating margin was 11% for the year ended December 31, 2003, whereas for the year ending December 31, 2002, we had negative operating margin of 95%. The improvement in income from operations and operating margin from 2002 to 2003 was principally due to a \$4.6 billion franchise impairment charge in the fourth quarter of 2002 which did not recur in 2003 and the recognition of gains in 2003 of \$93 million related to unfavorable contracts and other settlements and gain on sale of system. Although we do not expect charges for impairment in the future of comparable magnitude, potential charges could occur due to changes in market conditions.

We have a history of net losses. Further, we expect to continue to report net losses for the foreseeable future. Our net losses are principally attributable to insufficient revenue to cover the interest costs on our high level of debt, the

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depreciation expenses that we incur resulting from the capital investments we have made in our cable properties, and the amortization and impairment of our franchise intangibles. We expect that these expenses (other than impairment of franchises) will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. Additionally, because minority interest in Charter Holdco was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, we began to absorb substantially all future losses before income taxes that otherwise would have been allocated to minority interest. This resulted in an additional \$2.4 billion of net loss for the year ended December 31, 2004. Under our existing capital structure, future losses will continue to be absorbed by Charter.

Critical Accounting Policies and Estimates

Certain of our accounting policies require our management to make difficult, subjective or complex judgments. Management has discussed these policies with the Audit Committee of Charter's board of directors and the Audit Committee has reviewed the following disclosure. We consider the following policies to be the most critical in understanding the estimates, assumptions and judgments that are involved in preparing our financial statements and the uncertainties that could affect our results of operations, financial condition and cash flows:

- Capitalization of labor and overhead costs;
- Useful lives of property, plant and equipment;
- Impairment of property, plant, and equipment, franchises, and goodwill;
- Income taxes; and
- Litigation.

In addition, there are other items within our financial statements that require estimates or judgment but are not deemed critical, such as the allowance for doubtful accounts, but changes in judgment, or estimates in these other items could also have a material impact on our financial statements.

Capitalization of labor and overhead costs. The cable industry is capital intensive, and a large portion of our resources are spent on capital activities associated with extending, rebuilding, and upgrading our cable network. As of December 31, 2004 and 2003, the net carrying amount of our property, plant and equipment (consisting primarily of cable network assets) was approximately \$6.3 billion (representing 36% of total assets) and \$7.0 billion (representing 33% of total assets), respectively. Total capital expenditures for the years ended December 31, 2004, 2003 and 2002 were approximately \$924 million, \$854 million and \$2.2 billion, respectively.

Costs associated with network construction, initial customer installations, installation refurbishments and the addition of network equipment necessary to provide advanced services are capitalized. Costs capitalized as part of initial customer installations include materials, direct labor, and certain indirect costs. These indirect costs are associated with the activities of personnel who assist in connecting and activating the new service and consist of compensation and overhead costs associated with these support functions. The costs of disconnecting service at a customer's dwelling or reconnecting service to a previously installed dwelling are charged to operating expense in the period incurred. Costs for repairs and maintenance are charged to operating expense as incurred, while equipment replacement and betterments, including replacement of cable drops from the pole to the dwelling, are capitalized.

We make judgments regarding the installation and construction activities to be capitalized. We capitalize direct labor and certain indirect costs ("overhead") using standards developed from actual costs and applicable operational data. We calculate standards for items such as the labor rates, overhead rates and the actual amount of time required to perform a capitalizable activity. For example, the standard amounts of time required to perform capitalizable activities are based on studies of the time required to perform such activities. Overhead rates are established based on an analysis of the nature of costs incurred in support of capitalizable activities and a determination of the portion of costs that is directly attributable to capitalizable activities. The impact of changes that resulted from these studies were not significant in the periods presented.

Labor costs directly associated with capital projects are capitalized. We capitalize direct labor costs associated with personnel based upon the specific time devoted to network construction and customer installation activities. Capitalizable activities performed in connection with customer installations include such activities as:

- Scheduling a "truck roll" to the customer's dwelling for service connection;

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- Verification of serviceability to the customer's dwelling (i.e., determining whether the customer's dwelling is capable of receiving service by our cable network and/or receiving advanced or data services);
- Customer premise activities performed by in-house field technicians and third-party contractors in connection with customer installations, installation of network equipment in connection with the installation of expanded services and equipment replacement and betterment; and
- Verifying the integrity of the customer's network connection by initiating test signals downstream from the headend to the customer's digital set-top terminal.

Judgment is required to determine the extent to which overhead is incurred as a result of specific capital activities, and therefore should be capitalized. The primary costs that are included in the determination of the overhead rate are (i) employee benefits and payroll taxes associated with capitalized direct labor, (ii) direct variable costs associated with capitalizable activities, consisting primarily of installation and construction vehicle costs, (iii) the cost of support personnel, such as dispatch, that directly assist with capitalizable installation activities, and (iv) indirect costs directly attributable to capitalizable activities.

While we believe our existing capitalization policies are appropriate, a significant change in the nature or extent of our system activities could affect management's judgment about the extent to which we should capitalize direct labor or overhead in the future. We monitor the appropriateness of our capitalization policies, and perform updates to our internal studies on an ongoing basis to determine whether facts or circumstances warrant a change to our capitalization policies. We capitalized direct labor and overhead of \$164 million, \$174 million and \$335 million, respectively, for the years ended December 31, 2004, 2003 and 2002. Capitalized internal direct labor and overhead costs substantially decreased in 2004 and 2003 compared to 2002 primarily due to the substantial completion of the upgrade of our systems and a decrease in the amount of capitalizable installation costs.

Useful lives of property, plant and equipment. We evaluate the appropriateness of estimated useful lives assigned to our property, plant and equipment, based on annual studies of such useful lives, and revise such lives to the extent warranted by changing facts and circumstances. Any changes in estimated useful lives as a result of these studies, which were not significant in the periods presented, will be reflected prospectively beginning in the period in which the study is completed. The effect of a one-year decrease in the weighted average remaining useful life of our property, plant and equipment would be an increase in depreciation expense for the year ended December 31, 2004 of approximately \$296 million. The effect of a one-year increase in the weighted average useful life of our property, plant and equipment would be a decrease in depreciation expense for the year ended December 31, 2004 of approximately \$198 million.

Depreciation expense related to property, plant and equipment totaled \$1.5 billion, \$1.5 billion and \$1.4 billion, representing approximately 21%, 34% and 16% of costs and expenses, for the years ended December 31, 2004, 2003 and 2002, respectively. Depreciation is recorded using the straight-line composite method over management's estimate of the estimated useful lives of the related assets as listed below:

Cable distribution systems	7-20 years
Customer equipment and installations	3-5 years
Vehicles and equipment	1-5 years
Buildings and leasehold improvements	5-15 years
Furniture and fixtures	5 years

Impairment of property, plant and equipment, franchises and goodwill. As discussed above, the net carrying value of our property, plant and equipment is significant. We also have recorded a significant amount of cost related to franchises, pursuant to which we are granted the right to operate our cable distribution network throughout our service areas. The net carrying value of franchises as of December 31, 2004 and 2003 was approximately \$9.9 billion (representing 56% of total assets) and \$13.7 billion (representing 64% of total assets), respectively. Furthermore, our noncurrent assets include approximately \$52 million of goodwill.

We adopted SFAS No. 142 on January 1, 2002. SFAS No. 142 requires that franchise intangible assets that meet specified indefinite-life criteria no longer be amortized against earnings, but instead must be tested for impairment annually based on valuations, or more frequently as warranted by events or changes in circumstances. In determining whether our franchises have an indefinite-life, we considered the exclusivity of the franchise, the expected costs of franchise renewals, and the technological state of the associated cable systems with a view to whether or not we are in compliance with any technology upgrading requirements. We have concluded that as of December 31, 2004, 2003 and 2002 more than 99% of our franchises qualify for indefinite-life treatment under

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SFAS No. 142, and that less than one percent of our franchises do not qualify for indefinite-life treatment due to technological or operational factors that limit their lives. Costs of finite-lived franchises, along with costs associated with franchise renewals, are amortized on a straight-line basis over 10 years, which represents management's best estimate of the average remaining useful lives of such franchises. Franchise amortization expense was \$4 million for the year ended December 31, 2004 and \$9 million for each of the years ended December 31, 2003 and 2002. We expect that amortization expense on franchise assets will be approximately \$3 million annually for each of the next five years. 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 and other relevant factors. Our goodwill is also deemed to have an indefinite life under SFAS No. 142.

SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, requires that we evaluate the recoverability of our property, plant and equipment and franchise assets which did not qualify for indefinite-life treatment under SFAS No. 142 upon the occurrence of events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances could include such factors as the impairment of our indefinite-life franchises under SFAS No. 142, changes in technological advances, fluctuations in the fair value of such assets, adverse changes in relationships with local franchise authorities, adverse changes in market conditions or poor operating results. Under SFAS No. 144, a long-lived asset is deemed impaired when the carrying amount of the asset exceeds the projected undiscounted future cash flows associated with the asset. No impairments of long-lived assets were recorded in the years ended December 31, 2004, 2003 or 2002. We were also required to evaluate the recoverability of our indefinite-life franchises, as well as goodwill, as of January 1, 2002 upon adoption of SFAS No. 142, and on an annual basis or more frequently as deemed necessary.

Under both SFAS No. 144 and SFAS No. 142, if an asset is determined to be impaired, it is required to be written down to its estimated fair market value. We determine fair market value based on estimated discounted future cash flows, using reasonable and appropriate assumptions that are consistent with internal forecasts. Our assumptions include these and other factors: penetration rates for analog and digital video and high-speed data, revenue growth rates, expected operating margins and capital expenditures. Considerable management judgment is necessary to estimate future cash flows, and such estimates include inherent uncertainties, including those relating to the timing and amount of future cash flows and the discount rate used in the calculation.

Based on the guidance prescribed in Emerging Issues Task Force ("EITF") Issue No. 02-7, *Unit of Accounting for Testing of Impairment of Indefinite-Lived Intangible Assets*, franchises were aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clustering of our cable systems into groups by which such systems are managed. Management believes such groupings represent the highest and best use of those assets. We determined that our franchises were impaired upon adoption of SFAS No. 142 on January 1, 2002 and as a result recorded the cumulative effect of a change in accounting principle of \$206 million (approximately \$572 million before minority interest effects of \$306 million and tax effects of \$60 million). As required by SFAS No. 142, the standard has not been retroactively applied to results for the period prior to adoption.

Our valuations, which are based on the present value of projected after tax cash flows, result in a value of property, plant and equipment, franchises, customer relationships and our total entity value. The value of goodwill is the difference between the total entity value and amounts assigned to the other assets. The use of different valuation assumptions or definitions of franchises or customer relationships, such as our inclusion of the value of selling additional services to our current customers within customer relationships versus franchises, could significantly impact our valuations and any resulting impairment.

Franchises, for valuation purposes, are defined as the future economic benefits of the right to solicit and service potential customers (customer marketing rights), and the right to deploy and market new services such as interactivity and telephony to the potential customers (service marketing rights). Fair value is determined based on estimated discounted future cash flows using assumptions consistent with internal forecasts. The franchise after-tax cash flow is calculated as the after-tax cash flow generated by the potential customers obtained and the new services added to those customers in future periods. The sum of the present value of the franchises' after-tax cash flow in years 1 through 10 and the continuing value of the after-tax cash flow beyond year 10 yields the fair value of the franchise. Prior to the adoption of EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*, discussed below, we followed a residual method of valuing our franchise assets, which had the effect of including goodwill with the franchise assets.

We follow the guidance of EITF Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination*, in valuing customer relationships. Customer relationships, for valuation purposes, represent

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the value of the business relationship with our existing customers and are calculated by projecting future after-tax cash flows from these customers including the right to deploy and market additional services such as interactivity and telephony to these customers. The present value of these after-tax cash flows yields the fair value of the customer relationships. Substantially all our acquisitions occurred prior to January 1, 2002. We did not record any value associated with the customer relationship intangibles related to those acquisitions. For acquisitions subsequent to January 1, 2002, we did assign a value to the customer relationship intangible, which is amortized over its estimated useful life.

In September 2004, EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*, was issued, which requires the direct method of separately valuing all intangible assets and does not permit goodwill to be included in franchise assets. We performed an impairment assessment as of September 30, 2004, and adopted Topic D-108 in that assessment resulting in a total franchise impairment of approximately \$3.3 billion. We recorded a cumulative effect of accounting change of \$765 million (approximately \$875 million before tax effects of \$91 million and minority interest effects of \$19 million) for the year ended December 31, 2004 representing the portion of our total franchise impairment attributable to no longer including goodwill with franchise assets. The effect of the adoption was to increase net loss and loss per share by \$765 million and \$2.55 for the year ended December 31, 2004. The remaining \$2.4 billion of the total franchise impairment was attributable to the use of lower projected growth rates and the resulting revised estimates of future cash flows in our valuation and was recorded as impairment of franchises in our consolidated statements of operations for the year ended December 31, 2004. Sustained analog video customer losses by us and our industry peers in the third quarter of 2004 primarily as a result of increased competition from DBS providers and decreased growth rates in our and our industry peers' high speed data customers in the third quarter of 2004, in part as a result of increased competition from DSL providers, led us to lower our projected growth rates and accordingly revise our estimates of future cash flows from those used at October 1, 2003. See "Business — Competition."

The valuation completed at October 1, 2003 showed franchise values in excess of book value and thus resulted in no impairment. Our annual impairment assessment as of October 1, 2002, based on revised estimates from January 1, 2002 of future cash flows and projected long-term growth rates in our valuation, led to the recognition of a \$4.6 billion impairment charge in the fourth quarter of 2002.

The valuations used in our impairment assessments involve numerous assumptions as noted above. While economic conditions, applicable at the time of the valuation, indicate the combination of assumptions utilized in the valuations are reasonable, as market conditions change so will the assumptions with a resulting impact on the valuation and consequently the potential impairment charge.

Sensitivity Analysis. The effect on the impairment charge recognized in the third quarter of 2004 of the indicated increase/decrease in the selected assumptions is shown below:

<u>Assumption</u>	<u>Percentage/ Percentage Point Change</u>	<u>Impairment Charge Increase/(Decrease) (Dollars in millions)</u>
Annual Operating Cash Flow(1)	+/- 5%	\$ (890)/\$921
Long-Term Growth Rate (2)	+/- 1pts (3)	(1,579)/1,232
Discount Rate	+/- 0.5 pts (3)	1,336/(1,528)

(1) Operating Cash Flow is defined as revenues less operating expenses and selling general and administrative expenses.

(2) Long-Term Growth Rate is the rate of cash flow growth beyond year ten.

(3) A percentage point change of one point equates to 100 basis points.

Income Taxes. All operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are not subject to income tax. However, certain of these subsidiaries are corporations and are subject to income tax. All of the taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to its members: Charter, Charter Investment, Inc. and Vulcan Cable III Inc. Charter is responsible for its share of taxable income or loss of Charter Holdco allocated to it in accordance with the Charter Holdco limited liability company agreement ("LLC Agreement") and partnership tax rules and regulations.

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The LLC Agreement provided for certain special allocations of net tax profits and net tax losses (such net tax profits and net tax losses being determined under the applicable federal income tax rules for determining capital accounts). Under the LLC Agreement, through the end of 2003, net tax losses of Charter Holdco that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common units were allocated instead to membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. (the “Special Loss Allocations”) to the extent of their respective capital account balances. After 2003, under the LLC Agreement, net tax losses of Charter Holdco are allocated to Charter, Vulcan Cable III Inc. and Charter Investment, Inc. based generally on their respective percentage ownership of outstanding common units to the extent of their respective capital account balances. The LLC Agreement further provides that, beginning at the time Charter Holdco generates net tax profits, the net tax profits that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common membership units will instead generally be allocated to Vulcan Cable III Inc. and Charter Investment, Inc. (the “Special Profit Allocations”). The Special Profit Allocations to Vulcan Cable III Inc. and Charter Investment, Inc. will generally continue until the cumulative amount of the Special Profit Allocations offsets the cumulative amount of the Special Loss Allocations. The amount and timing of the Special Profit Allocations are subject to the potential application of, and interaction with, the Curative Allocation Provisions described in the following paragraph. The LLC Agreement generally provides that any additional net tax profits are to be allocated among the members of Charter Holdco based generally on their respective percentage ownership of Charter Holdco common membership units.

Because the respective capital account balance of each of Vulcan Cable III Inc. and Charter Investment, Inc. was reduced to zero by December 31, 2002, certain net tax losses of Charter Holdco that were to be allocated for 2002, 2003, 2004 and possibly later years, subject to resolution of the issue described in “Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII,” to Vulcan Cable III Inc. and Charter Investment, Inc. instead have been and will be allocated to Charter (the “Regulatory Allocations”). The LLC Agreement further provides that, to the extent possible, the effect of the Regulatory Allocations is to be offset over time pursuant to certain curative allocation provisions (the “Curative Allocation Provisions”) so that, after certain offsetting adjustments are made, each member’s capital account balance is equal to the capital account balance such member would have had if the Regulatory Allocations had not been part of the LLC Agreement. The cumulative amount of the actual tax losses allocated to Charter as a result of the Regulatory Allocations through the year ended December 31, 2004 is approximately \$4.0 billion.

As a result of the Special Loss Allocations and the Regulatory Allocations referred to above, the cumulative amount of losses of Charter Holdco allocated to Vulcan Cable III Inc. and Charter Investment, Inc. is in excess of the amount that would have been allocated to such entities if the losses of Charter Holdco had been allocated among its members in proportion to their respective percentage ownership of Charter Holdco common membership units. The cumulative amount of such excess losses was approximately \$2.1 billion through December 31, 2003 and \$1.0 billion through December 31, 2004.

In certain situations, the Special Loss Allocations, Special Profit Allocations, Regulatory Allocations and Curative Allocation Provisions described above could result in Charter paying taxes in an amount that is more or less than if Charter Holdco had allocated net tax profits and net tax losses among its members based generally on the number of common membership units owned by such members. This could occur due to differences in (i) the character of the allocated income (e.g., ordinary versus capital), (ii) the allocated amount and timing of tax depreciation and tax amortization expense due to the application of section 704(c) under the Internal Revenue Code, (iii) the potential interaction between the Special Profit Allocations and the Curative Allocation Provisions, (iv) the amount and timing of alternative minimum taxes paid by Charter, if any, (v) the apportionment of the allocated income or loss among the states in which Charter Holdco does business, and (vi) future federal and state tax laws. Further, in the event of new capital contributions to Charter Holdco, it is possible that the tax effects of the Special Profit Allocations, Special Loss Allocations, Regulatory Allocations and Curative Allocation Provisions will change significantly pursuant to the provisions of the income tax regulations or the terms of a contribution agreement with respect to such contribution. Such change could defer the actual tax benefits to be derived by Charter with respect to the net tax losses allocated to it or accelerate the actual taxable income to Charter with respect to the net tax profits allocated to it. As a result, it is possible under certain circumstances, that Charter could receive future allocations of taxable income in excess of its currently allocated tax deductions and available tax loss carryforwards. The ability to utilize net operating loss carryforwards is potentially subject to certain limitations as discussed below.

In addition, under their exchange agreement with Charter, Vulcan Cable III Inc. and Charter Investment, Inc. may exchange some or all of their membership units in Charter Holdco for Charter’s Class B common stock, be merged with Charter, or be acquired by Charter in a non-taxable reorganization. If such an exchange were to take place prior to the date that the Special Profit Allocation provisions had fully offset the Special Loss Allocations, Vulcan

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Cable III Inc. and Charter Investment, Inc. could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable III Inc. and Charter Investment, Inc. immediately prior to the consummation of the exchange. In the event Vulcan Cable III Inc. and Charter Investment, Inc. choose not to make such election or to the extent such allocations are not possible, Charter would then be allocated tax profits attributable to the membership units received in such exchange pursuant to the Special Profit Allocation provisions. Mr. Allen has generally agreed to reimburse Charter for any incremental income taxes that Charter would owe as a result of such an exchange and any resulting future Special Profit Allocations to Charter. The ability of Charter to utilize net operating loss carryforwards is potentially subject to certain limitations (See “Certain Trends and Uncertainties — Utilization of Net Operating Loss Carryforwards”). If Charter were to become subject to such limitations (whether as a result of an exchange described above or otherwise), and as a result were to owe taxes resulting from the Special Profit Allocations, then Mr. Allen may not be obligated to reimburse Charter for such income taxes.

As of December 31, 2004 and 2003, we have recorded net deferred income tax liabilities of \$216 million and \$417 million, respectively. Additionally, as of December 31, 2004 and 2003, we have deferred tax assets of \$3.5 billion and \$1.7 billion, respectively, which primarily relate to financial and tax losses allocated to Charter from Charter Holdco. We are required to record a valuation allowance when it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Given the uncertainty surrounding our ability to utilize our deferred tax assets, these items have been offset with a corresponding valuation allowance of \$3.2 billion and \$1.3 billion at December 31, 2004 and 2003, respectively.

We are currently under examination by the Internal Revenue Service for the tax years ending December 31, 1999 and 2000. Management does not expect the results of this examination to have a material adverse effect on our consolidated financial condition, results of operations or our liquidity, including our ability to comply with our debt covenants.

Litigation. Legal contingencies have a high degree of uncertainty. When a loss from a contingency becomes estimable and probable, a reserve is established. The reserve reflects management’s best estimate of the probable cost of ultimate resolution of the matter and is revised accordingly as facts and circumstances change and, ultimately when the matter is brought to closure. We have established reserves for certain matters including those described in “Business — Legal Proceedings.” If any of the litigation matters described in “Business — Legal Proceedings” is resolved unfavorably resulting in payment obligations in excess of management’s best estimate of the outcome, such resolution could have a material adverse effect on our consolidated financial condition, results of operations or our liquidity.

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Results of Operations

The following table sets forth the percentages of revenues that items in the accompanying consolidated statements of operations constitute for the indicated periods (dollars in millions, except per share and share data):

	Year Ended December 31,					
	2004		2003		2002	
Revenues	\$ 4,977	100%	\$ 4,819	100%	\$ 4,566	100%
Costs and Expenses:						
Operating (excluding depreciation and amortization)	2,080	42%	1,952	40%	1,807	40%
Selling, general and administrative	971	19%	940	20%	963	21%
Depreciation and amortization	1,495	30%	1,453	30%	1,436	31%
Impairment of franchises	2,433	49%	—	—	4,638	102%
(Gain) loss on sale of assets, net	(86)	(2)%	5	—	3	—
Option compensation expense, net	31	1%	4	—	5	—
Special charges, net	104	2%	21	—	36	1%
Unfavorable contracts and other settlements	(5)	—	(72)	(1)%	—	—
	<u>7,023</u>	<u>141%</u>	<u>4,303</u>	<u>89%</u>	<u>8,888</u>	<u>195%</u>
Income (loss) from operations	(2,046)	(41)%	516	11%	(4,322)	(95)%
Interest expense, net	(1,670)		(1,557)		(1,503)	
Gain (loss) on derivative instruments and hedging activities, net	69		65		(115)	
Loss on debt to equity conversions	(23)		—		—	
Gain (loss) on extinguishment of debt	(31)		267		—	
Other, net	<u>3</u>		<u>(16)</u>		<u>(4)</u>	
Loss before minority interest, income taxes and cumulative effect of accounting change	(3,698)		(725)		(5,944)	
Minority interest	<u>19</u>		<u>377</u>		<u>3,176</u>	
Loss before income taxes and cumulative effect of accounting change	(3,679)		(348)		(2,768)	
Income tax benefit	<u>103</u>		<u>110</u>		<u>460</u>	
Loss before cumulative effect of accounting change	(3,576)		(238)		(2,308)	
Cumulative effect of accounting change, net of tax	<u>(765)</u>		<u>—</u>		<u>(206)</u>	
Net loss	(4,341)		(238)		(2,514)	
Dividends on preferred stock – redeemable	<u>(4)</u>		<u>(4)</u>		<u>(3)</u>	
Net loss applicable to common stock	<u>\$ (4,345)</u>		<u>\$ (242)</u>		<u>\$ (2,517)</u>	
Loss per common share, basic and diluted	<u>\$ (14.47)</u>		<u>\$ (0.82)</u>		<u>\$ (8.55)</u>	
Weighted average common shares outstanding	<u>300,291,877</u>		<u>294,597,519</u>		<u>294,440,261</u>	

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenues. Revenues increased by \$158 million, or 3%, from \$4.8 billion for the year ended December 31, 2003 to \$5.0 billion for the year ended December 31, 2004. This increase is principally the result of an increase of 318,800 and 2,800 high-speed data customers and digital video customers, respectively, as well as price increases for video and high-speed data services, and is offset partially by a decrease of 439,800 analog video customers. Included in the reduction in analog video customers and reducing the increase in digital video and high-speed data customers are 230,800 analog video customers, 83,300 digital video customers and 37,800 high-speed data customers sold in the cable system sales to Atlantic Broadband Finance, LLC, which closed in March and April 2004 (collectively, with the cable system sale to WaveDivision Holdings, LLC in October 2003, referred to herein as the “Systems Sales”). The Systems Sales reduced the increase in revenues by \$160 million. Our goal is to increase revenues by improving

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customer service which we believe will stabilize our analog video customer base, implementing price increases on certain services and packages and increasing the number of our customers who purchase high-speed data services, digital video and advanced products and services such as VOIP telephony, VOD, high definition television and DVR service.

Average monthly revenue per analog video customer increased from \$61.92 for the year ended December 31, 2003 to \$68.02 for the year ended December 31, 2004 primarily as a result of price increases and incremental revenues from advanced services. Average monthly revenue per analog video customer represents total annual revenue, divided by twelve, divided by the average number of analog video customers during the respective period.

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

	Year Ended December 31,					
	2004		2003		2004 over 2003	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	\$ 3,373	68%	\$ 3,461	72%	\$ (88)	(3)%
High-speed data	741	15%	556	12%	185	33%
Advertising sales	289	6%	263	5%	26	10%
Commercial	238	4%	204	4%	34	17%
Other	336	7%	335	7%	1	—
	<u>\$ 4,977</u>	<u>100%</u>	<u>\$ 4,819</u>	<u>100%</u>	<u>\$ 158</u>	<u>3%</u>

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Video revenues decreased by \$88 million, or 3%, from \$3.5 billion for the year ended December 31, 2003 to \$3.4 billion for the year ended December 31, 2004. Approximately \$116 million of the decrease was the result of the Systems Sales and approximately an additional \$65 million related to a decline in analog video customers. These decreases were offset by increases of approximately \$66 million resulting from price increases and incremental video revenues from existing customers and approximately \$27 million resulting from an increase in digital video customers.

Revenues from high-speed data services provided to our non-commercial customers increased \$185 million, or 33%, from \$556 million for the year ended December 31, 2003 to \$741 million for the year ended December 31, 2004. Approximately \$163 million of the increase related to the increase in the average number of customers receiving high-speed data services, whereas approximately \$35 million related to the increase in average price of the service. The increase in high-speed data revenues was reduced by approximately \$12 million as a result of the Systems Sales.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales increased \$26 million, or 10%, from \$263 million for the year ended December 31, 2003 to \$289 million for the year ended December 31, 2004 primarily as a result of an increase in national advertising campaigns and election related advertising. The increase was offset by a decrease of \$7 million as a result of the System Sales. For the years ended December 31, 2004 and 2003, we received \$16 million and \$15 million, respectively, in advertising revenue from vendors.

Commercial revenues consist primarily of revenues from cable video and high-speed data services to our commercial customers. Commercial revenues increased \$34 million, or 17%, from \$204 million for the year ended December 31, 2003, to \$238 million for the year ended December 31, 2004, primarily as a result of an increase in commercial high-speed data revenues. The increase was reduced by approximately \$14 million as a result of the Systems Sales.

Other revenues consist of revenues from franchise fees, telephony revenue, equipment rental, customer installations, home shopping, dial-up Internet service, late payment fees, wire maintenance fees and other miscellaneous revenues. For the year ended December 31, 2004 and 2003, franchise fees represented approximately 49% and 48%, respectively, of total other revenues. Other revenues increased \$1 million from \$335 million for the year ended December 31, 2003 to \$336 million for the year ended December 31, 2004. The increase was primarily the

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result of an increase in home shopping and infomercial revenue and was partially offset by approximately \$11 million as a result of the Systems Sales.

Operating expenses. Operating expenses increased \$128 million, or 7%, from \$2.0 billion for the year ended December 31, 2003 to \$2.1 billion for the year ended December 31, 2004. The increase in operating expenses was reduced by approximately \$59 million as a result of the System Sales. Programming costs included in the accompanying consolidated statements of operations were \$1.3 billion and \$1.2 billion, representing 63% and 64% of total operating expenses for the years ended December 31, 2004 and 2003, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Year Ended December 31,					
	2004		2003		2004 over 2003	
	<u>Expenses</u>	<u>% of Revenues</u>	<u>Expenses</u>	<u>% of Revenues</u>	<u>Change</u>	<u>% Change</u>
Programming	\$ 1,319	27%	\$ 1,249	26%	\$ 70	6%
Advertising sales	98	2%	88	2%	10	11%
Service	663	13%	615	12%	48	8%
	<u>\$ 2,080</u>	<u>42%</u>	<u>\$ 1,952</u>	<u>40%</u>	<u>\$ 128</u>	<u>7%</u>

Programming costs consist primarily of costs paid to programmers for analog, premium and digital channels and pay-per-view programming. The increase in programming costs of \$70 million, or 6%, for the year ended December 31, 2004 over the year ended December 31, 2003 was a result of price increases, particularly in sports programming, an increased number of channels carried on our systems, and an increase in digital video customers, partially offset by a decrease in analog video customers. Additionally, the increase in programming costs was reduced by \$42 million as a result of the Systems Sales.

Programming costs were offset by the amortization of payments received from programmers in support of launches of new channels of \$59 million and \$62 million for the year ended December 31, 2004 and 2003, respectively. Programming costs for the year ended December 31, 2004 also include a \$5 million reduction related to the settlement of a dispute with TechTV, Inc., a related party. See Note 22 to the consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data."

In every year we have operated, our cable programming costs have increased in excess of the U.S. inflation and cost-of-living increases, and we expect them to continue to increase because of a variety of factors, including inflationary or negotiated annual increases, additional programming being provided to customers and increased costs to purchase or produce programming. In 2005, we expect programming costs to increase at a higher rate than in 2004. These costs will be determined in part on the outcome of programming negotiations in 2005 and will likely be subject to offsetting events or otherwise affected by factors similar to the ones mentioned in the preceding paragraph. Our increasing programming costs will result in declining operating margins for our video services to the extent we are unable to pass on cost increases to our customers. We expect to partially offset any resulting margin compression from our traditional video services with revenue from advanced video services, increased high-speed data revenues, advertising revenues and commercial service revenues.

Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased \$10 million, or 11%, primarily as a result of increased salary, benefit and commission costs. The increase in advertising sales expenses was reduced by \$2 million as a result of the System Sales. Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, Internet service provider fees, maintenance and pole rental expense. The increase in service costs of \$48 million, or 8%, resulted primarily from additional activity associated with ongoing infrastructure maintenance. The increase in service costs was reduced by \$15 million as a result of the System Sales.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by \$31 million, or 3%, from \$940 million for the year ended December 31, 2003 to \$971 million for the year ended December 31, 2004. The increase in selling, general and administrative expenses was reduced by \$22 million as a result of the System Sales. Key components of expense as a percentage of revenues were as follows (dollars in millions):

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	Year Ended December 31,					
	2004		2003		2004 over 2003	
	<u>Expenses</u>	<u>% of Revenues</u>	<u>Expenses</u>	<u>% of Revenues</u>	<u>Change</u>	<u>% Change</u>
General and administrative	\$ 849	17%	\$ 833	18%	\$ 16	2%
Marketing	122	2%	107	2%	15	14%
	<u>\$ 971</u>	<u>19%</u>	<u>\$ 940</u>	<u>20%</u>	<u>\$ 31</u>	<u>3%</u>

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, call center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses of \$16 million, or 2%, resulted primarily from increases in costs associated with our commercial business of \$21 million, third party call center costs resulting from increased emphasis on customer service of \$10 million and bad debt expense of \$10 million offset by decreases in costs associated with salaries and benefits of \$21 million and rent expense of \$3 million.

Marketing expenses increased \$15 million, or 14%, as a result of an increased investment in marketing and branding campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by \$42 million, or 3%, to \$1.5 billion in 2004. The increase in depreciation related to an increase in capital expenditures, which was partially offset by lower depreciation as the result of the Systems Sales.

Impairment of franchises. We performed an impairment assessment during the third quarter of 2004. The use of lower projected growth rates and the resulting revised estimates of future cash flows in our valuation, primarily as a result of increased competition, led to the recognition of a \$2.4 billion impairment charge for the year ended December 31, 2004.

(Gain) loss on sale of assets, net. Gain on sale of assets of \$86 million for the year ended December 31, 2004 primarily represents the pretax gain of \$104 million realized on the sale of systems to Atlantic Broadband Finance, LLC which closed in March and April 2004 offset by losses recognized on the disposition of plant and equipment. Loss on sale of assets of \$5 million for the year ended December 31, 2003 represents the loss recognized on the disposition of plant and equipment offset by a gain of \$21 million recognized on the sale of cable systems in Port Orchard, Washington which closed on October 1, 2003.

Option compensation expense, net. Option compensation expense of \$31 million for the year ended December 31, 2004 primarily represents \$22 million related to options granted and expensed in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*. Additionally, during the year ended December 31, 2004, we expensed approximately \$8 million related to a stock option exchange program, under which our employees were offered the right to exchange all stock options (vested and unvested) issued under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over \$10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. The exchange offer closed in February 2004. Option compensation expense of \$4 million for the year ended December 31, 2003 primarily represents options expensed in accordance with SFAS No. 123, *Accounting for Stock-Based Compensation*. See Note 19 to our consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data" for more information regarding our option compensation plans.

Special charges, net. Special charges of \$104 million for the year ended December 31, 2004 represents approximately \$85 million of aggregate value of the Charter Class A common stock and warrants to purchase Charter Class A common stock contemplated to be issued as part of a settlement of the consolidated federal class actions, state derivative actions and federal derivative action lawsuits, approximately \$10 million of litigation costs related to the tentative settlement of a South Carolina national class action suit, all of which settlements are subject to final documentation and court approval and approximately \$12 million of severance and related costs of our workforce reduction and realignment. Special charges for the year ended December 31, 2004 were offset by \$3 million received from a third party in settlement of a dispute. Special charges of \$21 million for the year ended December 31, 2003 represents approximately \$26 million of severance and related costs of our workforce reduction

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partially offset by a \$5 million credit from a settlement from the Internet service provider Excite@Home related to the conversion of about 145,000 high-speed data customers to our Charter Pipeline service in 2001.

Unfavorable contracts and other settlements. Unfavorable contracts and other settlements of \$5 million for the year ended December 31, 2004 relates to changes in estimated legal reserves established in connection with prior business combinations, which based on an evaluation of current facts and circumstances, are no longer required.

Unfavorable contracts and other settlements of \$72 million for the year ended December 31, 2003 represents the settlement of estimated liabilities recorded in connection with prior business combinations. The majority of this benefit (approximately \$52 million) is due to the renegotiation in 2003 of a major programming contract, for which a liability had been recorded for the above market portion of that agreement in conjunction with the Falcon acquisition in 1999 and the Bresnan acquisition in 2000. The remaining benefit relates to the reversal of previously recorded liabilities, which are no longer required.

Interest expense, net. Net interest expense increased by \$113 million, or 7%, from \$1.6 billion for the year ended December 31, 2003 to \$1.7 billion for the year ended December 31, 2004. The increase in net interest expense was a result of an increase in our average borrowing rate from 7.99% in the year ended December 31, 2003 to 8.66% in the year ended December 31, 2004 partially offset by a decrease of \$306 million in average debt outstanding from \$18.9 billion in 2003 to \$18.6 billion in 2004.

Gain (loss) on derivative instruments and hedging activities, net. Net gain on derivative instruments and hedging activities increased \$4 million from a gain of \$65 million for the year ended December 31, 2003 to a gain of \$69 million for the year ended December 31, 2004. The increase is primarily the result of an increase in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which increased from a gain of \$57 million for the year ended December 31, 2003 to a gain of \$65 million for the year ended December 31, 2004. This was coupled with a decrease in gains on interest rate agreements, as a result of hedge ineffectiveness on designated hedges, which increased from \$8 million for the year ended December 31, 2003 to \$4 million for the year ended December 31, 2004.

Loss on debt to equity conversions. Loss on debt to equity conversions of \$23 million for the year ended December 31, 2004 represents the loss recognized from privately negotiated exchanges of a total of \$30 million principal amount of Charter's 5.75% convertible senior notes held by two unrelated parties for shares of Charter Class A common stock. The exchange resulted in the issuance of more shares in the exchange transaction than would have been issuable under the original terms of the convertible senior notes.

Gain (loss) on extinguishment of debt. Loss on extinguishment of debt of \$31 million for the year ended December 31, 2004 represents the write-off of deferred financing fees and third party costs related to the Charter Communications Operating refinancing in April 2004 and the redemption of our 5.75% convertible senior notes due 2005 in December 2004. Gain on extinguishment of debt of \$267 million for the year ended December 31, 2003 represents the gain realized on the purchase of an aggregate \$609 million principal amount of our outstanding convertible senior notes and \$1.3 billion principal amount of Charter Holdings' senior notes and senior discount notes in consideration for an aggregate of \$1.6 billion principal amount of 10.25% notes due 2010 issued by our indirect subsidiary, CCH II. The gain is net of the write-off of deferred financing costs associated with the retired debt of \$27 million.

Other, net. Net other expense decreased by \$19 million from \$16 million in 2003 to income of \$3 million in 2004. Other expense in 2003 included \$11 million associated with amending a revolving credit facility of our subsidiaries and costs associated with terminated debt transactions that did not recur in 2004. In addition, gains on equity investments increased \$7 million in 2004 over 2003.

Minority interest. Minority interest represents the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, LLC, and since June 6, 2003, the pro rata share of the profits and losses of CC VIII, LLC. See "Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen's Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII." Reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, Charter began to absorb substantially all future losses before income taxes that otherwise would have been allocated to minority interest. For the year ended December 31, 2003, 53.5% of our losses were allocated to minority interest. As a result of negative equity at Charter Holdco during the year ended December 31, 2004, no additional losses were

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allocated to minority interest, resulting in an additional \$2.4 billion of net losses. Under our existing capital structure, future losses will be substantially absorbed by Charter.

Income tax benefit. Income tax benefit of \$103 million and \$110 million was recognized for the years ended December 31, 2004 and 2003, respectively. The income tax benefits were realized as a result of decreases in certain deferred tax liabilities related to our investment in Charter Holdco as well as decreases in the deferred tax liabilities of certain of our indirect corporate subsidiaries.

The income tax benefit recognized in the year ended December 31, 2004 was directly related to the impairment of franchises as discussed above because the deferred tax liabilities decreased as a result of the write-down of franchise assets for financial statement purposes and not for tax purposes. We do not expect to recognize a similar benefit associated with the impairment of franchises in future periods. However, the actual tax provision calculations in future periods will be the result of current and future temporary differences, as well as future operating results.

The income tax benefit recognized in the year ended December 31, 2003 was directly related to the tax losses allocated to Charter from Charter Holdco. In the second quarter of 2003, Charter started receiving tax loss allocations from Charter Holdco. Previously, the tax losses had been allocated to Vulcan Cable III Inc. and Charter Investment, Inc. in accordance with the Special Loss Allocations provided under the Charter Holdco limited liability company agreement. We do not expect to recognize a similar benefit related to our investment in Charter Holdco after 2003 related to tax loss allocations received from Charter Holdco, due to limitations associated with our ability to offset future tax benefits against the remaining deferred tax liabilities. However, the actual tax provision calculations in future periods will be the result of current and future temporary differences, as well as future operating results.

Cumulative effect of accounting change, net of tax. Cumulative effect of accounting change of \$765 million (net of minority interest effects of \$19 million and tax effects of \$91 million) in 2004 represents the impairment charge recorded as a result of our adoption of Topic D-108.

Net loss. Net loss increased by \$4.1 billion from \$238 million in 2003 to \$4.3 billion in 2004 as a result of the factors described above. The impact to net loss in 2004 of the impairment of franchises, cumulative effect of accounting change and the reduction in losses allocated to minority interest was to increase net loss by approximately \$5.3 billion. The impact to net loss in 2003 of the gain on the sale of systems, unfavorable contracts and settlements and gain on debt exchange, net of income tax impact, was to decrease net loss by \$168 million.

Preferred stock dividends. On August 31, 2001, in connection with the Cable USA acquisition, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock, on which it pays a quarterly cumulative cash dividend at an annual rate of 5.75% on a liquidation preference of \$100 per share.

Loss per common share. The loss per common share increased by \$13.65, from \$0.82 per common share for the year ended December 31, 2003 to \$14.47 per common share for the year ended December 31, 2004 as a result of the factors described above.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Revenues. Revenues increased by \$253 million, or 6%, from \$4.6 billion for the year ended December 31, 2002 to \$4.8 billion for the year ended December 31, 2003. This increase is principally the result of an increase of 427,500 high-speed data customers, as well as price increases for video and high-speed data services, and is offset partially by a decrease of 147,500 and 10,900 in analog and digital video customers, respectively. Included within the decrease of analog and digital video customers and reducing the increase of high-speed data customers are 25,500 analog video customers, 12,500 digital video customers and 12,200 high-speed data customers sold in the Port Orchard, Washington sale on October 1, 2003.

Average monthly revenue per analog video customer increased from \$56.91 for the year ended December 31, 2002 to \$61.92 for the year ended December 31, 2003 primarily as a result of price increases and incremental revenues from advanced services. Average monthly revenue per analog video customer represents total annual revenue, divided by twelve, divided by the average number of analog video customers during the respective period.

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

	Year Ended December 31,					
	2003		2002		2003 over 2002	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	\$ 3,461	72%	\$ 3,420	75%	\$ 41	1%
High-speed data	556	12%	337	7%	219	65%
Advertising sales	263	5%	302	7%	(39)	(13)%
Commercial	204	4%	161	3%	43	27%
Other	335	7%	346	8%	(11)	(3)%
	<u>\$ 4,819</u>	<u>100%</u>	<u>\$ 4,566</u>	<u>100%</u>	<u>\$ 253</u>	<u>6%</u>

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Video revenues increased by \$41 million, or 1%, for the year ended December 31, 2003 compared to the year ended December 31, 2002. Video revenues increased approximately \$65 million due to price increases and incremental video revenues from existing customers and \$82 million as a result of increases in the average number of digital video customers, which were partially offset by a decrease of approximately \$106 million as a result of a decline in analog video customers.

Revenues from high-speed data services provided to our non-commercial customers increased \$219 million, or 65%, from \$337 million for the year ended December 31, 2002 to \$556 million for the year ended December 31, 2003. Approximately \$206 million of the increase related to the increase in the average number of customers, whereas approximately \$13 million related to the increase in the average price of the service. The increase in customers was primarily due to the addition of high-speed data customers in our existing service areas. We were also able to offer this service to more of our customers, as the estimated percentage of homes passed that could receive high-speed data service increased from 82% as of December 31, 2002 to 87% as of December 31, 2003 as a result of our system upgrades.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales decreased \$39 million, or 13%, from \$302 million for the year ended December 31, 2002, to \$263 million for the year ended December 31, 2003 primarily as a result of a decrease in advertising from vendors of approximately \$64 million offset partially by an increase in local advertising sales revenues of approximately \$25 million. For the years ended December 31, 2003 and 2002, we received \$15 million and \$79 million, respectively, in advertising revenue from vendors.

Commercial revenues consist primarily of revenues from video and high-speed data services to our commercial customers. Commercial revenues increased \$43 million, or 27%, from \$161 million for the year ended December 31, 2002, to \$204 million for the year ended December 31, 2003, primarily due to an increase in commercial high-speed data revenues.

Other revenues consist of revenues from franchise fees, equipment rental, customer installations, home shopping, dial-up Internet service, late payment fees, wire maintenance fees and other miscellaneous revenues. For the year ended December 31, 2003 and 2002, franchise fees represented approximately 48% and 46%, respectively, of total other revenues. Other revenues decreased \$11 million, or 3%, from \$346 million for the year ended December 31, 2002 to \$335 million for the year ended December 31, 2003. The decrease was due primarily to a decrease in franchise fees after an FCC ruling in March 2002, no longer requiring the collection of franchise fees for high-speed data services. Franchise fee revenues are collected from customers and remitted to franchise authorities.

The decrease in accounts receivable of 27% compared to the increase in revenues of 6% is primarily due to the timing of collection of receivables from programmers for fees associated with the launching of their networks coupled with our tightened credit and collections policy. These fees from programmers are not recorded as revenue but, rather, are recorded as reductions of programming expense on a straight-line basis over the term of the contract. Programmer receivables decreased \$40 million, or 57%, from \$70 million as of December 31, 2002 to \$30 million as of December 31, 2003.

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Operating expenses. Operating expenses increased \$145 million, or 8%, from \$1.8 billion for the year ended December 31, 2002 to \$2.0 billion for the year ended December 31, 2003. Programming costs included in the accompanying consolidated statements of operations were \$1.2 billion and \$1.2 billion, representing 64% and 65% of total operating expenses for the years ended December 31, 2003 and 2002, respectively. Key expense components as a percentage of revenues are as follows (dollars in millions):

	Year Ended December 31,					
	2003		2002		2003 over 2002	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	\$ 1,249	26%	\$ 1,166	26%	\$ 83	7%
Advertising sales	88	2%	87	2%	1	1%
Service	615	12%	554	12%	61	11%
	<u>\$ 1,952</u>	<u>40%</u>	<u>\$ 1,807</u>	<u>40%</u>	<u>\$ 145</u>	<u>8%</u>

Programming costs consist primarily of costs paid to programmers for analog, premium and digital channels and pay-per-view programs. The increase in programming costs of \$83 million, or 7%, was due to price increases, particularly in sports programming, and due to an increased number of channels carried on our systems, partially offset by decreases in analog and digital video customers. Programming costs were offset by the amortization of payments received from programmers in support of launches of new channels against programming costs of \$62 million and \$57 million for the year ended December 31, 2003 and 2002, respectively.

Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries and benefits and commissions. Advertising sales expenses increased \$1 million, or 1%, primarily due to increased sales commissions, taxes and benefits. Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, Internet service provider fees, maintenance and pole rental expense. The increase in service costs of \$61 million, or 11%, resulted primarily from additional activity associated with ongoing infrastructure maintenance and customer service, including activities associated with our promotional programs.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by \$23 million, or 2%, from \$963 million for the year ended December 31, 2002 to \$940 million for the year ended December 31, 2003. Key components of expense as a percentage of revenues are as follows (dollars in millions):

	Year Ended December 31,					
	2003		2002		2003 over 2002	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	\$ 833	18%	\$ 810	18%	\$ 23	3%
Marketing	107	2%	153	3%	(46)	(30)%
	<u>\$ 940</u>	<u>20%</u>	<u>\$ 963</u>	<u>21%</u>	<u>\$ (23)</u>	<u>(2)%</u>

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, call center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses of \$23 million, or 3%, resulted primarily from increases in salaries and benefits of \$4 million, call center costs of \$25 million and internal network costs of \$16 million. These increases were partially offset by a decrease in bad debt and collection expense of \$27 million as a result of our strengthened credit policies.

Marketing expenses decreased \$46 million, or 30%, due to reduced promotional activity related to our service offerings including reductions in advertising, telemarketing and direct sales activities.

Depreciation and amortization. Depreciation and amortization expense increased by \$17 million, or 1%, from \$1.4 billion in 2002 to \$1.5 billion in 2003 due primarily to an increase in depreciation expense related to additional capital expenditures in 2003 and 2002.

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Impairment of franchises. We performed our annual impairment assessments on October 1, 2002 and 2003. Revised estimates of future cash flows and the use of a lower projected long-term growth rate in our valuation led to a \$4.6 billion impairment charge in the fourth quarter of 2002. Our 2003 assessment performed on October 1, 2003 did not result in an impairment.

Loss on sale of assets, net. Loss on sale of assets for the year ended December 31, 2003 represents \$26 million of losses related to the disposition of fixed assets offset by the \$21 million gain recognized on the sale of cable systems in Port Orchard, Washington on October 1, 2003. Loss on sale of assets for the year ended December 31, 2002 represents losses related to the disposition of fixed assets.

Option compensation expense, net. Option compensation expense decreased by \$1 million for the year ended December 31, 2003 compared to the year ended December 31, 2002. Option compensation expense includes expense related to exercise prices on certain options that were issued prior to our initial public offering in 1999 that were less than the estimated fair values of our common stock at the time of grant. Compensation expense is being recognized over the vesting period of such options and will continue to be recorded until the last vesting period lapses in April 2004. On January 1, 2003, we adopted SFAS No. 123, *Accounting for Stock-Based Compensation*, using the prospective method under which we will recognize compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date.

Special charges, net. Special charges of \$21 million for the year ended December 31, 2003 represent approximately \$26 million of severance and related costs of our ongoing initiative to reduce our workforce partially offset by a \$5 million credit from a settlement from the Internet service provider Excite@Home related to the conversion of about 145,000 high-speed data customers to our Charter Pipeline service in 2001. In the fourth quarter of 2002, we recorded a special charge of \$35 million, of which \$31 million was associated with our workforce reduction program. The remaining \$4 million was related to legal and other costs associated with our shareholder lawsuits and governmental investigations.

Unfavorable contracts and other settlements. Unfavorable contracts and other settlements of \$72 million for the year ended December 31, 2003 represents the settlement of estimated liabilities recorded in connection with prior business combinations. The majority of this benefit (approximately \$52 million) is due to the renegotiation in 2003 of a major programming contract, for which a liability had been recorded for the above market portion of that agreement in connection with a 1999 and a 2000 acquisition. The remaining benefit relates to the reversal of previously recorded liabilities, which, based on an evaluation of current facts and circumstances, are no longer required.

Interest expense, net. Net interest expense increased by \$54 million, or 4%, from \$1.5 billion for the year ended December 31, 2002 to \$1.6 billion for the year ended December 31, 2003. The increase in net interest expense was a result of increased average debt outstanding in 2003 of \$18.9 billion compared to \$17.8 billion in 2002, partially offset by a decrease in our average borrowing rate from 8.02% in 2002 to 7.99% in 2003. The increased debt was primarily used for capital expenditures.

Gain (loss) on derivative instruments and hedging activities, net. Net gain on derivative instruments and hedging activities increased \$180 million from a loss of \$115 million for the year ended December 31, 2002 to a gain of \$65 million for the year ended December 31, 2003. The increase is primarily due to an increase in gains on interest rate agreements, which do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which increased from a loss of \$101 million for the year ended December 31, 2002 to a gain of \$57 million for the year ended December 31, 2003.

Gain on debt exchange, net. Net gain on debt exchange of \$267 million for the year ended December 31, 2003 represents the gain realized on the purchase, in a non-monetary transaction, of a total of \$609 million principal amount of our outstanding convertible senior notes and \$1.3 billion principal amount of Charter Holdings' senior notes and senior discount notes in consideration for a total of \$1.6 billion principal amount of 10.25% notes due 2010 issued by our indirect subsidiary, CCH II. The gain is net of the write-off of deferred financing costs associated with the retired debt of \$27 million.

Other expense, net. Other expense increased by \$12 million from \$4 million in 2002 to \$16 million in 2003. This increase is primarily due to increases in costs associated with amending a revolving credit facility of our subsidiaries and costs associated with terminated debt transactions.

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Minority interest. Minority interest represents the allocation of losses to the minority interest based on ownership of Charter Holdco, the 10% dividend on preferred membership units in our indirect subsidiary, Charter Helicon, LLC and the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, LLC, and since June 6, 2003, the pro rata share of the profits of CC VIII, LLC. See “Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII.”

Income tax benefit. Income tax benefit of \$110 million and \$460 million was recognized for the years ended December 31, 2003 and 2002, respectively. The income tax benefits were realized as a result of decreases in certain deferred tax liabilities related to our investment in Charter Holdco as well as decreases in the deferred tax liabilities of certain of our indirect corporate subsidiaries.

The income tax benefit recognized in the year ended December 31, 2003 was directly related to the tax losses allocated to Charter from Charter Holdco. In the second quarter of 2003, Charter started receiving tax loss allocations from Charter Holdco. Previously, the tax losses had been allocated to Vulcan Cable III Inc. and Charter Investment, Inc. in accordance with the Special Loss Allocations provided under the Charter Holdco limited liability company agreement. We do not expect to recognize a similar benefit after 2003 related to tax loss allocations received from Charter Holdco, due to limitations associated with our ability to offset future tax benefits against the remaining deferred tax liabilities. However, the actual tax provision calculations in future periods will be the result of current and future temporary differences, as well as future operating results.

The income tax benefit recognized in the year ended December 31, 2002 was directly related to the impairment of franchises associated with the adoption of SFAS No. 142.

Cumulative effect of accounting change, net of tax. Cumulative effect of accounting change in 2002 represents the impairment charge recorded as a result of adopting SFAS No. 142.

Net loss. Net loss decreased by \$2.3 billion, or 91%, from \$2.5 billion in 2002 to \$238 million in 2003 as a result of the factors described above. The impact of the gain on sale of system, unfavorable contracts and settlements and gain on debt exchange, net of minority interest and income tax impacts, was to decrease net loss by \$168 million in 2003. The impact of the impairment of franchises and the cumulative effect of accounting change, net of minority interest and income tax impacts, was to increase net loss by \$1.6 billion in 2002.

Preferred stock dividends. On August 31, 2001, in connection with the Cable USA acquisition, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock, on which it pays a quarterly cumulative cash dividend at an annual rate of 5.75% on a liquidation preference of \$100 per share.

Loss per common share. Loss per common share decreased by \$7.73, from \$8.55 per common share for the year ended December 31, 2002 to \$0.82 per common share for the year ended December 31, 2003 as a result of the factors described above.

Liquidity and Capital Resources

Introduction

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.

Overview

We have a significant level of debt. In 2005, \$30 million of our debt matures, and in 2006, an additional \$186 million matures. In 2007 and beyond, significant additional amounts will become due under our remaining long-term debt obligations.

Our business requires significant cash to fund debt service costs, capital expenditures and ongoing operations. We have historically funded our debt service costs, operating activities and capital requirements through cash flows from operating activities, borrowings under the credit facilities of our subsidiaries, sales of assets, issuances of debt and equity securities and cash on hand. However, the mix of funding sources changes from period to period. For

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the year ended December 31, 2004, we generated \$472 million of net cash flows from operating activities after paying cash interest of \$1.3 billion. In addition, we generated approximately \$744 million in 2004 from sales of assets, substantially all of which was used to fund operations, including capital expenditures. Finally, we had net cash flows from financing activities of \$294 million, which included, among other things, the proceeds from the issuance in December of \$550 million of CCO Holdings notes. This debt issuance was the primary reason cash on hand increased by \$523 million to \$650 million at December 31, 2004. Approximately \$622 million was used to repay outstanding borrowings under the Charter Operating revolving credit facility, through a series of transactions executed in February 2005. We expect that our mix of sources of funds will continue to change in the future based on overall needs relative to our cash flow and on the availability of funds under the credit facilities of our subsidiaries, our access to the debt and equity markets, the timing of possible asset sales and our ability to generate cash flows from operating activities.

We expect that cash on hand, cash flows from operating activities and the amounts available under our credit facilities will be adequate to meet our cash needs in 2005. Cash flows from operating activities and amounts available under our credit facilities may not be sufficient to permit us to fund our operations and satisfy our principal repayment obligations that come due in 2006 and, we believe, such amounts will not be sufficient to fund our operations and satisfy such repayment obligations thereafter.

It is likely that we will require additional funding to repay debt maturing after 2006. We are working with our financial advisors to address such funding requirements. However, there can be no assurance that such funding will be available to us. Although Mr. Allen and his affiliates have purchased equity from us in the past, Mr. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to us in the future.

Credit Facilities and Covenants

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. These credit facilities, along with our and our subsidiaries' indentures, are subject to certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from our independent auditors. As of December 31, 2004, we were in compliance with the covenants under our indentures and under the credit facilities and indentures of our subsidiaries, and we expect to remain in compliance with those covenants for the next twelve months. As of December 31, 2004, we had borrowing availability under our credit facilities of \$804 million, none of which was restricted due to covenants. Continued access to our credit facilities is subject to our remaining in compliance with the applicable covenants of these credit facilities, including covenants tied to our operating performance. If our operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing our debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of our debt obligations could occur. An event of default under the covenants governing any of our debt instruments could result in the acceleration of our payment obligations under that debt and, under certain circumstances, in cross-defaults under our other debt obligations, which could have a material adverse effect on our consolidated financial condition and results of operations.

The Charter Operating credit facilities require us to redeem the CC V Holdings notes within 45 days after the first date that the Charter Holdings leverage ratio is less than 8.75 to 1.0. In satisfaction of this requirement, CC V Holdings, LLC has called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption, which is expected to be March 14, 2005. The total cost of the redemption including accrued and unpaid interest is expected to be \$122 million. We intend to fund the redemption with borrowings under our credit facilities.

Specific Limitations

Our ability to make interest payments on our convertible senior notes, and, in 2006 and 2009, to repay the outstanding principal of our convertible senior notes, will depend on our ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco or its subsidiaries, including CCH II, CCO Holdings and Charter Operating. The indentures governing the CCH II notes, CCO Holdings notes, and Charter Operating notes, however, restrict these entities and their subsidiaries from making distributions to their parent companies (including us) for payment of interest and principal on our convertible senior notes, in each case unless there is no default under the applicable indenture and a specified leverage ratio test is met at the time of such event. CCH II, CCO Holdings and Charter Operating meet the applicable leverage ratio test under each of their

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respective indentures, and as a result are not prohibited from making any such distributions to their respective direct parent.

The indentures governing the Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco for payment of interest or principal on the convertible senior notes, only if, after giving effect to the distribution, Charter Holdings can incur additional debt under the leverage ratio of 8.75 to 1.0, there is no default under the Charter Holdings' indentures and other specified tests are met. For the quarter ended December 31, 2004, there was no default under Charter Holdings' indentures and other specified tests were met. In addition, Charter Holdings met the leverage ratio of 8.75 to 1.0 based on December 31, 2004 financial results. As a result, distributions from Charter Holdings to Charter or Charter Holdco are not currently restricted. Such distributions will again be restricted, however, if Charter Holdings fails to meet its leverage ratio test at the time of such event. In the past Charter Holdings has from time to time failed to meet this leverage ratio test, and there can be no assurance that Charter Holdings will satisfy this test in the future.

During periods when such distributions are restricted, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments in Charter Holdco or Charter, up to an amount determined by a formula, as long as there is no default under the indentures. As of December 31, 2004, Charter Holdco had \$106 million in cash on hand and was owed \$29 million in intercompany loans from its subsidiaries, which were available to pay interest on Charter's 4.75% convertible senior notes, which is expected to be approximately \$7 million in 2005. In addition, Charter has \$144 million of securities pledged as security for the first six interest payments on Charter's 5.875% convertible senior notes.

Our significant amount of debt could negatively affect our ability to access additional capital in the future. No assurances can be given that we will not experience liquidity problems if we do not obtain sufficient additional financing on a timely basis as our debt becomes due or because of adverse market conditions, increased competition or other unfavorable events. If, at any time, additional capital or borrowing capacity is required beyond amounts internally generated or available under our credit facilities or through additional debt or equity financings, we would consider:

- issuing equity that would significantly dilute existing shareholders;
- issuing convertible debt or some other securities that may have structural or other priority over our existing notes and may also significantly dilute Charter's existing shareholders;
- further reducing our expenses and capital expenditures, which may impair our ability to increase revenue;
- selling assets; or
- requesting waivers or amendments with respect to our credit facilities, the availability and terms of which would be subject to market conditions.

If the above strategies are not successful, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. In addition, if we need to raise additional capital through the issuance of equity or find it necessary to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive principal and interest payments to which they are contractually entitled.

Sale of Assets

In March 2004, we closed the sale of certain cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia to Atlantic Broadband Finance, LLC. We closed the sale of an additional cable system in New York to Atlantic Broadband Finance, LLC in April 2004. Subject to post-closing contractual adjustments, the total net proceeds from the sale of all of these systems were approximately \$733 million. The proceeds received to date were used to repay a portion of our credit facilities.

Summary of Outstanding Contractual Obligations

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The following table summarizes our payment obligations as of December 31, 2004 under our long-term debt and certain other contractual obligations and commitments (dollars in millions).

	<u>Total</u>	<u>Less than 1 year</u>	<u>Payments by Period 1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Contractual Obligations					
Long-Term Debt Principal Payments (1)	\$ 19,791	\$ 30	\$ 917	\$ 5,898	\$ 12,946
Long-Term Debt Interest Payments (2)	10,109	1,454	3,348	3,332	1,975
Payments on Interest Rate Instruments (3)	81	50	31	—	—
Capital and Operating Lease Obligations (1)	88	23	30	17	18
Programming Minimum Commitments (4)	1,579	318	719	542	—
Other (5)	272	62	97	46	67
 Total	 <u>\$ 31,920</u>	 <u>\$ 1,937</u>	 <u>\$ 5,142</u>	 <u>\$ 9,835</u>	 <u>\$ 15,006</u>

- (1) The table presents maturities of long-term debt outstanding as of December 31, 2004 and does not reflect the effects of the pending redemption of the CC V Holdings, LLC notes. Refer to Notes 9 and 23 to our consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data" for a description of our long-term debt and other contractual obligations and commitments.
- (2) Interest payments on variable debt are estimated using amounts outstanding at December 31, 2004 and the average implied forward London Interbank Offering Rate (LIBOR) rates applicable for the quarter during the interest rate reset based on the yield curve in effect at December 31, 2004. Actual interest payments will differ based on actual LIBOR rates and actual amounts outstanding for applicable periods.
- (3) Represents amounts we will be required to pay under our interest rate hedge agreements estimated using the average implied forward LIBOR applicable rates for the quarter during the interest rate reset based on the yield curve in effect at December 31, 2004.
- (4) We pay programming fees under multi-year contracts ranging from three to six years typically based on a flat fee per customer, which may be fixed for the term or may in some cases, escalate over the term. Programming costs included in the accompanying statement of operations were \$1.3 billion, \$1.2 billion and \$1.2 billion for the years ended December 31, 2004, 2003 and 2002, respectively. Certain of our programming agreements are based on a flat fee per month or have guaranteed minimum payments. The table sets forth the aggregate guaranteed minimum commitments under our programming contracts.
- (5) "Other" represents other guaranteed minimum commitments, which consist primarily of commitments to our billing services vendors.

The following items are not included in the contractual obligations table because the obligations are not fixed and/or determinable due to various factors discussed below. However, we incur these costs as part of our operations:

- We also rent utility poles used in our operations. Generally, pole rentals are cancelable on short notice, but we anticipate that such rentals will recur. Rent expense incurred for pole rental attachments for the years ended December 31, 2004, 2003 and 2002, was \$43 million, \$40 million and \$41 million, respectively.
- We pay franchise fees under multi-year franchise agreements based on a percentage of revenues earned from video service per year. We also pay other franchise related costs, such as public education grants under multi-year agreements. Franchise fees and other franchise-related costs included in the accompanying statement of operations were \$164 million, \$162 million and \$160 million for the years ended December 31, 2004, 2003 and 2002, respectively.
- We also have \$166 million in letters of credit, primarily to our various worker's compensation, property casualty and general liability carriers as collateral for reimbursement of claims. These letters of credit reduce the amount we may borrow under our credit facilities.

Historical Operating, Financing and Investing Activities

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We held \$650 million in cash and cash equivalents as of December 31, 2004 compared to \$127 million as of December 31, 2003. The increase in cash and cash equivalents reflects the proceeds of the sale of the CCO Holdings notes in December 2004. Approximately \$622 million was used to repay outstanding borrowings under the Charter Operating revolving credit facility through a series of transactions executed in February 2005.

Operating Activities. Net cash provided by operating activities decreased \$293 million, or 38%, from \$765 million for the year ended December 31, 2003 to \$472 million for the year ended December 31, 2004. For the year ended December 31, 2004, net cash provided by operating activities decreased primarily as a result of changes in operating assets and liabilities that provided \$83 million less cash during the year ended December 31, 2004 than the corresponding period in 2003 and an increase in cash interest expense of \$203 million over the corresponding prior period. The change in operating assets and liabilities is primarily the result of the benefit in the year ended December 31, 2003 from collection of receivables from programmers related to network launches, while accounts receivable remained essentially flat in the year ended December 31, 2004.

Net cash provided by operating activities for the years ended December 31, 2003 and 2002 was \$765 million and \$748 million, respectively. Operating activities provided \$17 million more cash in 2003 than in 2002 primarily due to an increase in revenue over cash costs year over year partially offset by changes in operating assets and liabilities that provided \$82 million less cash in 2003 than in 2002.

Investing Activities. Net cash used in investing activities for the year ended December 31, 2004 and 2003 was \$243 million and \$817 million, respectively. Investing activities used \$574 million less cash during the year ended December 31, 2004 than the corresponding period in 2003 primarily as a result of cash provided by proceeds from the sale of certain cable systems to Atlantic Broadband Finance, LLC offset by increased cash used for capital expenditures.

Net cash used in investing activities for the years ended December 31, 2003 and 2002 was \$817 million and \$2.4 billion, respectively. Investing activities used \$1.5 billion less cash in 2003 than in 2002 primarily as a result of reductions in capital expenditures and acquisitions. Purchases of property, plant and equipment used \$1.3 billion less cash in 2003 than in 2002 as a result of reduced rebuild and upgrade activities and our efforts to reduce capital expenditures. Payments for acquisitions used \$139 million less cash in 2003 than in 2002.

Financing Activities. Net cash provided by financing activities for the year ended December 31, 2004 was \$294 million and the net cash used in financing activities for the year ended December 31, 2003 was \$142 million. The increase in cash provided during the year ended December 31, 2004, as compared to the corresponding period in 2003, was primarily the result of an increase in borrowings of long-term debt and proceeds from issuance of debt reduced by repayments of long-term debt.

Net cash used in financing activities was \$142 million for the year ended December 31, 2003, whereas net cash provided by financing activities for the year ended December 31, 2002 was \$1.9 billion. Financing activities provided \$2.1 billion less cash in 2003 than in 2002. The decrease in cash provided in 2003 compared to 2002 was primarily due to a decrease in borrowings of long-term debt.

Capital Expenditures

We have significant ongoing capital expenditure requirements. However, we experienced a significant decline in such requirements starting in 2003. This decline was primarily the result of a substantial reduction in rebuild costs as our network had been largely upgraded and rebuilt in prior years. Capital expenditures, excluding acquisitions of cable systems, were \$924 million, \$854 million and \$2.2 billion for the years ended December 31, 2004, 2003 and 2002, respectively. The majority of the capital expenditures in 2004 and 2003 related to our customer premise equipment costs. The majority of the capital expenditures in 2002 related to our rebuild and upgrade program and purchases of customer premise equipment. See the table below for more details.

Upgrading our cable systems has enabled us to offer digital television, high-speed data services, VOD, interactive services, additional channels and tiers, and expanded pay-per-view options to a larger customer base. Our capital expenditures are funded primarily from cash flows from operating activities, the issuance of debt and borrowings under credit facilities. In addition, during the years ended December 31, 2004, 2003 and 2002, our liabilities related to capital expenditures decreased \$43 million, \$33 million and \$55 million, respectively.

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During 2005, we expect capital expenditures to increase to approximately \$1 billion. The increase in capital expenditures for 2005 compared to 2004 is the result of expected increases in telephony services and deployment of advanced digital boxes. We expect that the nature of these expenditures will continue to be composed primarily of purchases of customer premise equipment and for scalable infrastructure costs. We expect to fund capital expenditures for 2005 primarily from cash flows from operating activities and borrowings under our credit facilities.

We have adopted capital expenditure disclosure guidance, which was developed by eleven publicly traded cable system operators, including Charter, with the support of the National Cable & Telecommunications Association (“NCTA”). The new disclosure is intended to provide more consistency in the reporting of operating statistics in capital expenditures and customers among peer companies in the cable industry. These disclosure guidelines are not required disclosure 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 years ended December 31, 2004, 2003 and 2002 (dollars in millions):

	For the years ended December 31,		
	2004	2003	2002
Customer premise equipment (a)	\$ 451	\$ 380	\$ 748
Scalable infrastructure (b)	108	67	261
Line extensions (c)	131	131	101
Upgrade/Rebuild (d)	49	132	777
Support capital (e)	185	144	280
Total capital expenditures (f)	<u>\$ 924</u>	<u>\$ 854</u>	<u>\$ 2,167</u>

- (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 in accordance with SFAS 51 and customer premise equipment (e.g., set-top terminals 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) Represents all capital expenditures made in 2004, 2003 and 2002, respectively.

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Description of Our Outstanding Debt

As of December 31, 2004, our actual total debt was approximately \$19.5 billion, as summarized below (dollars in millions):

	December 31, 2004		Semi-Annual Interest Payment Dates	Start Date for Interest Payment on Discount Notes	Maturity Date(b)
	Face Value	Accreted Value(a)			
Charter Communications, Inc.:					
4.750% convertible senior notes due 2006(c)	\$ 156	\$ 156	12/1 & 6/1		6/1/06
5.875% convertible senior notes due 2009(c)	863	834	5/16 & 11/16		11/16/09
Charter Holdings:					
8.250% senior notes due 2007	451	451	4/1 & 10/1		4/1/07
8.625% senior notes due 2009	1,244	1,243	4/1 & 10/1		4/1/09
9.920% senior discount notes due 2011	1,108	1,108	4/1 & 10/1	10/1/04	4/1/11
10.000% senior notes due 2009	640	640	4/1 & 10/1		4/1/09
10.250% senior notes due 2010	318	318	1/15 & 7/15		1/15/10
11.750% senior discount notes due 2010	450	448	1/15 & 7/15	7/15/05	1/15/10
10.750% senior notes due 2009	874	874	4/1 & 10/1		10/1/09
11.125% senior notes due 2011	500	500	1/15 & 7/15		1/15/11
13.500% senior discount notes due 2011	675	589	1/15 & 7/15	7/15/06	1/15/11
9.625% senior notes due 2009	640	638	5/15 & 11/15		11/15/09
10.000% senior notes due 2011	710	708	5/15 & 11/15		5/15/11
11.750% senior discount notes due 2011	939	803	5/15 & 11/15	11/15/06	5/15/11
12.125% senior discount notes due 2012	330	259	1/15 & 7/15	7/15/07	1/15/12
CCH II, LLC:					
10.250% senior notes due 2010	1,601	1,601	3/15 & 9/15		9/15/10
CCO Holdings, LLC:					
8 3/4% senior notes due 2013	500	500	5/15 & 11/15		11/15/13
Senior floating notes due 2010	550	550	3/15,6/15, 9/15 & 12/15		12/15/10
Charter Operating:					
8% senior second-lien notes due 2012	1,100	1,100	4/30 & 10/30		4/30/12
8 3/8% senior second-lien notes due 2014	400	400	4/30 & 10/30		4/30/14
Renaissance Media Group LLC:					
10.000% senior discount notes due 2008	114	116	4/15 & 10/15	10/15/03	4/15/08
CC V Holdings, LLC:					
11.875% senior discount notes due 2008 (d)	113	113	6/1 & 12/1	6/1/04	12/1/08
Credit Facilities					
Charter Operating	5,515	5,515			
	<u>\$ 19,791</u>	<u>\$ 19,464</u>			

(a) The accreted value presented above represents the face value of the notes less the original issue discount at the time of sale plus the accretion to the balance sheet date.

(b) In general, the obligors have the right to redeem all of the notes set forth in the above table (except with respect to the 5.875% convertible senior notes due 2009 and the Charter Holdings notes with terms of eight years) in whole or part at their option, beginning at various times prior to their stated maturity dates, subject to certain conditions, upon the payment of the outstanding principal amount (plus a specified redemption premium) and all accrued and unpaid interest. The 5.875% convertible senior notes are redeemable if the closing price of our Class A common stock exceeds the conversion price by certain percentages as described below. For additional information, see Note 9 to our consolidated financial statements contained in "Item 8. Financial Statements and Supplementary Data."

(c) The 4.75% convertible senior notes and the 5.875% convertible senior notes are convertible at the option of the holders into shares of Class A common stock at a conversion rate, subject to certain adjustments, of 38.0952 and 413.2231 shares, respectively, per \$1,000 principal amount of notes, which is equivalent to a price of \$26.25 and \$2.42 per share, respectively. Certain anti-dilutive provisions cause adjustments to occur

automatically upon the occurrence of specified events. Additionally, the conversion ratio may be adjusted by us when deemed appropriate.

- (d) The Charter Operating credit facilities require us to redeem the CC V Holdings notes within 45 days after the first date that the Charter Holdings leverage ratio is less than 8.75 to 1.0. In satisfaction of this requirement, CC V Holdings, LLC has called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption, which is anticipated to be March 14, 2005. We are not required to redeem any of the other notes listed above prior to their stated maturity dates.

As of December 31, 2004 and 2003, our long-term debt totaled approximately \$19.5 billion and \$18.6 billion, respectively. This debt was comprised of approximately \$5.5 billion and \$7.2 billion of credit facility debt, \$13.3 billion and \$11.2 billion principal amount of high-yield notes and \$1.0 billion and \$774 million principal amount of convertible senior notes at December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the weighted average interest rate on the credit facility debt was approximately 6.8% and 5.4%, the weighted average interest rate on our high-yield notes was approximately 9.2% and 10.3%, and the weighted average interest rate on the convertible senior notes was approximately 5.7% and 5.5%, respectively, resulting in a blended weighted average interest rate of 8.8% and 8.2%, respectively. The interest rate on approximately 83% and 80% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of December 31, 2004 and 2003, respectively. The fair value of our high-yield notes was \$12.2 billion and \$9.9 billion at December 31, 2004 and 2003, respectively. The fair value of our convertible senior notes was \$1.1 billion and \$732 million at December 31, 2004 and 2003, respectively. The fair value of our credit facilities is \$5.5 billion and \$6.9 billion at December 31, 2004 and 2003, respectively. The fair value of high-yield and convertible notes is based on quoted market prices, and the fair value of the credit facilities is based on dealer quotations.

Charter Operating Credit Facilities — General

The Charter Operating credit facilities were amended and restated concurrently with the sale of \$1.5 billion senior second-lien notes in April 2004, among other things, to defer maturities and increase availability under these facilities and to enable Charter Operating to acquire the interests of the lenders under the CC VI Operating, CC VIII Operating and Falcon credit facilities, thereby consolidating all credit facilities under one amended and restated Charter Operating credit agreement.

The Charter Operating credit facilities:

- provide borrowing availability of up to \$6.5 billion; and
- provide for two term facilities:
 - (i) a Term A facility with a total principal amount of \$2.0 billion, of which 12.5% matures in 2007, 30% matures in 2008, 37.5% matures in 2009 and 20% matures in 2010; and
 - (ii) a Term B facility with a total principal amount of \$3.0 billion, which shall be repayable in 27 equal quarterly installments aggregating in each loan year to 1% of the original amount of the Term B facility, with the remaining balance due at final maturity in 2011; and
- provide for a revolving credit facility, in a total amount of \$1.5 billion, with a maturity date in 2010.

Amounts outstanding under the Charter Operating credit facilities bear interest, at Charter Operating's election, at a base rate or the Eurodollar rate, as defined, plus a margin for Eurodollar loans of up to 3.00% for the Term A facility and revolving credit facility, and up to 3.25% for the Term B facility, and for base rate loans of up to 2.00% for the Term A facility and revolving credit facility, and up to 2.25% for the Term B facility. A quarterly commitment fee of up to .75% is payable on the average daily unborrowed balance of the revolving credit facilities.

The obligations of our subsidiaries under the Charter Operating credit facilities (the "Obligations") are guaranteed by Charter Operating's immediate parent company, CCO Holdings, and the subsidiaries of Charter Operating, except for immaterial subsidiaries and subsidiaries precluded from guaranteeing by reason of the provisions of other indebtedness to which they are subject (the "non-guarantor subsidiaries, primarily Renaissance and CCV Holdings and their subsidiaries"). The Obligations are also secured by (i) a lien on 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

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a financing statement, and (ii) by 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. Upon the Charter Holdings Leverage Ratio (as defined in the indenture governing the Charter Holdings senior notes and senior discount notes) being under 8.75 to 1.0, the Charter Operating credit facilities require that the 11.875% notes due 2008 issued by CC V Holdings, LLC be redeemed. Because such Leverage Ratio was determined to be under 8.75 to 1.0 in February 2005, CC V Holdings, LLC has called for redemption of such notes with an anticipated redemption date of March 14, 2005. Following such redemption and provided the Leverage Ratio of Charter Holdings remains under 8.75 to 1.0, CC V Holdings, LLC and its subsidiaries (other than non-guarantor subsidiaries) will guarantee the Obligations and grant a lien on all of their assets as to which a lien can be perfected under the Uniform Commercial Code by the filing of a financing statement.

Charter Operating Credit Facilities — Restrictive Covenants

The Charter Operating credit facilities contain representations and warranties, and affirmative and negative covenants customary for financings of this type. The financial covenants measure performance against standards set for leverage, debt service coverage, and interest coverage, tested as of the end of each quarter. The maximum allowable leverage ratio is 4.25 to 1.0 until maturity, tested as of the end of each quarter beginning September 30, 2004. Additionally, the Charter Operating credit facilities contain provisions requiring mandatory loan prepayments under specific circumstances, including when significant amounts of assets are sold and the proceeds are not reinvested in assets useful in the business of the borrower within a specified period, and upon the incurrence of certain indebtedness when the ratio of senior first lien debt to operating cash flow is greater than 2.0 to 1.0.

The Charter Operating credit facilities permit Charter Operating and its subsidiaries to make distributions to pay interest on the Charter Operating senior second-lien notes, the CCH II senior notes, the CCO Holdings senior notes, the Charter convertible senior notes and the Charter Holdings senior notes, provided that, among other things, no default has occurred and is continuing under the Charter Operating credit facilities. Conditions to future borrowings include absence of a default or an event of default under the Charter Operating credit facilities and the continued accuracy in all material respects of the representations and warranties, including the absence since December 31, 2003 of any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on our business.

The events of default under the Charter Operating credit facilities include, among other things:

- (i) the failure to make payments when due or within the applicable grace period,
- (ii) the failure to comply with specified covenants, including but not limited to a covenant to deliver audited financial statements with an unqualified opinion from our independent auditors,
- (iii) the failure to pay or the occurrence of events that cause or permit the acceleration of other indebtedness owing by CCO Holdings, Charter Operating or Charter Operating's subsidiaries in amounts in excess of \$50 million in aggregate principal amount,
- (iv) the failure to pay or the occurrence of events that result in the acceleration of other indebtedness owing by certain of CCO Holdings' direct and indirect parent companies in amounts in excess of \$200 million in aggregate principal amount,
- (v) Paul Allen and/or certain of his family members and/or their exclusively owned entities (collectively, the "Paul Allen Group") ceasing to have the power, directly or indirectly, to vote at least 35% of the ordinary voting power of Charter Operating,
- (vi) the consummation of any transaction resulting in any person or group (other than the Paul Allen Group) having power, directly or indirectly, to vote more than 35% of the ordinary voting power of Charter Operating, unless the Paul Allen Group holds a greater share of ordinary voting power of Charter Operating,
- (vii) certain of Charter Operating's indirect or direct parent companies having indebtedness in excess of \$500 million aggregate principal amount which remains undefeased three months prior to the final maturity of such indebtedness, and
- (viii) Charter Operating ceasing to be a wholly-owned direct subsidiary of CCO Holdings, except in certain very limited circumstances.

Outstanding Notes

Charter Communications, Inc. Notes

4.75% Charter Convertible Notes due 2006

In May 2001, Charter issued 4.75% convertible senior notes with a total principal amount at maturity of \$633 million. As of December 31, 2004, there was \$156 million in total principal amount of these notes outstanding. The 4.75% convertible notes rank equally with any of our future unsubordinated and unsecured indebtedness, but are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

The 4.75% convertible notes are convertible at the option of the holder into shares of Class A common stock at a conversion rate of 38.0952 shares per \$1,000 principal amount of notes, which is equivalent to a price of \$26.25 per share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which automatically occur based on the occurrence of specified events to provide protection rights to holders of the notes. Additionally, Charter may adjust the conversion ratio under certain circumstances when deemed appropriate. These notes are redeemable at our option at amounts decreasing from 101.9% to 100% of the principal amount, plus accrued and unpaid interest beginning on June 4, 2004, to the date of redemption. Interest is payable semiannually on December 1 and June 1, beginning December 1, 2001, until maturity on June 1, 2006.

Upon a change of control, subject to certain conditions and restrictions, Charter may be required to repurchase the notes, in whole or in part, at 100% of their principal amount plus accrued interest at the repurchase date.

Charter 5.875% Convertible Senior Notes due 2009

In November 2004, Charter issued 5.875% convertible senior notes due 2009 with a total original principal amount of \$862.5 million. The 5.875% convertible senior notes are unsecured (except with respect to the collateral as described below) and rank equally with our existing and future unsubordinated and unsecured indebtedness (except with respect to the collateral described below), but are structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. Interest is payable semi-annually in arrears.

The 5.875% convertible senior notes are convertible at any time at the option of the holder into shares of Class A common stock at an initial conversion rate of 413.2231 shares per \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$2.42 per share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which cause adjustments to occur automatically based on the occurrence of specified events to provide protection rights to holders of the notes. The conversion rate may also be increased (but not to exceed 462 shares per \$1,000 principal amount of notes) upon a specified change of control transaction. Additionally, Charter may elect to increase the conversion rate under certain circumstances when deemed appropriate and subject to applicable limitations of the NASDAQ stock market. Holders who convert their notes prior to November 16, 2007 will receive an early conversion make whole amount in respect of their notes based on a proportional share of the portfolio of pledged securities described below, with specified adjustments.

No holder of notes will be entitled to receive shares of our Class A common stock on conversion to the extent that receipt of the shares would cause the converting holder to become, directly or indirectly, a "beneficial holder" (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than 4.9% of the outstanding shares of our Class A common stock if such conversion would take place prior to November 16, 2008, or more than 9.9% thereafter.

If a holder tenders a note for conversion, we may direct that holder (unless we have called those notes for redemption) to a financial institution designated by us to conduct a transaction with that institution, on substantially the same terms that the holder would have received on conversion. But if any such financial institution does not accept such notes or does not deliver the required conversion consideration, we remain obligated to convert the notes.

Charter Holdco used a portion of the proceeds from the sale of the notes to purchase a portfolio of U.S. government securities in an amount which we believe will be sufficient to make the first six interest payments on the notes. These government securities were pledged to us as security for a mirror note issued by Charter Holdco to Charter and pledged to the trustee under the indenture governing the notes as security for our obligations thereunder. We expect to use such securities to fund the first six interest payments under the notes. The pledged securities totaled \$144 million at December 31, 2004. Any holder that converts its notes prior to the third anniversary of the issue

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date will be entitled to receive, in addition to the requisite number of shares upon conversion, an interest make whole payment equal to the cash proceeds from the sale by the trustee of that portion of the remaining pledged U.S. government securities which secure interest payments on the notes so converted, subject to certain limitations with respect to notes that have not been sold pursuant to an effective registration statement under the Securities Act of 1933.

Upon a change of control and certain other fundamental changes, subject to certain conditions and restrictions, Charter may be required to repurchase the notes, in whole or in part, at 100% of their principal amount plus accrued interest at the repurchase date.

We have filed a shelf registration statement for resale of the notes and shares issuable on conversion of the notes by the holders, and we are required to use our reasonable best efforts to cause that registration statement to be declared effective on or before April 21, 2005. We have also filed a registration statement for use by Citigroup Global Markets Inc. to sell up to 150 million shares of our Class A common stock that we will loan to an affiliate of Citigroup Global Markets, Inc. pursuant to a share lending agreement, and we are obligated to use our reasonable best efforts to have such registration statement declared effective on or before April 1, 2005. In the event we fail to meet our obligations with respect to registration statements becoming effective on or prior to the date specified, liquidated damages will accrue in respect of the notes. Charter may elect to accrete the principal amount of the notes in lieu of paying cash for any liquidated damages that accrue, and may also elect to defer any interest accruing for any accreted portion exceeding the original principal amount of the notes. We will pay no interest on any such deferred interest.

Following the earlier of the sale of the notes pursuant to an effective registration statement or the date two years following the issue date, we may redeem the notes in whole or in part for cash at any time at a redemption price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, deferred interest and liquidated damages, if any, but only if for any 20 trading days in any 30 consecutive trading day period the closing price has exceeded 180% of the conversion price, if such 30 trading day period begins prior to November 16, 2007 or 150% of the conversion price, if such 30 trading period begins thereafter. Holders who convert notes that we have called for redemption shall receive, in addition to the early conversion make whole amount, if applicable, the present value of the interest on the notes converted that would have been payable for the period from the later of November 17, 2007 and the redemption date through the scheduled maturity date for the notes, plus any accrued deferred interest.

Charter Communications Holdings, LLC Notes

March 1999 Charter Holdings Notes

The March 1999 Charter Holdings notes were issued under three separate indentures, each dated as of March 17, 1999, among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. Charter Holdings and Charter Capital exchanged these notes for new notes with substantially similar terms, except that the new notes are registered under the Securities Act.

The March 1999 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. Cash interest on the March 1999 9.920% Charter Holdings notes began to accrue on April 1, 2004.

The March 1999 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the March 1999 8.250% Charter Holdings notes prior to their maturity on April 1, 2007. On or after April 1, 2004, Charter Holdings and Charter Capital may redeem some or all of the March 1999 8.625% Charter Holdings notes and the March 1999 9.920% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of March 1999 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after April 1, 2007.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding March 1999 Charter Holdings notes at 101% of their principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

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The indentures governing the March 1999 Charter Holdings notes contain restrictive covenants that limit certain transactions or activities by Charter Holdings and its restricted subsidiaries. See “— Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.” Substantially all of Charter Holdings’ direct and indirect subsidiaries are currently restricted subsidiaries.

January 2000 Charter Holdings Notes

The January 2000 Charter Holdings notes were issued under three separate indentures, each dated as of January 12, 2000, among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. In June 2000, Charter Holdings and Charter Capital exchanged these notes for new notes with substantially similar terms, except that the new notes are registered under the Securities Act.

The January 2000 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. Cash interest on the January 2000 11.75% Charter Holdings notes began to accrue on January 15, 2005.

The January 2000 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings’ subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the January 2000 10.00% Charter Holdings notes prior to their maturity on April 1, 2009. Charter Holdings and Charter Capital may redeem some or all of the January 2000 10.25% Charter Holdings notes and the January 2000 11.75% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2000 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2008.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2000 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2000 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 Charter Holdings notes. See “— Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.”

January 2001 Charter Holdings Notes

The January 2001 Charter Holdings notes were issued under three separate indentures, each dated as of January 10, 2001, each among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. In March 2001, Charter Holdings and Charter Capital exchanged these notes for new notes, with substantially similar terms, except that the new notes are registered under the Securities Act.

The January 2001 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. Cash interest on the January 2001 13.500% Charter Holdings notes will not accrue prior to January 15, 2006.

The January 2001 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings’ subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CCV Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the January 2001 10.750% Charter Holdings notes prior to their maturity date on October 1, 2009. On or after January 15, 2006, Charter Holdings and Charter Capital may redeem some or all of the January 2001 11.125% Charter Holdings notes and the January 2001 13.500% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2001 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2009.

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In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2001 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2001 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 and January 2000 Charter Holdings notes. See “— Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.”

May 2001 Charter Holdings Notes

The May 2001 Charter Holdings notes were issued under three separate indentures, each among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee. In September 2001, Charter Holdings and Charter Capital exchanged substantially all of these notes for new notes with substantially similar terms, except that the new notes are registered under the Securities Act.

The May 2001 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. Cash interest on the May 2001 11.750% Charter Holdings notes will not accrue prior to May 15, 2006.

The May 2001 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings’ subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the May 2001 9.625% Charter Holdings notes prior to their maturity on November 15, 2009. On or after May 15, 2006, Charter Holdings and Charter Capital may redeem some or all of the May 2001 10.000% Charter Holdings notes and the May 2001 11.750% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the May 2001 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after May 15, 2009.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding May 2001 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the May 2001 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999, January 2000 and January 2001 Charter Holdings notes. See “— Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.”

January 2002 Charter Holdings Notes

The January 2002 Charter Holdings notes were issued under three separate indentures, each among Charter Holdings and Charter Capital, as the issuers, and BNY Midwest Trust Company, as trustee, two of which were supplements to the indentures for the May 2001 Charter Holdings notes. In July 2002, Charter Holdings and Charter Capital exchanged substantially all of these notes for new notes, with substantially similar terms, except that the new notes are registered under the Securities Act.

The January 2002 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. Cash interest on the January 2002 12.125% Charter Holdings notes will not accrue prior to January 15, 2007.

The January 2002 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with the current and future unsecured and unsubordinated debt of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings’ subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

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The Charter Holdings 12.125% senior discount notes are redeemable at the option of the issuers at amounts decreasing from 106.063% to 100% of accreted value beginning January 15, 2007.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2002 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2002 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999, January 2000, January 2001 and May 2001 Charter Holdings notes. See “— Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.”

Summary of Restrictive Covenants under Charter Holdings High-Yield Notes.

The limitations on incurrence of debt and issuance of preferred stock contained in Charter Holdings’ indentures permit Charter Holdings and its subsidiaries to incur additional debt or issue preferred stock, so long as there is no default under the Charter Holdings indentures. These limitations restrict the incurrence of debt unless, after giving effect to the incurrence, the Charter Holdings Leverage Ratio would be below 8.75 to 1.0. In addition, regardless of whether the leverage ratio could be met, so long as no default exists or would result from the incurrence or issuance, Charter Holdings and its restricted subsidiaries are permitted to issue:

- up to \$3.5 billion of debt under credit facilities,
- up to \$75 million of debt incurred to finance the purchase or capital lease of new assets,
- up to \$300 million of additional debt for any purpose,
- additional debt in an amount equal to 200% of proceeds of new cash equity proceeds received by Charter Holdings and its restricted subsidiaries since March 1999, the date of our first indenture, and not allocated for restricted payments or permitted investments, and
- other items of indebtedness for specific purposes such as intercompany debt, refinancing of existing debt, and interest rate swaps to provide protection against fluctuation in interest rates.

Indebtedness under a single facility or agreement may be incurred in part under one of the categories listed above and in part under another. Accordingly, indebtedness under our credit facilities is incurred under a combination of the categories of permitted indebtedness listed above.

The restricted subsidiaries of Charter Holdings are generally not permitted to issue debt securities contractually subordinated to other debt of the issuing subsidiary or preferred stock, in either case in any public or Rule 144A offering.

The Charter Holdings indentures permit Charter Holdings and its restricted subsidiaries to incur debt under one category, and later reclassify that debt into another category. The Charter Operating credit facilities generally impose more restrictive limitations on incurring new debt than Charter Holdings’ indentures, so our subsidiaries that are subject to the Charter Operating credit agreements may not be permitted to utilize the full debt incurrence that would otherwise be available under the Charter Holdings indenture covenants.

Generally, under Charter Holdings’ high-yield indentures:

- Charter Holdings and its restricted subsidiaries are generally permitted to pay dividends on equity interests, repurchase interests, or make other specified restricted payments only if, after giving effect to the transaction, the Charter Holdings Leverage Ratio would be below 8.75 to 1.0 and if no default exists or would exist as a consequence of such incurrence. If those conditions are met, restricted payments in a total amount of up to 100% of Charter Holding’s consolidated EBITDA, as defined, minus 1.2 times its consolidated interest expense, plus 100% of new cash and non-cash equity proceeds received by Charter Holdings and not allocated to the debt incurrence covenant or to permitted investments, all cumulatively from March 1999, the date of the first Charter Holdings indenture, plus \$100 million.

In addition, Charter Holdings may make distributions or restricted payments, so long as no default exists or would be caused by transactions:

- to repurchase management equity interests in amounts not to exceed \$10 million per fiscal year,
- regardless of the existence of any default, to pay pass-through tax liabilities in respect of ownership of equity interests in Charter Holdings or its restricted subsidiaries, or
- to make other specified restricted payments including merger fees up to 1.25% of the transaction value, repurchases using concurrent new issuances, and certain dividends on existing subsidiary preferred equity interests.

Charter Holdings and its restricted subsidiaries may not make investments except permitted investments if there is a default under the indentures or if, after giving effect to the transaction, the Charter Holdings Leverage Ratio would be below 8.75 to 1.0.

Permitted investments include:

- investments by Charter Holdings in restricted subsidiaries or by restricted subsidiaries in Charter Holdings,
- investments in productive assets (including through equity investments) aggregating up to \$150 million since March 1999,
- investments aggregating up to 100% of new cash equity proceeds received by Charter Holdings since March 1999 and not allocated to the debt incurrence or restricted payments covenant, and
- other investments up to \$50 million since March 1999.

Charter Holdings is not permitted to grant liens on its assets other than specified permitted liens. Permitted liens include liens securing debt and other obligations incurred under our subsidiaries' credit facilities, liens securing the purchase price of new assets, other liens securing indebtedness up to \$50 million and specified liens incurred in the ordinary course of business. The lien covenant does not restrict liens on assets of subsidiaries of Charter Holdings.

Charter Holdings and Charter Capital, its co-issuer, are generally not permitted to sell all or substantially all of their assets or merge with or into other companies unless their leverage ratio after any such transaction would be no greater than their leverage ratio immediately prior to the transaction, or unless Charter Holdings Leverage Ratio would be below 8.75 to 1.0, no default exists, and the surviving entity is a U.S. entity that assumes the Charter Holdings notes.

Charter Holdings and its restricted subsidiaries may generally not otherwise sell assets or, in the case of restricted subsidiaries, issue equity interests, unless they receive consideration at least equal to the fair market value of the assets or equity interests, consisting of at least 75% in cash, assumption of liabilities, securities converted into cash within 60 days or productive assets. Charter Holdings and its restricted subsidiaries are then required within 365 days after any asset sale either to commit to use the net cash proceeds over a specified threshold to acquire assets, including current assets, used or useful in their businesses or use the net cash proceeds to repay debt, or to offer to repurchase the Charter Holdings notes with any remaining proceeds.

Charter Holdings and its restricted subsidiaries may generally not engage in sale and leaseback transactions unless, at the time of the transaction, Charter Holdings could have incurred secured indebtedness in an amount equal to the present value of the net rental payments to be made under the lease, and the sale of the assets and application of proceeds is permitted by the covenant restricting asset sales.

Charter Holdings' restricted subsidiaries may generally not enter into restrictions on their ability to make dividends or distributions or transfer assets to Charter Holdings on terms that are materially more restrictive than those governing their debt, lien, asset sale, lease and similar agreements existing when they entered into the indentures, unless those restrictions are on customary terms that will not materially impair Charter Holdings' ability to repay the high-yield notes.

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The restricted subsidiaries of Charter Holdings are generally not permitted to guarantee or pledge assets to secure debt of Charter Holdings, unless the guarantying subsidiary issues a guarantee of the notes of comparable priority and tenor, and waives any rights of reimbursement, indemnity or subrogation arising from the guarantee transaction for at least one year.

The indentures also restrict the ability of Charter Holdings and its restricted subsidiaries to enter into certain transactions with affiliates involving consideration in excess of \$15 million without a determination by the board of directors of Charter Holdings that the transaction is on terms no less favorable than arms length, or transactions with affiliates involving over \$50 million without receiving an independent opinion as to the fairness of the transaction to the holders of the Charter Holdings notes.

CCH II, LLC Notes

In September 2003, CCH II and CCH II Capital Corp. jointly issued approximately \$1.6 billion total principal amount of 10.25% senior notes due 2010. The CCH II notes are general unsecured obligations of CCH II and CCH II Capital Corp. They rank equally with all other current or future unsubordinated obligations of CCH II and CCH II Capital Corp. The CCH II notes are structurally subordinated to all obligations of subsidiaries of CCH II, including the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Interest on the CCH II notes accrues at 10.25% per annum and is payable semi-annually in arrears on each March 15 and September 15, commencing on March 15, 2004.

At any time prior to September 15, 2006, the issuers of the CCH II notes may redeem up to 35% of the total principal amount of the CCH II notes on a pro rata basis at a redemption price equal to 110.25% of the principal amount of CCH II notes redeemed, plus any accrued and unpaid interest.

On or after September 15, 2008, the issuers of the CCH II notes may redeem all or a part of the notes at a redemption price that declines ratably from the initial redemption price of 105.125% to a redemption price on or after September 15, 2009 of 100% of the principal amount of the CCH II notes redeemed, plus, in each case, any accrued and unpaid interest.

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

The indenture governing the CCH II notes contains restrictive covenants that limit certain transactions or activities by CCH II and its restricted subsidiaries, including the covenants summarized below. Substantially all of CCH II's direct and indirect subsidiaries are currently restricted subsidiaries.

The covenant in the indenture governing the CCH II notes that restricts incurrence of debt and issuance of preferred stock permits CCH II and its subsidiaries to incur or issue specified amounts of debt or preferred stock, if, after giving effect to the incurrence, CCH II could meet a leverage ratio (ratio of consolidated debt to four times EBITDA from the most recent fiscal quarter for which internal financial reports are available) of 5.5 to 1.0.

In addition, regardless of whether the leverage ratio could be met, so long as no default exists or would result from the incurrence or issuance, CCH II and its restricted subsidiaries are permitted to incur or issue:

- up to \$9.75 billion of debt under credit facilities, including debt under credit facilities outstanding on the issue date of the CCH II notes,
- up to \$75 million of debt incurred to finance the purchase or capital lease of new assets,
- up to \$300 million of additional debt for any purpose, and
- other items of indebtedness for specific purposes such as intercompany debt, refinancing of existing debt, and interest rate swaps to provide protection against fluctuation in interest rates.

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The restricted subsidiaries of CCH II are generally not permitted to issue debt securities contractually subordinated to other debt of the issuing subsidiary or preferred stock, in either case in any public or Rule 144A offering.

The CCH II indenture permits CCH II and its restricted subsidiaries to incur debt under one category, and later reclassify that debt into another category. Our and our subsidiaries' credit agreements generally impose more restrictive limitations on incurring new debt than the CCH II indenture, so we and our subsidiaries that are subject to credit agreements are not permitted to utilize the full debt incurrence that would otherwise be available under the CCH II indenture covenants.

Generally, under the CCH II indenture, CCH II and its restricted subsidiaries are permitted to pay dividends on equity interests, repurchase interests, or make other specified restricted payments only if CCH II can incur \$1.00 of new debt under the leverage ratio test, which requires that CCH II meet a 5.5 to 1.0 leverage ratio after giving effect to the transaction, and if no default exists or would exist as a consequence of such incurrence. If those conditions are met, restricted payments in a total amount of up to 100% of CCH II's consolidated EBITDA, as defined, minus 1.3 times its consolidated interest expense, plus 100% of new cash and non-cash equity proceeds received by CCH II and not allocated to the debt incurrence covenant, all cumulatively from the fiscal quarter commenced July 1, 2003, plus \$100 million.

In addition, CCH II may make distributions or restricted payments, so long as no default exists or would be caused by transactions:

- to repurchase management equity interests in amounts not to exceed \$10 million per fiscal year,
- regardless of the existence of any default, to pay pass-through tax liabilities in respect of ownership of equity interests in CCH II or its restricted subsidiaries,
- regardless of the existence of any default, to pay interest when due on Charter Holdings notes, to pay, so long as there is no default, interest on the convertible senior notes (including the notes) of Charter, to purchase, redeem or refinance, so long as CCH II could incur \$1.00 of indebtedness under the 5.5 to 1.0 leverage ratio test referred to above and there is no default, Charter Holdings notes, Charter notes, and other direct or indirect parent company notes (including the CCH II notes),
- to make distributions in connection with the private exchanges pursuant to which the CCH II notes were issued, and
- other specified restricted payments including merger fees up to 1.25% of the transaction value, repurchases using concurrent new issuances, and certain dividends on existing subsidiary preferred equity interests.

The indenture governing the CCH II notes restricts CCH II and its restricted subsidiaries from making investments, except specified permitted investments, or creating new unrestricted subsidiaries, if there is a default under the indenture or if CCH II could not incur \$1.00 of new debt under the 5.5 to 1.0 leverage ratio test described above after giving effect to the transaction.

Permitted investments include:

- investments by CCH II and its restricted subsidiaries in CCH II and in other restricted subsidiaries, or entities that become restricted subsidiaries as a result of the investment,
- investments aggregating up to 100% of new cash equity proceeds received by CCH II since September 23, 2003 to the extent the proceeds have not been allocated to the restricted payments covenant described above,
- investments resulting from the private exchanges pursuant to which the CCH II notes were issued,
- other investments up to \$750 million outstanding at any time, and
- certain specified additional investments, such as investments in customers and suppliers in the ordinary course of business and investments received in connection with permitted asset sales.

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CCH II is not permitted to grant liens on its assets other than specified permitted liens. Permitted liens include liens securing debt and other obligations incurred under our subsidiaries' credit facilities, liens securing the purchase price of new assets, other liens securing indebtedness up to \$50 million and specified liens incurred in the ordinary course of business. The lien covenant does not restrict liens on assets of subsidiaries of CCH II.

CCO Holdings, LLC Notes

8 3/4% Senior Notes due 2013

In November 2003, CCO Holdings and CCO Holdings Capital Corp. jointly issued \$500 million total principal amount of 8 3/4% senior notes due 2013. The CCO Holdings notes are general unsecured obligations of CCO Holdings and CCO Holdings Capital Corp. They rank equally with all other current or future unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The CCO Holdings notes are structurally subordinated to all obligations of CCO Holdings' subsidiaries, including the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Interest on the CCO Holdings senior notes accrues at 8 3/4% per year and is payable semi-annually in arrears on each May 15 and November 15.

At any time prior to November 15, 2006, the issuers of the CCO Holdings senior notes may redeem up to 35% of the total principal amount of the CCO Holdings senior notes to the extent of public equity proceeds they have received on a pro rata basis at a redemption price equal to 108.75% of the principal amount of CCO Holdings senior notes redeemed, plus any accrued and unpaid interest.

On or after November 15, 2008, the issuers of the CCO Holdings senior notes may redeem all or a part of the notes at a redemption price that declines ratably from the initial redemption price of 104.375% to a redemption price on or after November 15, 2011 of 100.0% of the principal amount of the CCO Holdings senior notes redeemed, plus, in each case, any accrued and unpaid interest.

Senior Floating Rate Notes Due 2010

In December 2004, CCO Holdings and CCO Holdings Capital Corp. jointly issued \$550 million total principal amount of senior floating rate notes due 2010.

Interest on the CCO Holdings senior floating rate notes accrues at the LIBOR rate plus 4.125% annually, from December 15, 2004 or, if interest already has been paid, from the date it was most recently paid. Interest is reset and payable quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on March 15, 2005.

At any time prior to December 15, 2006, the issuers of the senior floating rate notes may redeem up to 35% of the notes in an amount not to exceed the amount of proceeds of one or more public equity offerings at a redemption price equal to 100% of the principal amount, plus a premium equal to the interest rate per annum applicable to the notes on the date notice of redemption is given, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original aggregate principal amount of the notes issued remains outstanding after the redemption.

The issuers of the senior floating rate notes may redeem the notes in whole or in part at the issuers' option from December 15, 2006 until December 14, 2007 for 102% of the principal amount, from December 15, 2007 until December 14, 2008 for 101% of the principal amount and from and after December 15, 2008, at par, in each case, plus accrued and unpaid interest.

Additional terms of the CCO Holdings Senior Notes and Senior Floating Rate Notes

The CCO Holdings notes are general unsecured obligations of CCO Holdings and CCO Holdings Capital Corp. They rank equally with all other current or future unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The CCO Holdings notes are structurally subordinated to all obligations of subsidiaries of CCO Holdings, including the Renaissance notes, the CC V Holdings notes, the Charter Operating notes and the Charter Operating credit facilities.

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

The indenture governing the CCO Holdings senior notes contains restrictive covenants that limit certain transactions or activities by CCO Holdings and its restricted subsidiaries, including the covenants summarized below. Substantially all of CCO Holdings' direct and indirect subsidiaries are currently restricted subsidiaries.

The covenant in the indenture governing the CCO Holdings senior notes that restricts incurrence of debt and issuance of preferred stock permits CCO Holdings and its subsidiaries to incur or issue specified amounts of debt or preferred stock, if, after giving pro forma effect to the incurrence or issuance, CCO Holdings could meet a leverage ratio (ratio of consolidated debt to four times EBITDA, as defined, from the most recent fiscal quarter for which internal financial reports are available) of 4.5 to 1.0.

In addition, regardless of whether the leverage ratio could be met, so long as no default exists or would result from the incurrence or issuance, CCO Holdings and its restricted subsidiaries are permitted to incur or issue:

- up to \$9.75 billion of debt under credit facilities, including debt under credit facilities outstanding on the issue date of the CCO Holdings senior notes,
- up to \$75 million of debt incurred to finance the purchase or capital lease of new assets,
- up to \$300 million of additional debt for any purpose, and
- other items of indebtedness for specific purposes such as intercompany debt, refinancing of existing debt, and interest rate swaps to provide protection against fluctuation in interest rates.

The restricted subsidiaries of CCO Holdings are generally not permitted to issue debt securities contractually subordinated to other debt of the issuing subsidiary or preferred stock, in either case in any public or Rule 144A offering.

The CCO Holdings indenture permits CCO Holdings and its restricted subsidiaries to incur debt under one category, and later reclassify that debt into another category. The Charter Operating credit facilities generally impose more restrictive limitations on incurring new debt than CCO Holdings' indenture, so our subsidiaries that are subject to credit facilities are not permitted to utilize the full debt incurrence that would otherwise be available under the CCO Holdings indenture covenants.

Generally, under CCO Holdings' indenture:

- CCO Holdings and its restricted subsidiaries are permitted to pay dividends on equity interests, repurchase interests, or make other specified restricted payments only if CCO Holdings can incur \$1.00 of new debt under the leverage ratio test, which requires that CCO Holdings meet a 4.5 to 1.0 leverage ratio after giving effect to the transaction, and if no default exists or would exist as a consequence of such incurrence. If those conditions are met, restricted payments in a total amount of up to 100% of CCO Holdings' consolidated EBITDA, as defined, minus 1.3 times its consolidated interest expense, plus 100% of new cash and appraised non-cash equity proceeds received by CCO Holdings and not allocated to the debt incurrence covenant, all cumulatively from the fiscal quarter commenced October 1, 2003, plus \$100 million.

In addition, CCO Holdings may make distributions or restricted payments, so long as no default exists or would be caused by the transaction:

- to repurchase management equity interests in amounts not to exceed \$10 million per fiscal year;
- to pay, regardless of the existence of any default, pass-through tax liabilities in respect of ownership of equity interests in Charter Holdings or its restricted subsidiaries;
- to pay, regardless of the existence of any default, interest when due on Charter Holdings notes and our notes;

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- to pay, so long as there is no default, interest on the Charter convertible notes;
- to purchase, redeem or refinance Charter Holdings notes, CCH II notes, Charter notes, and other direct or indirect parent company notes, so long as CCO Holdings could incur \$1.00 of indebtedness under the 4.5 to 1.0 leverage ratio test referred to above and there is no default; or
- to make other specified restricted payments including merger fees up to 1.25% of the transaction value, repurchases using concurrent new issuances, and certain dividends on existing subsidiary preferred equity interests.

The indenture governing the CCO Holdings senior notes restricts CCO Holdings and its restricted subsidiaries from making investments, except specified permitted investments, or creating new unrestricted subsidiaries, if there is a default under the indenture or if CCO Holdings could not incur \$1.00 of new debt under the 4.5 to 1.0 leverage ratio test described above after giving effect to the transaction.

Permitted investments include:

- investments by CCO Holdings and its restricted subsidiaries in CCO Holdings and in other restricted subsidiaries, or entities that become restricted subsidiaries as a result of the investment,
- investments aggregating up to 100% of new cash equity proceeds received by CCO Holdings since November 10, 2003 to the extent the proceeds have not been allocated to the restricted payments covenant described above,
- other investments up to \$750 million outstanding at any time, and
- certain specified additional investments, such as investments in customers and suppliers in the ordinary course of business and investments received in connection with permitted asset sales.

CCO Holdings is not permitted to grant liens on its assets other than specified permitted liens. Permitted liens include liens securing debt and other obligations incurred under our subsidiaries' credit facilities, liens securing the purchase price of new assets, other liens securing indebtedness up to \$50 million and specified liens incurred in the ordinary course of business. The lien covenant does not restrict liens on assets of subsidiaries of CCO Holdings.

CCO Holdings and CCO Holdings Capital, its co-issuer, are generally not permitted to sell all or substantially all of their assets or merge with or into other companies unless their leverage ratio after any such transaction would be no greater than their leverage ratio immediately prior to the transaction, or unless CCO Holdings and its subsidiaries could incur \$1.00 of new debt under the 4.50 to 1.0 leverage ratio test described above after giving effect to the transaction, no default exists, and the surviving entity is a U.S. entity that assumes the CCO Holdings senior notes.

CCO Holdings and its restricted subsidiaries may generally not otherwise sell assets or, in the case of restricted subsidiaries, issue equity interests, unless they receive consideration at least equal to the fair market value of the assets or equity interests, consisting of at least 75% in cash, assumption of liabilities, securities converted into cash within 60 days or productive assets. CCO Holdings and its restricted subsidiaries are then required within 365 days after any asset sale either to commit to use the net cash proceeds over a specified threshold to acquire assets, including current assets, used or useful in their businesses or use the net cash proceeds to repay debt, or to offer to repurchase the CCO Holdings senior notes with any remaining proceeds.

CCO Holdings and its restricted subsidiaries may generally not engage in sale and leaseback transactions unless, at the time of the transaction, CCO Holdings could have incurred secured indebtedness in an amount equal to the present value of the net rental payments to be made under the lease, and the sale of the assets and application of proceeds is permitted by the covenant restricting asset sales.

CCO Holdings' restricted subsidiaries may generally not enter into restrictions on their ability to make dividends or distributions or transfer assets to CCO Holdings on terms that are materially more restrictive than those governing their debt, lien, asset sale, lease and similar agreements existing when they entered into the indentures, unless those restrictions are on customary terms that will not materially impair CCO Holdings' ability to repay its notes.

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The restricted subsidiaries of CCO Holdings are generally not permitted to guarantee or pledge assets to secure debt of CCO Holdings, unless the guarantying subsidiary issues a guarantee of the notes of comparable priority and tenor, and waives any rights of reimbursement, indemnity or subrogation arising from the guarantee transaction for at least one year.

The indenture also restricts the ability of CCO Holdings and its restricted subsidiaries to enter into certain transactions with affiliates involving consideration in excess of \$15 million without a determination by the board of directors that the transaction is on terms no less favorable than arms length, or transactions with affiliates involving over \$50 million without receiving an independent opinion as to the fairness of the transaction to the holders of the CCO Holdings notes.

Charter Communications Operating, LLC Notes

On April 27, 2004, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.1 billion of 8% senior second-lien notes due 2012 and \$400 million of 8 3/8% senior second-lien notes due 2014, for total gross proceeds of \$1.5 billion.

The Charter Operating notes were sold in a private transaction that was not subject to the registration requirements of the Securities Act of 1933. The Charter Operating notes are not expected to have the benefit of any exchange or other registration rights, except in specified limited circumstances.

On the issue date of the Charter Operating notes, because of restrictions contained in the Charter Holdings indentures, there were no Charter Operating note guarantees, even though Charter Operating's immediate parent, CCO Holdings, and certain of our subsidiaries were obligors and/or guarantors under the Charter Operating credit facilities. Upon the occurrence of the guarantee and pledge date (generally, the fifth business day after the Charter Holdings leverage ratio is certified to be below 8.75 to 1.0), CCO Holdings and those subsidiaries of Charter Operating that are then guarantors of, or otherwise obligors with respect to, indebtedness under the Charter Operating credit facilities and related obligations will be required to guarantee the Charter Operating notes. The note guarantee of each such guarantor will be:

- a senior obligation of such guarantor;
- structurally senior to the outstanding senior notes of CCO Holdings and CCO Holdings Capital Corp. (except in the case of CCO Holdings' note guarantee, which is structurally *pari passu* with such senior notes), the outstanding senior notes of CCH II and CCH II Capital Corp., the outstanding senior notes and senior discount notes of Charter Holdings and the outstanding convertible senior notes of Charter (but subject to provisions in the Charter Operating indenture that permit interest and, subject to meeting the 4.25 to 1.0 leverage ratio test, principal payments to be made thereon); and
- senior in right of payment to any future subordinated indebtedness of such guarantor.

As a result of the above leverage ratio test being met, CCO Holdings and certain of its subsidiaries provided the additional guarantees described above during the first quarter of 2005.

All the subsidiaries of Charter Operating (except CCO NR Sub, LLC, and certain other subsidiaries that are not deemed material and are designated as nonrecourse subsidiaries under the Charter Operating credit facilities) are restricted subsidiaries of Charter Operating under the Charter Operating notes. Unrestricted subsidiaries generally will not be subject to the restrictive covenants in the Charter Operating indenture.

In the event of specified change of control events, Charter Operating must offer to purchase the Charter Operating notes at a purchase price equal to 101% of the total principal amount of the Charter Operating notes repurchased plus any accrued and unpaid interest thereon.

The limitations on incurrence of debt contained in the indenture governing the Charter Operating notes permit Charter Operating and its restricted subsidiaries that are guarantors of the Charter Operating notes to incur additional debt or issue shares of preferred stock if, after giving pro forma effect to the incurrence, Charter Operating could meet a leverage ratio test (ratio of consolidated debt to four times EBITDA, as defined, from the most recent fiscal quarter for which internal financial reports are available) of 4.25 to 1.0.

In addition, regardless of whether the leverage ratio test could be met, so long as no default exists or would result from the incurrence or issuance, Charter Operating and its restricted subsidiaries are permitted to incur or issue:

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- up to \$6.5 billion of debt under credit facilities (but such incurrence is permitted only by Charter Operating and its restricted subsidiaries that are guarantors of the Charter Operating notes, so long as there are such guarantors), including debt under credit facilities outstanding on the issue date of the Charter Operating notes;
- up to \$75 million of debt incurred to finance the purchase or capital lease of assets;
- up to \$300 million of additional debt for any purpose; and
- other items of indebtedness for specific purposes such as refinancing of existing debt and interest rate swaps to provide protection against fluctuation in interest rates and, subject to meeting the leverage ratio test, debt existing at the time of acquisition of a restricted subsidiary.

The Charter Operating indenture provides that Charter Operating will not pay, or permit its subsidiaries to pay, any interest or principal on \$361 million of intercompany loans received by it and its subsidiaries in November 2003 from CCO Holdings, all of which shall become a common equity capital contribution to Charter Operating on the guarantee and pledge date.

The indenture governing the Charter Operating notes permits Charter Operating to incur debt under one of the categories above, and later reclassify the debt into a different category. The Charter Operating credit facilities generally impose more restrictive limitations on incurring new debt than the Charter Operating indenture, so our subsidiaries that are subject to the Charter Operating credit facilities are not permitted to utilize the full debt incurrence that would otherwise be available under the Charter Operating indenture covenants.

Generally, under Charter Operating's indenture Charter Operating and its restricted subsidiaries are permitted to pay dividends on equity interests, repurchase interests, or make other specified restricted payments only if Charter Operating could incur \$1.00 of new debt under the leverage ratio test, which requires that Charter Operating meet a 4.25 to 1.0 leverage ratio after giving effect to the transaction, and if no default exists or would exist as a consequence of such incurrence. If those conditions are met, restricted payments are permitted in a total amount of up to 100% of Charter Operating's consolidated EBITDA, as defined, minus 1.3 times its consolidated interest expense, plus 100% of new cash and appraised non-cash equity proceeds received by Charter Operating and not allocated to the debt incurrence covenant, all cumulatively from the fiscal quarter commenced April 1, 2004, plus \$100 million.

In addition, Charter Operating may make distributions or restricted payments, so long as no default exists or would be caused by the transaction:

- to repurchase management equity interests in amounts not to exceed \$10 million per fiscal year;
- regardless of the existence of any default, to pay pass-through tax liabilities in respect of ownership of equity interests in Charter Operating or its restricted subsidiaries;
- to pay, regardless of the existence of any default, interest when due on the Charter Holdings notes, the CCO Holdings notes, and our notes;
- to pay, so long as there is no default, interest on the Charter convertible notes;
- to purchase, redeem or refinance the Charter Holdings notes, our notes, the CCO Holdings notes, the Charter notes, and other direct or indirect parent company notes, so long as Charter Operating could incur \$1.00 of indebtedness under the 4.25 to 1.0 leverage ratio test referred to above and there is no default, or
- to make other specified restricted payments including merger fees up to 1.25% of the transaction value, repurchases using concurrent new issuances, and certain dividends on existing subsidiary preferred equity interests.

The indenture governing the Charter Operating notes restricts Charter Operating and its restricted subsidiaries from making investments, except specified permitted investments, or creating new unrestricted subsidiaries, if there is a default under the indenture or if Charter Operating could not incur \$1.00 of new debt under the 4.25 to 1.0 leverage ratio test described above after giving effect to the transaction.

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Permitted investments include:

- investments by Charter Operating and its restricted subsidiaries in Charter Operating and in other restricted subsidiaries, or entities that become restricted subsidiaries as a result of the investment,
- investments aggregating up to 100% of new cash equity proceeds received by Charter Operating since April 27, 2004 to the extent the proceeds have not been allocated to the restricted payments covenant described above,
- other investments up to \$750 million outstanding at any time, and
- certain specified additional investments, such as investments in customers and suppliers in the ordinary course of business and investments received in connection with permitted asset sales.

Charter Operating and its restricted subsidiaries are not permitted to grant liens senior to the liens securing the Charter Operating notes, other than permitted liens, on their assets to secure indebtedness or other obligations, if, after giving effect to such incurrence, the senior secured leverage ratio (generally, the ratio of obligations secured by first priority liens to four times EBITDA, as defined, from the most recent fiscal quarter for which internal financial reports are available) would exceed 3.75 to 1.0. Permitted liens include liens securing indebtedness and other obligations under permitted credit facilities, liens securing the purchase price of new assets, liens securing amounts up to \$50 million, and liens incurred in the ordinary course of business.

Charter Operating and Charter Communications Operating Capital Corp., its co-issuer, are generally not permitted to sell all or substantially all of their assets or merge with or into other companies unless their leverage ratio after any such transaction would be no greater than their leverage ratio immediately prior to the transaction, or unless Charter Operating and its subsidiaries could incur \$1.00 of new debt under the 4.25 to 1.0 leverage ratio test described above after giving effect to the transaction, no default exists, and the surviving entity is a U.S. entity that assumes the Charter Operating notes.

Charter Operating and its restricted subsidiaries generally may not otherwise sell assets or, in the case of restricted subsidiaries, issue equity interests, unless they receive consideration at least equal to the fair market value of the assets or equity interests, consisting of at least 75% in cash, assumption of liabilities, securities converted into cash within 60 days or productive assets. Charter Operating and its restricted subsidiaries are then required within 365 days after any asset sale either to commit to use the net cash proceeds over a specified threshold to acquire assets, including current assets, used or useful in their businesses or use the net cash proceeds to repay debt, or to offer to repurchase the Charter Operating notes with any remaining proceeds.

Charter Operating and its restricted subsidiaries may generally not engage in sale and leaseback transactions unless, at the time of the transaction, Charter Operating could have incurred secured indebtedness in an amount equal to the present value of the net rental payments to be made under the lease, and the sale of the assets and application of proceeds is permitted by the covenant restricting asset sales.

Charter Operating's restricted subsidiaries may generally not enter into restrictions on their ability to make dividends or distributions or transfer assets to Charter Operating on terms that are materially more restrictive than those governing their debt, lien, asset sale, lease and similar agreements existing when Charter Operating entered into the indenture governing the Charter Operating senior second-lien notes unless those restrictions are on customary terms that will not materially impair Charter Operating's ability to repay the Charter Operating notes.

The restricted subsidiaries of Charter Operating are generally not permitted to guarantee or pledge assets to secure debt of Charter Operating, unless the guarantying subsidiary issues a guarantee of the notes of comparable priority and tenor, and waives any rights of reimbursement, indemnity or subrogation arising from the guarantee transaction for at least one year.

The indenture also restricts the ability of Charter Operating and its restricted subsidiaries to enter into certain transactions with affiliates involving consideration in excess of \$15 million without a determination by the board of directors that the transaction is on terms no less favorable than arms-length, or transactions with affiliates involving over \$50 million without receiving an independent opinion as to the fairness of the transaction to the holders of the Charter Operating notes.

Charter Operating and its restricted subsidiaries are generally not permitted to transfer equity interests in restricted subsidiaries unless the transfer is of all of the equity interests in the restricted subsidiary or the restricted subsidiary

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remains a restricted subsidiary and net proceeds of the equity sale are applied in accordance with the asset sales covenant.

Until the guarantee and pledge date, the Charter Operating notes are secured by a second-priority lien on all of Charter Operating's assets that secure the obligations of Charter Operating under the Charter Operating credit facility and specified related obligations. The collateral secures the obligations of Charter Operating with respect to the 8% senior second-lien notes due 2012 and the 8 3/8% senior second-lien notes due 2014 on a ratable basis. The collateral consists of substantially all of Charter Operating's assets in which security interests may be perfected under the Uniform Commercial Code by filing a financing statement (including capital stock and intercompany obligations), including, but not limited to:

- all of the capital stock of all of Charter Operating's direct subsidiaries, including, but not limited to, CCO NR Holdings, LLC; and
- all intercompany obligations owing to Charter Operating including, but not limited to, intercompany notes from CC VI Operating, CC VIII Operating and Falcon, which notes are supported by the same guarantees and collateral that supported these subsidiaries' credit facilities prior to the amendment and restatement of the Charter Operating credit facilities.

On and after the guarantee and pledge date, the collateral for the Charter Operating notes will consist of all of Charter Operating's and its subsidiaries' assets that secure the obligations of Charter Operating or any subsidiary of Charter Operating with respect to the Charter Operating credit facility and the related obligations or certain other indebtedness on such date. It is currently contemplated that, as of the guarantee and pledge date, such collateral will consist of the capital stock of Charter Operating held by CCO Holdings, all of the intercompany obligations owing to CCO Holdings by Charter Operating or any subsidiary of Charter Operating, and substantially all of Charter Operating's and the guarantors' assets (other than the assets of CCO Holdings) in which security interests may be perfected under the Uniform Commercial Code by filing a financing statement (including capital stock and intercompany obligations), including, but not limited to:

- with certain exceptions, all capital stock (limited in the case of capital stock of foreign subsidiaries, if any, to 66% of the capital stock of first tier foreign Subsidiaries) held by Charter Operating or any guarantor; and
- with certain exceptions, all intercompany obligations owing to Charter Operating or any guarantor.

In addition, within a time frame specified under the Charter Operating credit facility (45 days after Charter Holdings satisfies the Leverage Condition, as defined), Charter Operating will be required to redeem, or cause to be redeemed, in full the notes outstanding under the CC V indenture. CC V Holdings, LLC has called for redemption all of its outstanding notes, which would satisfy this requirement. See "— CC V Holdings, LLC Notes." Within five business days after the redemption, and provided that such Leverage Condition remains satisfied, CC V Holdings, LLC and its subsidiaries will be required to guarantee the Charter Operating credit facility and the related obligations and to secure those guarantees with first-priority liens, and to guarantee the notes and to secure the Charter Operating senior second-lien notes with second-priority liens, on substantially all of their assets in which security interests may be perfected under the Uniform Commercial Code by filing a financing statement (including capital stock and intercompany obligations). In addition, if Charter Operating or its subsidiaries exercise any option to redeem in full the notes outstanding under the Renaissance indenture, then, provided that the Leverage Condition remains satisfied, the Renaissance entities will be required to provide corresponding guarantees of the Charter Operating credit facilities and related obligations and note guarantees and to secure the Charter Operating notes and the Charter Operating credit facilities and related obligations with corresponding liens.

In the event that additional liens are granted by Charter Operating or its subsidiaries to secure obligations under the Charter Operating credit facilities or the related obligations, second-priority liens on the same assets will be granted to secure the Charter Operating notes, which liens will be subject to the provisions of an intercreditor agreement. Notwithstanding the foregoing sentence, no such second-priority liens need be provided if the time such liens would otherwise be granted is not during a guarantee and pledge availability period (when the Leverage Condition is satisfied), but such second-priority liens will be required to be provided in accordance with the foregoing sentence on or prior to the fifth business day of the commencement of the next succeeding guarantee and pledge availability period.

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CC V Holdings, LLC Notes

On December 10, 1998, CC V Holdings, LLC, formerly known as Avalon Cable LLC, and CC V Holdings Finance, Inc. (formerly Avalon Cable Holdings Finance, Inc.) (collectively the "CC V Issuers") jointly issued \$196.0 million total principal amount at maturity of 11.875% senior discount notes due 2008. On July 22, 1999, the issuers exchanged \$196.0 million of the original issued and outstanding CC V Holdings notes for substantially identical to the original CC V Holdings notes except that they are registered under the Securities Act.

The CC V Holdings notes are guaranteed by certain subsidiaries of CC V Holdings. The Charter Operating credit facilities require us to redeem the CC V Holdings notes within 45 days after the first date that the Charter Holdings leverage ratio is less than 8.75 to 1.0. In satisfaction of this requirement, CC V Holdings, LLC has called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption, which is expected to be March 14, 2005.

In the event of specified change of control events, holders of the CC V Holdings notes have the right to sell their CC V Holdings notes to the issuers of the CC V Holdings notes at 101% of the total principal amount of the CC V Holdings notes, plus accrued and unpaid interest, if any, to the date of purchase. Our acquisition of Avalon triggered this right. In January 2000, we completed change of control offers in which we repurchased \$16.3 million total accreted value of the 11.875% notes at a purchase price of 101% of accreted value as of January 28, 2000.

On December 1, 2003, the issuers redeemed at par value an amount equal to \$369.79 per \$1,000 in principal amount at maturity of each senior discount note then outstanding. Based on the amount outstanding on December 1, 2003, the redemption amount was \$67 million.

There were no current payments of cash interest on the CC V Holdings notes before December 1, 2003. The CC V Holdings notes accreted in value at a rate of 11.875% per year, compounded semi-annually, to a total principal amount of \$180 million on December 1, 2003. At December 31, 2003, after principal repayments in the fourth quarter of 2004, the total principal amount outstanding was \$113 million. Since December 1, 2003, cash interest on the Avalon notes:

- accrues at the rate of 11.875% per year on the principal amount at maturity; and
- is payable semi-annually in arrears on June 1 and December 1 of each year, commencing June 1, 2004.

The limitations on incurrence of debt contained in the indenture governing the CC V Holdings notes permit the CC V Issuers and their restricted subsidiaries to incur additional debt or issue shares of preferred stock, so long as we are not in default under the CC V Holdings indenture:

- if, after giving effect to the incurrence, the CC V Issuers could meet a leverage ratio (ratio of consolidated debt to four times consolidated cash flow from the most recent quarter) of 6.5 to 1.0, and, regardless of whether the leverage ratio could be met,
- up to approximately \$346 million of debt under a credit facility,
- up to \$10 million of debt incurred to finance the purchase of new assets,
- up to \$15 million of additional debt, and
- other items of indebtedness for specific purposes such as intercompany debt, refinancing of existing debt and interest rate swaps to provide protection against fluctuation in interest rates.

The indenture governing the CC V Holdings notes permits the CC V Issuers to incur debt under one of the categories above, and reclassify the debt into a different category.

Under the indenture governing the CC V Holdings notes, the CC V Issuers and their restricted subsidiaries are permitted to pay dividends on equity interests, repurchase interests, make restricted investments, or make other specified restricted payments only if CC V Holdings could, after giving effect thereto, incur \$1.00 of additional debt under the leverage ratio test, which would require that the CC V Issuers meet the 6.5 to 1.0 leverage ratio of the indebtedness covenant and no default would exist or result as a consequence thereof. If those conditions are met, the

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CC V Issuers and their restricted subsidiaries are permitted to make restricted payments in a total amount not to exceed the result of 100% of the CC V Issuers' consolidated cash flow, minus 1.4 times their consolidated interest expense, plus 100% of new equity proceeds received by the CC V Issuers, plus returns on certain investments, all cumulatively from January 1, 1999. The CC V Issuers and their restricted subsidiaries may make permitted investments up to \$10 million and other specified permitted investments, restricted payments up to \$5 million, and other specified restricted payments without meeting the foregoing test.

The CC V Issuers and their restricted subsidiaries are not permitted to grant liens on their assets other than specified permitted liens. Permitted liens include liens securing debt permitted by the covenant limiting incurrence of debt, liens securing amounts up to the greater of \$15 million or 5% of total assets, certain existing liens and specified liens incurred in the ordinary course of business.

The CC V Issuers are generally not permitted to sell or otherwise dispose of all or substantially all of their assets or merge with or into other companies unless the CC V Issuers and their subsidiaries could incur \$1.00 of additional debt under the leverage ratio test described above, after giving effect to the transaction.

The CC V Issuers and their subsidiaries may generally not otherwise sell assets or, in the case of restricted subsidiaries, equity interests, unless they receive consideration at least equal to the fair market value of the assets or equity interests, with at least 75% of the consideration for such sale consisting of a controlling interest in a permitted business or assets useful in a permitted business or cash, assumption of liabilities or securities promptly converted into cash. The CC V Issuers and their restricted subsidiaries are then required within 360 days after any asset sale either to commit to use the net cash proceeds over a specified threshold either to acquire assets, including controlling assets in permitted businesses, make capital expenditures or use the net cash proceeds to repay debt, or to offer to repurchase the CC V Holdings notes with any remaining proceeds.

The CC V Issuers and their restricted subsidiaries may not engage in sale and leaseback transactions unless, at the time of the transaction, the applicable CC V Issuer or restricted subsidiary could have incurred indebtedness under the leverage ratio test described above in an amount equal to the present value of the net rental payments to be made under the lease, the gross proceeds of the sale are at least equal to the fair market value of the subject property, and the sale of the assets and application of proceeds is permitted by the covenant restricting asset sales.

The CC V Issuers' restricted subsidiaries may not enter into restrictions on their abilities to make dividends or distributions or transfer assets to the CC V Issuers except under documents governing debt, asset sales, leases and like transactions permitted by the indenture.

The restricted subsidiaries of the CC V Issuers are generally not permitted to guarantee or pledge assets to secure debt of the CC V Issuers, unless the guarantying subsidiary issues a guarantee of the CC V Holdings notes, and waives any rights of reimbursement, indemnity or subrogation arising from the guarantee transaction.

The CC V Issuers and their restricted subsidiaries are generally not permitted to transfer equity interests in restricted subsidiaries unless the transfer is of all of the equity interests in the restricted subsidiary or the restricted subsidiary remains a restricted subsidiary and net proceeds of the equity sale are applied in accordance with the asset sales covenant. Restricted subsidiaries of the CC V Issuers are not permitted to issue equity interests if as a result, the issuing subsidiary would no longer be a restricted subsidiary.

The indenture governing the CC V Holdings notes also restricts the ability of the CC V Issuers and their restricted subsidiaries to enter into certain transactions with affiliates involving over \$2.5 million without a determination by the board of directors that the transaction is on terms no less favorable than arms length, or transactions with affiliates involving consideration in excess of \$10 million with affiliates without receiving an independent opinion as to the fairness of the transaction to the holders of the CC V Holdings notes.

Renaissance Media Notes

The 10% senior discount notes due 2008 were issued by Renaissance Media (Louisiana) LLC, Renaissance Media (Tennessee) LLC and Renaissance Media Holdings Capital Corporation, with Renaissance Media Group LLC as guarantor and the United States Trust Company of New York as trustee. Renaissance Media Group LLC, which is the direct or indirect parent company of these issuers, is now a subsidiary of Charter Operating. The Renaissance 10% notes and the Renaissance guarantee are unsecured, unsubordinated debt of the issuers and the guarantor, respectively. In October 1998, the issuers of the Renaissance notes exchanged \$163 million of the original issued and outstanding Renaissance notes for an equivalent value of new Renaissance notes. The form and terms of the

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new Renaissance notes are the same in all material respects as the form and terms of the original Renaissance notes except that the issuance of the new Renaissance notes was registered under the Securities Act.

There was no payment of any interest in respect of the Renaissance notes prior to October 15, 2003. Since October 15, 2003, interest on the Renaissance notes is payable semi-annually in arrears in cash at a rate of 10% per year. On April 15, 2003, the Renaissance notes became redeemable at the option of the issuers thereof, in whole or in part, initially at 105% of their principal amount at maturity, plus accrued interest, declining to 100% of the principal amount at maturity, plus accrued interest, on or after April 15, 2006.

Our acquisition of Renaissance triggered change of control provisions of the Renaissance notes that required us to offer to purchase the Renaissance notes at a purchase price equal to 101% of their accreted value on the date of the purchase, plus accrued interest, if any. In May 1999, we made an offer to repurchase the Renaissance notes, and holders of Renaissance notes representing 30% of the total principal amount outstanding at maturity tendered their Renaissance notes for repurchase.

The limitations on incurrence of debt contained in the indenture governing the Renaissance notes permit Renaissance Media Group and its restricted subsidiaries to incur additional debt, so long as they are not in default under the indenture:

- if, after giving effect to the incurrence, Renaissance Media Group could meet a leverage ratio (ratio of consolidated debt to four times consolidated EBITDA, as defined, from the most recent quarter) of 6.75 to 1.0, and, regardless of whether the leverage ratio could be met,
- up to the greater of \$200 million or 4.5 times Renaissance Media Group's consolidated annualized EBITDA, as defined,
- up to an amount equal to 5% of Renaissance Media Group's consolidated total assets to finance the purchase of new assets,
- up to two times the sum of (a) the net cash proceeds of new equity issuances and capital contributions, and (b) 80% of the fair market value of property received by Renaissance Media Group or an issuer as a capital contribution, in each case received after the issue date of the Renaissance notes and not allocated to make restricted payments, and
- other items of indebtedness for specific purposes such as intercompany debt, refinancing of existing debt and interest rate swaps to provide protection against fluctuation in interest rates.

The indenture governing the Renaissance notes permits us to incur debt under one of the categories above, and reclassify the debt into a different category.

Under the indenture governing the Renaissance notes, Renaissance Media Group and its restricted subsidiaries are permitted to pay dividends on equity interests, repurchase interests, make restricted investments, or make other specified restricted payments only if Renaissance Media Group could incur \$1.00 of additional debt under the debt incurrence test, which requires that Renaissance Media Group meet the 6.75 to 1.0 leverage ratio after giving effect to the transaction of the indebtedness covenant and that no default exists or would occur as a consequence thereof. If those conditions are met, Renaissance Media Group and its restricted subsidiaries are permitted to make restricted payments in a total amount not to exceed the result of 100% of Renaissance Media Group's consolidated EBITDA, as defined, minus 130% of its consolidated interest expense, plus 100% of new cash equity proceeds received by Renaissance Media Group and not allocated to the indebtedness covenant, plus returns on certain investments, all cumulatively from June 1998. Renaissance Media Group and its restricted subsidiaries may make permitted investments up to \$2 million in related businesses and other specified permitted investments, restricted payments up to \$10 million, dividends up to 6% each year of the net cash proceeds of public equity offerings, and other specified restricted payments without meeting the foregoing test.

Renaissance Media Group and its restricted subsidiaries are not permitted to grant liens on their assets other than specified permitted liens, unless corresponding liens are granted to secure the Renaissance notes. Permitted liens include liens securing debt permitted to be incurred under credit facilities, liens securing debt incurred under the incurrence of indebtedness test, in amounts up to the greater of \$200 million or 4.5 times Renaissance Media Group's consolidated EBITDA, as defined, liens as deposits for acquisitions up to 10% of the estimated purchase

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price, liens securing permitted financings of new assets, liens securing debt permitted to be incurred by restricted subsidiaries, and specified liens incurred in the ordinary course of business.

Renaissance Media Group and the issuers of the Renaissance notes are generally not permitted to sell or otherwise dispose of all or substantially all of their assets or merge with or into other companies unless their consolidated net worth after any such transaction would be no greater than their consolidated net worth immediately prior to the transaction, or unless Renaissance Media Group could incur \$1.00 of additional debt under the debt incurrence test, which would require them to meet a leverage ratio of 6.75 to 1.00 after giving effect to the transaction.

Renaissance Media Group and its subsidiaries may generally not otherwise sell assets or, in the case of subsidiaries, equity interests, unless they receive consideration at least equal to the fair market value of the assets, consisting of at least 75% cash, temporary cash investments or assumption of debt. Charter Holdings and its restricted subsidiaries are then required within 12 months after any asset sale either to commit to use the net cash proceeds over a specified threshold either to acquire assets used in their own or related businesses or use the net cash proceeds to repay debt, or to offer to repurchase the Renaissance notes with any remaining proceeds.

Renaissance Media Group and its restricted subsidiaries may generally not engage in sale and leaseback transactions unless the lease term does not exceed three years or the proceeds are applied in accordance with the covenant limiting asset sales.

Renaissance Media Group's restricted subsidiaries may generally not enter into restrictions on their abilities to make dividends or distributions or transfer assets to Renaissance Media Group except those not more restrictive than is customary in comparable financings.

The restricted subsidiaries of Renaissance Media Group are not permitted to guarantee or pledge assets to secure debt of the Renaissance Media Group or its restricted subsidiaries, unless the guarantying subsidiary issues a guarantee of the Renaissance notes of comparable priority and tenor, and waives any rights of reimbursement, indemnity or subrogation arising from the guarantee transaction.

Renaissance Media Group and its restricted subsidiaries are generally not permitted to issue or sell equity interests in restricted subsidiaries, except sales of common stock of restricted subsidiaries so long as the proceeds of the sale are applied in accordance with the asset sale covenant, and issuances as a result of which the restricted subsidiary is no longer a restricted subsidiary and any remaining investment in that subsidiary is permitted by the covenant limiting restricted payments.

The indenture governing the Renaissance notes also restricts the ability of Renaissance Media Group and its restricted subsidiaries to enter into certain transactions with affiliates involving consideration in excess of \$2 million without a determination by the disinterested members of the board of directors that the transaction is on terms no less favorable than arms length, or transactions with affiliates involving over \$4 million with affiliates without receiving an independent opinion as to the fairness of the transaction to Renaissance Media Group.

All of these covenants are subject to additional specified exceptions. In general, the covenants of our subsidiaries' credit agreements are more restrictive than those of our indentures.

Cross-Defaults

Our indentures and those of certain of our subsidiaries include various events of default, including cross-default provisions. Under these provisions, a failure by any of the issuers or any of their restricted subsidiaries to pay at the final maturity thereof the principal amount of other indebtedness having a principal amount of \$100 million or more (or any other default under any such indebtedness resulting in its acceleration) would result in an event of default under the indenture governing the applicable notes. The Renaissance indenture contains a similar cross-default provision with a \$10 million threshold that applies to the issuers of the Renaissance notes and their restricted subsidiaries. As a result, an event of default related to the failure to repay principal at maturity or the acceleration of the indebtedness under the Charter Holdings notes, CCH II notes, CCO Holding notes, Charter Operating notes, the Charter Operating credit facilities or the Renaissance notes could cause cross-defaults under our subsidiaries' indentures.

Related Party Transactions

See “Item 13. Certain Relationships and Related Transactions — Business Relationships” for information regarding related party transactions and transactions with other parties with whom we or our related parties may have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties, on an arms length basis.

Certain Trends and Uncertainties

The following discussion highlights a number of trends and uncertainties, in addition to those discussed elsewhere in this annual report and in other documents that we file with the SEC, that could materially impact our business, results of operations and financial condition.

Substantial Leverage. We have a significant amount of debt. As of December 31, 2004, our total debt was approximately \$19.5 billion. In 2005, \$30 million of our debt matures and in 2006, an additional \$186 million matures. In 2007 and beyond, significant additional amounts will become due under our remaining obligations. We believe that as a result of our significant levels of debt and operating performance, our access to the debt markets could be limited when substantial amounts of our indebtedness become due. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not available to us from borrowings under our credit facilities or from other sources, we may not be able to repay our debt, fund our other liquidity and capital needs, grow our business or respond to competitive challenges. Further, if we are unable to repay or refinance our debt, as it becomes due, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. If we were to raise capital through the issuance of additional equity or if we were to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive principal and interest payments to which they are contractually entitled on a timely basis or at all. For more information, see the section above entitled “Liquidity and Capital Resources.”

Restrictive Covenants. The credit facilities of our subsidiaries and the indentures governing our and our subsidiaries’ other debt contain a number of significant covenants that could adversely affect our ability to operate our business, and therefore could adversely affect our results of operations and the price of our Class A common stock. These covenants restrict our and our subsidiaries’ ability to:

- incur additional debt;
- repurchase or redeem equity interests and debt;
- issue equity;
- make certain investments or acquisitions;
- pay dividends or make other distributions;
- dispose of assets or merge;
- enter into related party transactions;
- grant liens; and
- pledge assets.

Furthermore, our credit facilities require us to, among other things, maintain specified financial ratios, meet specified financial tests and provide audited financial statements with an unqualified opinion from our independent auditors. See “Description of Our Outstanding Debt” for details on our debt covenants. Our ability to comply with these provisions may be affected by events beyond our control.

The breach of any covenants or obligations in the foregoing indentures or credit facilities, not otherwise waived or amended, could result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing our long-term indebtedness. In addition, the secured lenders under the Charter Operating credit facilities and the Charter Operating senior second-lien notes could foreclose on their collateral, which includes equity interests in our subsidiaries, and exercise other rights of secured creditors. Any default under those credit facilities, the indentures governing our convertible notes or our subsidiaries’ debt could adversely affect our growth, our financial condition and our results of operations and our ability to make payments on our notes and the credit facilities and other debt of our subsidiaries. For more information, see the section above entitled “— Liquidity and Capital Resources.”

Liquidity. Our business requires significant cash to fund capital expenditures, debt service costs and ongoing operations. Our ongoing operations will depend on our ability to generate cash and to secure financing in the future.

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We have historically funded liquidity and capital requirements through cash flows from operating activities, borrowings under our credit facilities, issuances of debt and equity securities and cash on hand.

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. These credit facilities are subject to certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from our independent auditors. As of December 31, 2004, we were in compliance with the covenants under our indentures and under the credit facilities and indentures of our subsidiaries, and we expect to remain in compliance with those covenants for the next twelve months. If our operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing our debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of our debt obligations could occur. An event of default under the credit facilities or indentures, if not waived, could result in the acceleration of those debt obligations and, consequently, other debt obligations. Such acceleration could result in exercise of remedies by our creditors and could force us to seek the protection of the bankruptcy laws, which could materially adversely impact our ability to operate our business and to make payments under our debt instruments. As of December 31, 2004, we had borrowing availability under our credit facilities of \$804 million, none of which was restricted due to covenants.

If, at any time, additional capital or capacity is required beyond amounts internally generated or available under our credit facilities or through additional debt or equity financings, we would consider:

- issuing equity that would significantly dilute existing shareholders;
- issuing convertible debt or some other securities that may have structural or other priority over our existing notes and may also significantly dilute Charter's existing shareholders;
- further reducing our expenses and capital expenditures, which may impair our ability to increase revenue;
- selling assets; or
- requesting waivers or amendments with respect to our credit facilities, the availability and terms of which would be subject to market conditions.

If the above strategies were not successful, could be forced to restructure our obligations or seek protection under the bankruptcy laws. If we need to raise additional capital through the issuance of equity or find it necessary to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive principal and interest payments to which they are contractually entitled. For more information, see the section above entitled "— Liquidity and Capital Resources."

Acceleration of Indebtedness of Charter's Subsidiaries. In the event of a default under our credit facilities or notes, our creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, our credit facilities and indentures would not permit Charter's subsidiaries to distribute funds to Charter Holdco or Charter to pay interest or principal on our notes. If the amounts outstanding under such credit facilities or notes are accelerated, all of the debt and liabilities of Charter's subsidiaries would be payable from the subsidiaries' assets, prior to any distribution of the subsidiaries' assets to pay the interest and principal amounts on Charter's notes. In addition, the lenders under our credit facilities could foreclose on their collateral, which includes equity interests in Charter's subsidiaries, and they could exercise other rights of secured creditors. In any such case, we might not be able to repay or make any payments on our notes. Additionally, an acceleration or payment default under our credit facilities would cause a cross-default in the indentures governing the Charter Holdings notes, CCH II notes, CCO Holdings notes, Charter Operating notes and Charter's convertible senior notes and would trigger the cross-default provision of the Charter Operating credit agreement. Any default under any of our credit facilities or notes might adversely affect the holders of our notes and our growth, financial condition and results of operations and could force us to examine all options, including seeking the protection of the bankruptcy laws.

Charter Communications, Inc.'s Convertible Senior Notes are Structurally Subordinated to all Liabilities of its Subsidiaries. The borrowers and guarantors under the Charter Operating credit facilities and senior second-lien notes are Charter's indirect subsidiaries. A number of Charter's subsidiaries are also obligors under other debt instruments, including Charter Holdings, CCH II, CCO Holdings and Charter Operating, which are each a co-issuer of senior notes and/or senior discount notes. As of December 31, 2004, our total debt was approximately \$19.5 billion, of which \$18.5 billion was structurally senior to the Charter convertible senior notes. In a liquidation, the lenders under our credit facilities and the holders of the other debt instruments and all other creditors

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of Charter's subsidiaries would have the right to be paid before holders of Charter's convertible senior notes from any of Charter's subsidiaries' assets.

The Charter Operating credit facilities and the indentures governing the senior notes, senior discount notes and senior second-lien notes issued by subsidiaries of Charter contain restrictive covenants that limit the ability of such subsidiaries to make distributions or other payments to Charter Holdco or Charter to enable Charter to make payments on its convertible senior notes. In addition, if Charter caused a subsidiary to make a distribution to enable it to make payments on its convertible senior notes, and such transfer were deemed a fraudulent transfer or an unlawful distribution, the holders of Charter's convertible senior notes could be required to return the payment to (or for the benefit of) the creditors of its subsidiaries. In the event of the bankruptcy, liquidation or dissolution of a subsidiary, following payment by such subsidiary of its liabilities, such subsidiary may not have sufficient assets remaining to make any payments to Charter as an equity holder or otherwise and may be restricted by bankruptcy and insolvency laws from making any such payments. The foregoing contractual and legal restrictions could limit Charter's ability to make payments of principal and/or interest to the holders of its convertible senior notes.

Securities Litigation and Government Investigations. A number of putative federal class action lawsuits have been filed against us and certain of our former and present officers and directors alleging violations of securities laws, which have been consolidated for pretrial purposes. In addition, a number of other lawsuits have been filed against us in other jurisdictions. A shareholders derivative suit was filed in the U.S. District Court for the Eastern District of Missouri, and several class action lawsuits were filed in Delaware state court against us and certain of our directors and officers. Finally, three shareholders derivative suits were filed in Missouri state court against us, our then current directors and our former independent auditor. These actions have been consolidated. The federal shareholders derivative suit, the Delaware class actions and the consolidated derivative suit each alleged that the defendants breached their fiduciary duties. In addition, Charter recently entered into Stipulations of Settlement setting forth proposed terms of settlement for the above described class actions and derivative suits. Settlement of those actions under the terms of the memoranda is subject to a number of conditions, and there can therefore be no assurance that the actions will be settled on those terms or at all. Additionally, a portion of the settlement is to be paid in shares of Charter's Class A common stock with a value of \$45 million (includes shares issuable to insurance carriers) and warrants to purchase Charter's Class A common stock valued at \$40 million, with such values in each case determined by formulas set forth in the Stipulations of Settlement. If the price of Charter's common stock declines, additional shares will be required in order to fulfill this commitment. Charter has the right but not the obligation to terminate the settlements if the value of its common stock (under the above-described formula) is less than \$2.25. See "Part II, Item 1. Legal Proceedings."

In August 2002, we became aware of a grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of Missouri into certain of our accounting and reporting practices focusing on how we reported customer numbers, and our reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney's Office has publicly stated that we are not a target of the investigation. We have also been advised by the U.S. Attorney's Office that no member of our board of directors is a target of the investigation. On July 24, 2003, a federal grand jury charged four former officers of Charter with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. Trial was set for February 7, 2005. Subsequently, each of the indicted former officers pled guilty to single conspiracy counts related to the original mail and wire fraud charges and are awaiting sentencing. We are fully cooperating with the investigation.

On November 4, 2002, we received an informal, non-public inquiry from the staff of the SEC. The SEC issued a formal order of investigation dated January 23, 2003, and subsequently served document and testimony subpoenas on Charter and a number of its former employees. The investigation and subpoenas generally concerned our prior reports with respect to our determination of the number of customers and various of our accounting policies and practices including our capitalization of certain expenses and dealings with certain vendors, including programmers and digital set-top terminal suppliers. On July 27, 2004, the SEC and Charter reached a final agreement to settle the investigation. In the Settlement Agreement and Cease and Desist Order, Charter agreed to entry of an administrative order prohibiting any future violations of United States securities laws and requiring certain other remedial internal practices and public disclosures. Charter neither admitted nor denied any wrongdoing, and the SEC assessed no fine against Charter.

Moreover, due to the inherent uncertainties of litigation and investigations, and due to the remaining conditions to the finalization of our anticipated settlements, we cannot predict with certainty the ultimate outcome of these proceedings. An unfavorable outcome in the lawsuits or the government investigation described above could result in substantial potential liabilities and have a material adverse effect on our consolidated financial condition and

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results of operations or our liquidity. Further, these proceedings, and our actions in response to these proceedings, could result in substantial additional defense costs and the diversion of management's attention, and could adversely affect our ability to execute our business and financial strategies.

Competition. The industry in which we operate is highly competitive, and has been more so in recent years. In some instances, we compete against companies with fewer regulatory burdens, easier access to financing, greater personnel resources, greater brand name recognition and long-established relationships with regulatory authorities and customers. Increasing consolidation in the cable industry and the repeal of certain ownership rules may provide additional benefits to certain of our competitors, either through access to financing, resources or efficiencies of scale.

Our principal competitor for video services throughout our territory is direct broadcast satellite television services, also known as DBS. Competition from DBS, including intensive marketing efforts, aggressive pricing, and the ability of DBS to provide certain services that we are in the process of developing, has had an adverse impact on our ability to retain customers.

DBS has grown rapidly over the last several years and continues to do so. The cable industry, including Charter, has lost a significant number of subscribers to DBS competition, and we face serious challenges in this area on a going forward basis. Local telephone companies and electric utilities can compete in this area, and they increasingly may do so in the future. Certain telephone companies have begun more extensive deployment of fiber in their networks that will enable them to begin providing video services, as well as telephony and Internet access services, to residential and business customers. The subscription television industry also faces competition from free broadcast television and from other communications and entertainment media. With respect to our Internet access services, we face competition, including intensive marketing efforts and aggressive pricing, from telephone companies and other providers of "dial-up" and digital subscriber line technology, also known as DSL. Further loss of customers to DBS or other alternative video and data services and marketing efforts to retain customers and combat that loss could have a material negative impact on the value of our business and its performance.

Mergers, joint ventures and alliances among franchised, wireless or private cable operators, satellite television providers, local exchange carriers and others, and the repeal of certain ownership rules may provide additional benefits to some of our competitors, either through access to financing, resources or efficiencies of scale, or the ability to provide multiple services in direct competition with us.

Long-Term Indebtedness — Change of Control Payments. We may not have the ability to raise the funds necessary to fulfill our obligations under Charter's convertible senior notes, our senior and senior discount notes and our credit facilities following a change of control. Under the indentures governing the Charter convertible senior notes, upon the occurrence of specified change of control events, including certain specified dispositions of stock by Mr. Allen, Charter is required to offer to repurchase all of the outstanding Charter convertible senior notes. However, we may not have sufficient funds at the time of the change of control event to make the required repurchase of the Charter convertible senior notes and Charter's subsidiaries are limited in their ability to make distributions or other payments to Charter to fund any required repurchase. In addition, a change of control under our credit facilities and indentures governing our notes would require the repayment of borrowings under those credit facilities and indentures. Because such credit facilities and notes are obligations of Charter's subsidiaries, the credit facilities and the notes would have to be repaid by Charter's subsidiaries before their assets could be available to Charter to repurchase the Charter convertible senior notes. Charter's failure to make or complete a change of control offer would place it in default under the Charter convertible senior notes. The failure of Charter's subsidiaries to make a change of control offer or repay the amounts outstanding under their credit facilities would place them in default under these agreements and could result in a default under the indentures governing the Charter convertible senior notes. See "— Certain Trends and Uncertainties — Liquidity."

Variable Interest Rates. At December 31, 2004, excluding the effects of hedging, approximately 31% of our debt bears interest at variable rates that are linked to short-term interest rates. In addition, a significant portion of our existing debt, assumed debt or debt we might arrange in the future will bear interest at variable rates. If interest rates rise, our costs relative to those obligations will also rise. As of December 31, 2004 and December 31, 2003, the weighted average interest rate on the credit facility debt was approximately 6.8% and 5.4%, the weighted average interest rate on the high-yield debt was approximately 9.2% and 10.3%, and the weighted average interest rate on the convertible debt was approximately 5.7% and 5.5%, respectively, resulting in a blended weighted average interest rate of 8.8% and 8.2%, respectively. Approximately 83% of our debt was effectively fixed including the effects of our interest rate hedge agreements as of December 31, 2004 compared to approximately 80% at December 31, 2003.

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Services. We expect that a substantial portion of our near-term growth will be achieved through revenues from high-speed data services, digital video, bundled service packages, and to a lesser extent various commercial services that take advantage of cable's broadband capacity. We may not be able to offer these advanced services successfully to our customers or provide adequate customer service and these advanced services may not generate adequate revenues. Also, if the vendors we use for these services are not financially viable over time, we may experience disruption of service and incur costs to find alternative vendors. In addition, the technology involved in our product and service offerings generally requires that we have permission to use intellectual property and that such property not infringe on rights claimed by others. If it is determined that the product or service being utilized infringes on the rights of others, we may be sued or be precluded from using the technology.

Increasing Programming Costs. Programming has been, and is expected to continue to be, our largest operating expense item. In recent years, the cable industry has experienced a rapid escalation in the cost of programming, particularly sports programming. We expect programming costs to continue to increase because of a variety of factors, including inflationary or negotiated annual increases, additional programming being provided to customers and increased costs to purchase or produce programming. The inability to fully pass these programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins. As measured by programming costs, and excluding premium services (substantially all of which were renegotiated and renewed in 2003), as of December 31, 2004 approximately 10% of our current programming contracts were expired, and approximately another 34% are scheduled to expire by the end of 2005. There can be no assurance that these agreements will be renewed on favorable or comparable terms. To the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable we may be forced to remove such programming channels from our line-up, which could result in a further loss of customers. In addition, our inability to fully pass these programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins.

Utilization of Net Operating Loss Carryforwards. As of December 31, 2004, we had approximately \$5.2 billion of tax net operating losses (resulting in a gross deferred tax asset of approximately \$2.1 billion), expiring in the years 2005 through 2024. Due to uncertainties in projected future taxable income, valuation allowances have been established against the gross deferred tax assets for book accounting purposes except for deferred benefits available to offset certain deferred tax liabilities. Currently, such tax net operating losses can accumulate and be used to offset any of our future taxable income. An "ownership change" as defined in the applicable federal income tax rules, would place significant limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income we may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate our ability to use a substantial portion of our net operating losses to offset future taxable income.

The anticipated issuance of 150 million shares of our Class A common stock offered pursuant to a share lending agreement executed by Charter in connection with the issuance of the 5.875% convertible senior notes in November 2004, as well as possible future conversions of our convertible notes, significantly increases the risk that we will experience an ownership change in the future for tax purposes, resulting in a material limitation on the use of a substantial amount of our existing net operating loss carryforwards. We do not believe that the issuance of shares associated with the share lending agreement would result in our experiencing an ownership change. However, future transactions and the timing of such transactions could cause an ownership change. Such transactions include additional issuances of common stock by us (including but not limited to issuances upon future conversion of our 5.875% convertible senior notes or as contemplated in the proposed settlement of derivative class action litigation), reacquisitions of the borrowed shares by us, or acquisitions or sales of shares by certain holders of our shares, including persons who have held, currently hold, or accumulate in the future five percent or more of our outstanding stock (including upon an exchange by Paul Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco into our Class A common stock). Many of the foregoing transactions are beyond our control.

Class A Common Stock and Notes Price Volatility. The market price of our Class A common stock and our publicly traded notes has been and is likely to continue to be highly volatile. We expect that the price of our securities may fluctuate in response to various factors, including the factors described in this section and various other factors, which may be beyond our control. These factors beyond our control could include: financial forecasts by securities analysts; new conditions or trends in the cable or telecommunications industry; general economic and market conditions and specifically, conditions related to the cable or telecommunications industry; any change in our debt ratings; the development of improved or competitive technologies; the use of new products or promotions by us or our competitors; changes in accounting rules or interpretations; new regulatory legislation adopted in the United States; and any action taken or requirements imposed by NASDAQ if our Class A common stock trades

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below \$1.00 per share for over 30 consecutive trading days. On December 31, 2004, our Class A common stock closed on NASDAQ at \$2.24 per share.

In addition, the securities market in general, and the NASDAQ National Market and the market for cable industry securities in particular, have experienced significant price fluctuations. Volatility in the market price for companies may often be unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our Class A common stock and our notes, regardless of our operating performance. In the past, securities litigation has often commenced following periods of volatility in the market price of a company's securities, and several purported class action lawsuits were filed against us in 2001 and 2002, following a decline in our stock price.

Economic Slowdown; Global Conflict. It is difficult to assess the impact that the general economic slowdown and global conflict will have on future operations. However, the economic slowdown has resulted and could continue to result in reduced spending by customers and advertisers, which could reduce our revenues, and also could affect our ability to collect accounts receivable and maintain customers. Reductions in operating revenues would likely negatively affect our ability to make expected capital expenditures and could also result in our inability to meet our obligations under our financing agreements. These developments could also have a negative impact on our financing and variable interest rate agreements through disruptions in the market or negative market conditions.

Regulation and Legislation. Cable system operations are extensively regulated at the federal, state, and local level, including rate regulation of basic service and equipment and municipal approval of franchise agreements and their terms, such as franchise requirements to upgrade cable plant and meet specified customer service standards. Additional legislation and regulation is always possible.

Cable operators also face significant regulation of their channel carriage. They currently can be required to devote substantial capacity to the carriage of programming that they would not carry voluntarily, including certain local broadcast signals, local public, educational and government access programming, and unaffiliated commercial leased access programming. This carriage burden could increase in the future, particularly if cable systems were required to carry both the analog and digital versions of local broadcast signals (dual carriage) or to carry multiple program streams included with a single digital broadcast transmission (multicast carriage). Additional government mandated broadcast carriage obligations could disrupt existing programming commitments, interfere with our preferred use of limited channel capacity and limit our ability to offer services that would maximize customer appeal and revenue potential. Although the FCC issued a decision on February 10, 2005, confirming an earlier ruling against mandating either dual carriage or multicast carriage, that decision could be appealed or Congress could legislate additional carriage obligations.

There is also uncertainty whether local franchising authorities, state regulators, the FCC, or the U.S. Congress will impose obligations on cable operators to provide unaffiliated Internet service providers with regulated access to cable plant. If they were to do so, and the obligations were found to be lawful, it could complicate our operations in general, and our Internet operations in particular, from a technical and marketing standpoint. These open access obligations could adversely impact our profitability and discourage system upgrades and the introduction of new products and services. The United States Court of Appeals for the Ninth Circuit recently vacated in part an FCC ruling defining cable modem service as an "information service" and remanded for further proceedings. The Ninth Circuit held that cable modem service is not "cable service" but is part "telecommunications service" and part "information service." The decision has been appealed to the United States Supreme Court. However, if it is not reversed, the decision may lead to our having to contribute to the federal government's universal service fund, to comply with open access requirements, and to subject our high-speed data operations generally to other common carrier regulations. As we offer other advanced services over our cable system, we are likely to face additional calls for regulation of our capacity and operation. These regulations, if adopted, could adversely affect our operations.

Interest Rate Risk

We use interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of our subsidiaries. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate collar agreements are used to limit our exposure to, and to derive benefits from, interest rate fluctuations

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on variable rate debt to within a certain range of rates. Interest rate risk management agreements are not held or issued for speculative or trading purposes.

At December 31, 2004 and 2003, we had outstanding \$2.7 billion and \$3.0 billion and \$20 million and \$520 million, respectively, in notional amounts of interest rate swaps and collars, respectively. 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. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," for further information regarding the fair values and contract terms of our interest rate agreements.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued the revised SFAS No. 123, *Share-Based Payment*, which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. This statement will be effective for us beginning July 1, 2005. Because we adopted the fair value recognition provisions of SFAS No. 123 on January 1, 2003, we do not expect this revised standard to have a material impact on our financial statements.

We do not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on our accompanying financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to various market risks, including fluctuations in interest rates. We use interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of our subsidiaries. Our policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate collar agreements are used to limit our exposure to, and to derive benefits from, interest rate fluctuations on variable rate debt to within a certain range of rates. Interest rate risk management agreements are not held or issued for speculative or trading purposes.

As of December 31, 2004 and 2003, our long-term debt totaled approximately \$19.5 billion and \$18.6 billion, respectively. This debt was comprised of approximately \$5.5 billion and \$7.2 billion of credit facilities debt, \$13.3 billion and \$11.2 billion principal amount of high-yield notes and \$1.0 billion and \$774 million principal amount of convertible senior notes, respectively.

As of December 31, 2004 and 2003, the weighted average interest rate on the credit facility debt was approximately 6.8% and 5.4%, the weighted average interest rate on the high-yield notes was approximately 9.2% and 10.3%, and the weighted average interest rate on the convertible senior notes was approximately 5.7% and 5.5%, respectively, resulting in a blended weighted average interest rate of 8.8% and 8.2%, respectively. The interest rate on approximately 83% and 80% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of December 31, 2004 and 2003, respectively. The fair value of our high-yield notes was \$12.2 billion and \$9.9 billion at December 31, 2004 and 2003, respectively. The fair value of our convertible senior notes was \$1.1 billion and \$732 million at December 31, 2004 and 2003, respectively. The fair value of our credit facilities is \$5.5 billion and \$6.9 billion at December 31, 2004 and 2003, respectively. The fair value of high-yield and convertible notes is based on quoted market prices, and the fair value of the credit facilities is based on dealer quotations.

We do not hold or issue derivative instruments for trading purposes. We do, however, have 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, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. We have formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. For the years ended December 31, 2004, 2003 and 2002, net gain (loss) on derivative instruments

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and hedging activities includes gains of \$4 million and \$8 million and losses of \$14 million, respectively, which represent cash flow hedge ineffectiveness on interest rate hedge agreements arising from differences between the critical terms of the agreements and the related hedged obligations. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations that meet the effectiveness criteria of SFAS No. 133 are reported in accumulated other comprehensive loss. For the years ended December 31, 2004, 2003 and 2002, a gain of \$42 million and \$48 million and losses of \$65 million, respectively, related to derivative instruments designated as cash flow hedges, was recorded in accumulated other comprehensive loss and minority interest. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period 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 do not meet the effectiveness criteria specified by SFAS No. 133. 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 gain (loss) on derivative instruments and hedging activities in our statements of operations. For the years ended December 31, 2004, 2003 and 2002, net gain (loss) on derivative instruments and hedging activities includes gains of \$65 million and \$57 million and losses of \$101 million, respectively, for interest rate derivative instruments not designated as hedges.

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 December 31, 2004 (dollars in millions):

	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value at December 31, 2004
Debt								
Fixed Rate	\$ —	\$ 156	\$ 451	\$ 228	\$ 4,260	\$ 8,631	\$ 13,726	\$ 12,807
Average Interest Rate	—	4.75%	8.25%	10.93%	8.85%	9.32%	9.12%	
Variable Rate	\$ 30	\$ 30	\$ 280	\$ 630	\$ 780	\$ 4,315	\$ 6,065	\$ 6,052
Average Interest Rate	6.47%	7.08%	7.17%	7.45%	7.73%	8.40%	8.14%	
Interest Rate Instruments								
Variable to Fixed Swaps	\$ 990	\$ 873	\$ 775	\$ —	\$ —	\$ —	\$ 2,638	\$ 69
Average Pay Rate	7.94%	8.23%	8.04%	—	—	—	8.07%	
Average Receive Rate	6.36%	7.08%	7.20%	—	—	—	6.85%	

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 approximates the costs (proceeds) to settle the outstanding contracts. Interest rates on variable debt are estimated using the average implied forward London Interbank Offering Rate (LIBOR) rates for the year of maturity based on the yield curve in effect at December 31, 2004.

At December 31, 2004 and 2003, we had outstanding \$2.7 billion and \$3.0 billion and \$20 million and \$520 million, respectively, in notional amounts of interest rate swaps and collars, respectively. 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.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements, the related notes thereto, and the reports of independent auditors are included in this annual report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of the end of the period covered by this report, management, including our Interim Chief Executive Officer and Interim Co-Chief Financial Officers, evaluated the effectiveness of the design and operation of our disclosure controls and procedures with respect to the information generated for use in this annual report. The evaluation was based in part upon reports and affidavits provided by a number of executives. Based upon, and as of the date of that evaluation, our Interim Chief Executive Officer and Interim Co-Chief Financial Officers 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 Commission's rules and forms.

There was no change in our internal control over financial reporting during 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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, Charter's management believes that its controls do provide such reasonable assurance.

Management's Report on Internal Control Over Financial Reporting

Charter's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control system was designed to provide reasonable assurance to Charter's management and board of directors regarding the preparation and fair presentation of published financial statements.

Charter's management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework*. Based on management's assessment utilizing these criteria we believe that, as of December 31, 2004, our internal control over financial reporting was effective.

Our independent auditors, KPMG, LLP have audited management's assessment of our internal control over financial reporting as stated in their report on page F-3.

Item 9B. Other Information.

None.

PART III**Item 10. Directors and Executive Officers of Registrant.****Directors**

The persons listed below are directors of Charter.

<u>Director</u>	<u>Position(s)</u>
Paul G. Allen	Chairman of the board of directors
W. Lance Conn	Director
Jonathan L. Dolgen	Director
Charles M. Lillis	Director
Robert P. May	Director, Interim President and Chief Executive Officer
David C. Merritt	Director
Marc B. Nathanson	Director
Jo Allen Patton	Director
John H. Tory	Director
Larry W. Wangberg	Director

The following sets forth certain biographical information with respect to the directors listed above.

Paul G. Allen, 52, has been Chairman of our board of directors since July 1999, and Chairman of the board of directors of Charter Investment, Inc. (a predecessor to, and currently an affiliate of, Charter) since December 1998. Mr. Allen, co-founder of Microsoft Corporation, has been a private investor for more than 15 years, with interests in over 50 technology, telecommunications, content and biotech companies. Mr. Allen's investments include Vulcan Inc., Vulcan Productions, Inc., the Portland Trail Blazers NBA and Seattle Seahawks NFL franchises, and investments in DreamWorks LLC and Oxygen Media. In addition, Mr. Allen is a director of Vulcan Programming Inc., Vulcan Ventures, Vulcan Inc., Vulcan Cable III Inc., numerous privately held companies and, until its sale in May 2004 to an unrelated third party, TechTV L.L.C.

W. Lance Conn, 36, was elected to our board of directors in September 2004. Since July 2004, Mr. Conn has served as Executive Vice President, Investment Management for Vulcan Inc., the investment and project management company that oversees a diverse multi-billion dollar portfolio of investments by Paul G. Allen. Prior to joining Vulcan Inc., Mr. Conn was employed by America Online, Inc., an interactive online services company, from March 1996 to May 2003. From 1997 to 2000, Mr. Conn served in various senior business development roles at America Online. In 2000, Mr. Conn began supervising all of America Online's European investments, alliances and business initiatives. In 2002, he became Senior Vice President of America Online U.S. where he led a company-wide effort to restructure and optimize America Online's operations. From September 1994 until February 1996, Mr. Conn was an attorney with the Shaw Pittman law firm in Washington, D.C. Mr. Conn holds a J.D. degree from the University of Virginia, a master's degree in history from the University of Mississippi and an A.B. in history from Princeton University.

Jonathan L. Dolgen, 59, was elected to our board of directors in October 2004. Since July 2004, Mr. Dolgen has also been a Senior Advisor to Viacom, Inc. ("Viacom") a worldwide entertainment and media company, where he provides advisory services to the current Chairman and Chief Executive of Viacom, or others designated by him, on an as requested basis. Since July 2004, Mr. Dolgen has been a private investor and since September 2004, Mr. Dolgen has been a principal of Wood River Ventures, LLC, a private start-up entity that is seeking investment and other opportunities primarily in the media sector. From April 1994 to July 2004, Mr. Dolgen served as Chairman and Chief Executive Officer of the Viacom Entertainment Group, a unit of Viacom, where he oversaw various operations of Viacom's businesses, which during 2003 and 2004 primarily included the operations engaged in motion picture production and distribution, television production and distribution, regional theme parks, theatrical exhibition and publishing. Mr. Dolgen began his career in the entertainment industry in 1976, and until joining the Viacom Entertainment Group, served in executive positions at Columbia Pictures Industries, Inc. Twentieth Century Fox and Fox, Inc., and Sony Pictures Entertainment. Mr. Dolgen holds a B.S. degree from Cornell University and a J.D. degree from New York University.

Charles M. Lillis, 63, was elected to the board of directors of Charter in October 2003. Presently, he is the Managing Partner of Lone Tree Capital, which he co-founded in 2002. Mr. Lillis served as Chairman and Chief

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Executive Officer of MediaOne Group, Inc. from June 1998 to May 2000. He served as Chief Executive Officer of MediaOne while it was a tracking stock company from November 1995 to May 1997. Prior to that, he held various senior management positions at US WEST, MediaOne's predecessor. Before joining US WEST, he served as Dean of the University of Colorado's College of Business and as a professor at Washington State University. In addition, he is a director and serves on the audit committees of SuperValu, Inc. and Williams Companies. Mr. Lillis is a graduate of the University of Washington, Seattle, with an M.B.A., and he holds a doctorate of Philosophy in Business from the University of Oregon, in Eugene.

Mr. Lillis recently announced his election as a director of Medco Health Solutions, Inc., and, on January 27, 2005, Mr. Lillis notified Charter of his intention to resign from its board of directors. The date for Mr. Lillis' departure from the Board has not yet been determined but is expected to occur within sixty days after his notification.

Robert P. May, 55, was elected to our board of directors in October 2004 and became our Interim President and Chief Executive Officer in January 2005. Mr. May has served on the board of directors of HealthSouth Corporation, a national provider of healthcare services, since October 2002, and has been its Chairman since July 2004. Mr. May also served as HealthSouth Corporation's Interim Chief Executive Officer from March 2003 until May 2004, and as Interim President of its Outpatient and Diagnostic Division from August 2003 to January 2004. Since March 2001, Mr. May has been a private investor and principal of RPM Systems, which provides strategic business consulting services. From March 1999 to March 2001, Mr. May served on the board of directors and was Chief Executive of PNV Inc., a national telecommunications company. PNV Inc. filed for bankruptcy in December 2000. Prior to his employment at PNV Inc., Mr. May was Chief Operating Officer and a member of the board of directors of Cablevision Systems Corporation from October 1996 to February 1998, and from 1973 to 1993 he held several senior executive positions with Federal Express Corporation, including President, Business Logistics Services. Mr. May was educated at Curry College and Boston College and attended Harvard Business School's Program for Management Development.

David C. Merritt, 50, was elected to our board of directors in July 2003, and was also appointed as Chairman of the Audit Committee at that time. Since October 2003, Mr. Merritt has been a Managing Director of Salem Partners, LLC, an investment banking firm. He was a Managing Director in the Entertainment Media Advisory Group at Gerard Klauer Mattison & Co., Inc., a company that provides financial advisory services to the entertainment and media industries from January 2001 through April 2003. Prior to that, he served as Chief Financial Officer of CKE Associates, Ltd., a privately held company with interests in talent management, film production, television production, music and new media from July 1999 to November 2001. He also served as a director of Laser-Pacific Media Corporation from January 2001 until October 2003 and served as Chairman of its audit committee. During December 2003, he became a director of Outdoor Channel Holdings, Inc. Mr. Merritt joined KPMG LLP in 1975 and served in a variety of capacities during his years with the firm, including national partner in charge of the media and entertainment practice and before joining CKE Associates, Mr. Merritt was an audit and consulting partner of KPMG LLP for 14 years. Mr. Merritt holds a B.S. degree in Business and Accounting from California State University - Northridge.

Marc B. Nathanson, 59, has been a director of Charter since January 2000. Mr. Nathanson is the Chairman of Mapleton Investments LLC, an investment vehicle formed in 1999. He also founded and served as Chairman and Chief Executive Officer of Falcon Holding Group, Inc., a cable operator, and its predecessors, from 1975 until 1999. He served as Chairman and Chief Executive Officer of Enstar Communications Corporation, a cable operator, from 1988 until November 1999. Prior to 1975, Mr. Nathanson held executive positions with Teleprompter Corporation, Warner Cable and Cypress Communications Corporation. In 1995, he was appointed by the President of the United States to the Broadcasting Board of Governors, and from 1998 through September 2002, served as its Chairman. Mr. Nathanson holds a Bachelors degree in Mass Communications from the University of Denver and a Masters degree in Political Science from University of California/Santa Barbara.

Jo Allen Patton, 47, has been a director of Charter since April 2004. Ms. Patton joined Vulcan Inc. as Vice President in 1993, and since that time she has served as an officer and director of many affiliates of Mr. Allen, including her current position as President and Chief Executive Officer of Vulcan Inc. since July 2001. Ms. Patton is also President of Vulcan Productions, an independent feature film and documentary production company, Vice Chair of First & Goal, Inc., which developed and operated the Seattle Seahawks NFL stadium, and served as Executive Director of the six Paul G. Allen Foundations. Ms. Patton is a co-founder of the Experience Music Project museum, as well as the Science Fiction Museum and Hall of Fame. Ms. Patton is the sister of Mr. Allen.

John H. Tory, 50, has been a director of Charter since December 2001. Mr. Tory served as the Chief Executive Officer of Rogers Cable Inc., Canada's largest broadband cable operator, from 1999 until 2003. From 1995 to 1999 Mr. Tory was President and Chief Executive Officer of Rogers Media Inc., a broadcasting and publishing company.

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Prior to joining Rogers, Mr. Tory was a Managing Partner and member of the executive committee at Tory Tory DesLauriers & Binnington, one of Canada's largest law firms. Mr. Tory serves on the board of directors of a number of Canadian companies, including Cara Operations Limited. Mr. Tory was educated at University of Toronto Schools, Trinity College (University of Toronto) and Osgoode Hall Law School. On September 18, 2004, John Tory was elected Leader of the Ontario Progressive Conservative Party.

Larry W. Wangberg, 62, has been a director of Charter since January 2002. From August 1997 to May 2004, Mr. Wangberg was a director of TechTV L.L.C., a cable television network controlled by Paul Allen. He also served as its Chairman and Chief Executive Officer from August 1997 through July 2002. In May 2004, TechTV L.L.C. was sold to an unrelated party. Prior to joining TechTV L.L.C., Mr. Wangberg was Chairman and Chief Executive Officer of StarSight Telecast Inc., an interactive navigation and program guide company which later merged with Gemstar International, from 1994 to 1997. Mr. Wangberg was Chairman and Chief Executive Officer of Times Mirror Cable Television and Senior Vice President of its corporate parent, Times Mirror Co., from 1983 to 1994. He currently serves on the boards of Autodesk Inc. and ADC Telecommunications. Mr. Wangberg holds a bachelor's degree in Mechanical Engineering and a master's degree in Industrial Engineering, both from the University of Minnesota.

Board of Directors and Committees of the Board of Directors

Charter's board of directors meets regularly throughout the year on a set schedule. The board may also hold special meetings and act by written consent from time to time if necessary. Meetings of the independent members of the board occur on the same day as regularly scheduled meetings of the full board. Management is not present at these meetings.

The board of directors delegates authority to act with respect to certain matters to board committees whose members are appointed by the board. As of December 31, 2004 the following were the committees of Charter's board of directors: Audit Committee, Financing Committee, Option Plan Committee, Compensation Committee, Executive Committee, Strategic Planning Committee, and a Special Committee for matters related to the CC VIII put dispute.

The Audit Committee, which has a written charter approved by the board, consists of three directors: Charles Lillis, John Tory and David Merritt, all of whom are believed to be independent in accordance with the applicable corporate governance listing standards of the NASDAQ National Market. Charter's board of directors has determined that, in its judgment, David Merritt is an audit committee financial expert within the meaning of the applicable federal regulations.

Director Compensation

Each non-employee member of the board receives an annual retainer of \$40,000 in cash plus restricted stock, vesting one year after date of grant, with a value on the date of grant of \$50,000. In addition, the Audit Committee chair receives \$25,000 per year, and the chair of each other committee receives \$10,000 per year. All committee members also receive \$1,000 for attendance at each committee meeting. Beginning on February 22, 2005 each director also receives \$1,000 for telephonic attendance at each meeting of the full board and \$2,000 for in-person attendance. Each director of Charter is entitled to reimbursement for costs incurred in connection with attendance at Board and Committee meetings.

Directors who were employees did not receive additional compensation in 2003 or 2004. Mr. Vogel, who was our President and Chief Executive Officer in 2004, was the only director who was also an employee during 2004.

Our Bylaws provide that all directors are entitled to indemnification to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses incurred in connection with or arising out of the performance by them of their duties for us or our subsidiaries.

Executive Officers

The following persons are executive officers of Charter Communications, Inc.:

<u>Executive Officers</u>	<u>Position</u>
Paul G. Allen	Chairman of the Board of Directors
Robert P. May	Interim President and Chief Executive Officer
Derek Chang	Executive Vice President of Finance and Strategy and Interim co-Chief Financial Officer
Thomas A. Cullen	Executive Vice President of Advanced Services and Business Development
Wayne H. Davis	Executive Vice President and Chief Technical Officer
Michael J. Lovett	Executive Vice President, Operations and Customer Care
Paul E. Martin	Senior Vice President, Principal Accounting Officer and Interim co-Chief Financial Officer
Curtis S. Shaw	Executive Vice President, General Counsel and Secretary

Information regarding our executive officers who do not serve as directors is set forth below.

Derek Chang, 36, Executive Vice President of Finance and Strategy and Interim co-Chief Financial Officer. Mr. Chang joined Charter in December 2003 as Executive Vice President of Finance and Strategy and was also appointed Interim co-Chief Financial Officer in August 2004. Prior to joining Charter, Mr. Chang was Executive Vice President of the Yankees Entertainment and Sports (YES) Network, a regional sports programming network in New York where he headed corporate development and financing activities from the company's inception in 2001 until January 2003. Prior to joining YES, he was the Chief Financial Officer and Co-Chief Operating Officer of GlobalCenter, the web hosting subsidiary of Global Crossing. Mr. Chang worked for TCI Communications/AT&T Broadband in Denver from 1997 to 2000, ultimately as Executive Vice President of Corporate Development, where he directed mergers and acquisitions activities and managed a multi-billion dollar portfolio of cable joint ventures. He was with InterMedia Partners in San Francisco from 1994 to 1997 where he held a number of positions and was ultimately Treasurer. Mr. Chang received a B.A. degree from Yale University and an M.B.A. from the Stanford University Graduate School of Business.

Thomas A. Cullen, 45, Executive Vice President of Advanced Services and Business Development. Mr. Cullen joined Charter as Senior Vice President of Advanced Services and Business Development in August 2003 and was promoted to Executive Vice President in August 2004. From January 2001 to October 2002, Mr. Cullen was General Partner of Lone Tree Capital, a private equity partnership focused on investment opportunities in the technology and communications sector. From March 1997 to June 2000, Mr. Cullen was President of MediaOne Ventures. Prior to that, Mr. Cullen served in several capacities with MediaOne Internet Services including Vice President from April 1998 to June 2000 and Vice President of Business Development from September 1995 to March 1997. Mr. Cullen is a member of Colorado State University Global Leadership Council. He is also a member of the board of directors of the Cable & Telecommunications Association for Marketing (CTAM). Mr. Cullen is a graduate of Northern Arizona University with a B.S. degree in Business Administration. He earned a Master of Business Administration from the University of Colorado.

Wayne H. Davis, 51, Executive Vice President and Chief Technical Officer. Prior to his current position, Mr. Davis served as a Senior Vice President, Engineering and Technical Operations, and as Assistant to the President/Vice President of Management Services since July 2002 and prior to that, he was Vice President of Engineering/Operations for Charter's National Region from December 2001. Before joining Charter, Mr. Davis held the position of Vice President of Engineering for Comcast Corporation, Inc. Prior to that, he held various engineering positions including Vice President of Engineering for Jones Intercable Inc. He began his career in the cable industry in 1980. He attended the State University of New York at Albany. Mr. Davis serves as an advisory board member of Cedar Point Communications, and as a board member of @Security Broadband Corp., a company in which Charter owns an equity investment interest. Mr. Davis is also a member of the Society of Cable Telecommunications Engineers.

Michael J. Lovett, 43, Executive Vice President, Operations and Customer Care. Mr. Lovett was promoted to his current position in September 2004. Prior to that he served as Senior Vice President, Midwest Division Operations and as Senior Vice President of Operations Support, since joining Charter in August 2003. Mr. Lovett was Chief Operating Officer of Voyant Technologies, Inc., a voice conferencing hardware/software solutions provider, from December 2001 to August 2003. From November 2000 to December 2001, he was Executive Vice President of Operations for OneSecure, Inc., a startup company delivering management/monitoring of firewalls and virtual

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private networks. Prior to that, Mr. Lovett was Regional Vice President at AT&T from June 1999 to November 2000 where he was responsible for operations. Mr. Lovett was Senior Vice President at Jones Intercable from October 1989 to June 1999 where he was responsible for operations in nine states. Mr. Lovett began his career in cable television at Centel Corporation where he held a number of positions.

Paul E. Martin, 44, Senior Vice President, Interim co-Chief Financial Officer and Principal Accounting Officer. Mr. Martin has been employed by Charter since March 2000, when he joined Charter as Vice President and Corporate Controller. In April 2002, Mr. Martin was promoted to Senior Vice President and Principal Accounting Officer and in August 2004 was named interim co-Chief Financial Officer. Prior to joining Charter, Mr. Martin was Vice President and Controller for Operations and Logistics for Fort James Corporation, a manufacturer of paper products. From 1995 to February 1999, Mr. Martin was Chief Financial Officer of Rawlings Sporting Goods Company, Inc. Mr. Martin received a B.S. degree with honors in Accounting from the University of Missouri — St. Louis.

Curtis S. Shaw, 56, Executive Vice President, General Counsel and Secretary. Mr. Shaw was promoted to Executive Vice President in October 2003. Prior to joining Charter Investment as Senior Vice President, General Counsel and Secretary in 1997, Mr. Shaw served as corporate counsel to NYNEX from 1988 through 1996. Since 1973, Mr. Shaw has practiced as a corporate lawyer, specializing in mergers and acquisitions, joint ventures, public offerings, financings, and federal securities and antitrust law. Mr. Shaw received a B.A. degree with honors in Economics from Trinity College and a J.D. degree from Columbia University School of Law.

Compensation Committee Interlocks and Insider Participation

Until April 2004, when Mr. Savoy resigned from the board, the Compensation Committee of Charter was comprised of Messrs. Allen, Savoy and Nathanson. In 2004, Nancy Peretsman and David Merritt served as the Option Plan Committee that administered the 1999 Charter Communications Option Plan and the Charter Communications, Inc. 2001 Stock Incentive Plan until Mr. Lillis replaced Ms. Peretsman on the Option Plan Committee in July 2004.

No member of the Compensation Committee or the Option Plan Committee was an officer or employee of Charter or any of its subsidiaries during 2004, except for Mr. Allen, who served as a non-employee chairman of the Compensation Committee. Also, Mr. Nathanson was an officer of certain subsidiaries of Charter prior to their acquisition by Charter in 1999 and held the title of Vice Chairman of Charter's board of directors, a non-executive, non-salaried position in 2004. Mr. Allen is the 100% owner and a director of Vulcan Inc. and certain of its affiliates, which employed Mr. Savoy, one of our directors until April 27, 2004, as an executive officer in the past and currently employs Mr. Conn and Jo Allen Patton as an executive officer. Mr. Allen also was a director of and indirectly owned 98% of TechTV, of which Mr. Wangberg, one of our directors, was a director until the sale of TechTV to an unrelated third party in May 2004. Transactions between Charter and members of the Compensation Committee are more fully described in " — Director Compensation" and in "Item 13. Certain Relationships and Related Transactions — Other Miscellaneous Relationships."

During 2004, (1) none of our executive officers served on the compensation committee of any other company that has an executive officer currently serving on the board of directors, Compensation Committee or Option Plan Committee of Charter and (2) except for Carl Vogel who served as a director of Digeo, Inc., an entity of which Paul Allen is a director and by virtue of his position as Chairman of the board of directors of Digeo, Inc. is also a non-employee executive officer, none of our executive officers served as a director of another entity, one of whose executive officers served on the Compensation Committee or Option Plan Committee of Charter.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires our directors and certain of our officers, and persons who own more than 10% of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Such persons are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms furnished to us and written representations from these officers and directors, we believe that all Section 16(a) filing requirements were met in 2004.

Code of Ethics

In January 2003, we adopted a Code of Conduct that constitutes a Code of Ethics within the meaning of federal securities regulations for our employees, including all executive officers, and established a hotline and website for reporting alleged violations of the code of conduct, established procedures for processing complaints and implemented educational programs to inform our employees regarding the Code of Conduct. A copy of our Code of Conduct is filed as Exhibit 14.1 to this annual report.

Item 11. Executive Compensation.

Summary Compensation Table

The following table sets forth information as of December 31, 2004 regarding the compensation to those executive officers listed below for services rendered for the fiscal years ended December 31, 2002, 2003 and 2004. These officers consist of the Chief Executive Officer, each of the other four most highly compensated executive officers as of December 31, 2004, and one other highly compensated executive officer who served during 2004 but was not an executive officer on December 31, 2004.

Name and Principal Position	Year Ended Dec. 31	Annual Compensation			Long-Term Compensation Award		All Other Compensation (\$)(1)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)	
Carl E. Vogel (2) Former President and Chief Executive Officer	2004	1,038,462	500,000(7)	—	4,658,000(17)	580,000	42,426(23)
	2003	1,000,000	150,000(8)	30,345(14)	—	750,000	12,639(23)
	2002	980,769	330,000(8)	214,961(14)	—	1,000,000	10,255(23)
Margaret A. Bellville (3) Former Executive Vice President, Chief Operating Officer	2004	478,366	—	28,309(15)	612,000(18)	200,000	204,408(24)
	2003	581,730	203,125(8)	30,810(15)	—	—	109,139(24)
	2002	9,615	150,000(8)(9)	—	—	500,000	—
Derek Chang (4) Executive Vice President of Finance and Strategy, Interim co-Chief Financial Officer	2004	448,077	85,700(10)	7,255(16)	395,250(19)	135,000	5,510
	2003	15,385	—	—	192,000(19)	350,000	—
Steven A. Schumm (5) Former Executive Vice President and Chief Administrative Officer	2004	467,308	15,815(11)	—	862,952(20)	135,000	12,360
	2003	448,077	45,000	—	—	250,000	9,889
	2002	436,058	588,000(12)	—	—	300,000	5,255
Curtis S. Shaw Executive Vice President, General Counsel and Secretary	2004	422,115	16,109	—	395,250(21)	135,000	12,592
	2003	275,782	37,500	—	—	250,000	9,411(25)
	2002	249,711	281,500(13)	—	—	100,000	3,096
Michael J. Lovett (6) Executive Vice President, Operations and Customer Care	2004	291,346	241,888	—	351,570(22)	172,000	15,150(26)
	2003	81,731	60,000	—	—	100,000	2,400(26)

(1) Except as noted in notes 23 through 26 below respectively, these amounts consist of matching contributions under our 401(k) plan, premiums for supplemental life insurance available to executives, and long-term disability available to executives.

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- (2) Mr. Vogel resigned from all of his positions with Charter and its subsidiaries on January 17, 2005.
- (3) Ms. Bellville became the Chief Operating Officer of Charter in December 2002 and terminated her employment, effective September 30, 2004.
- (4) Mr. Chang was hired as Executive Vice President of Finance and Strategy in December 2003, and was appointed Interim co-Chief Financial Officer in August 2004.
- (5) Mr. Schumm's position with Charter and its subsidiaries was eliminated, resulting in the termination of his employment on January 28, 2005.
- (6) Mr. Lovett joined Charter in August 2003 and was promoted to his current position in September 2004.
- (7) Mr. Vogel's bonus for 2004 was a mid-year discretionary bonus.
- (8) Mr. Vogel's and Ms. Bellville's 2002 and 2003 bonuses were determined in accordance with the terms of their respective employment agreements.
- (9) Includes a one-time signing bonus of \$150,000 pursuant to an employment agreement.
- (10) Mr. Chang's bonus for 2004 represents the 2004 portion of a \$150,000 special bonus expected to be paid for co-Interim Chief Financial Officer service through March 31, 2005. Payment of the bonus is conditioned on continued service in that capacity until the earlier of the naming of a permanent replacement or March 31, 2005.
- (11) Mr. Schumm's bonus for 2004 was determined in accordance with his separation agreement.
- (12) Includes a "stay" bonus representing the principal and interest forgiven under employee's promissory note, amounting to \$363,000 for 2002; and \$225,000 awarded as a bonus for services performed in 2002.
- (13) Includes a "stay" bonus representing the principal and interest forgiven under employee's promissory note, amounting to \$181,500 for 2002; and \$100,000 awarded as a bonus for services performed in 2002.
- (14) Amount attributed to personal use of the corporate airplane in 2003 and \$100,000 attributed to personal use and commuting in the corporate airplane in 2002 and \$114,961 for purchase of a car in 2002.
- (15) Includes (i) for 2004, reimbursement for taxes (on a "grossed up" basis) paid in respect of prior reimbursements for relocation expenses, and (ii) for 2003, \$26,010 attributed to personal use of the corporate airplane and \$4,800 for car allowance.
- (16) Includes reimbursement for taxes (on a "grossed up" basis) paid in respect of prior reimbursements for relocation expenses.
- (17) Includes 340,000 performance shares granted in January 2004 under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria. Also includes 680,000 restricted shares issued in exchange for stock options held by the named officer pursuant to the February 2004 option exchange program described below, one half of which constituted performance shares which were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria, and the other half of which were to vest over three years in equal one-third installments. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$2,310,468, based on a per share market value (closing sale price) of \$2.24 for our Class A common stock on December 31, 2004. All performance shares were forfeited upon termination of employment. The remainder of the restricted shares will vest in part on the terms described below under "Employment Arrangements."
- (18) These restricted shares consisted solely of performance shares granted under our Long-Term Incentive Program that were to have vested on the third anniversary of the grant date only if Charter meets certain performance criteria. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$0, since all performance shares were previously forfeited upon the termination of employment.
- (19) Restricted shares granted in 2003 vest over four years in equal one-fourth installments. Restricted shares granted in 2004 represent 77,500 performance shares granted under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$257,600 based on a per share market value (closing sale price) of \$2.24 for our Class A common stock on December 31, 2004.
- (20) Includes 77,500 performance shares granted in January 2004 under our Long-Term Incentive Program that were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria.

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Also includes restricted shares issued in exchange for stock options held by the named officer pursuant to the February 2004 option exchange program described below. One half of these restricted shares constitutes performance shares which were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria and the other half of which were to vest over three years in equal one-third installments. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$417,240, based on a per share market value (closing sale price) of \$2.24 for our Class A common stock on December 31, 2004. All performance shares were forfeited upon the termination of employment. The remainder of the restricted shares will vest in part on the terms described below under "Employment Arrangements."

- (21) These restricted shares consist solely of performance shares granted under our Long-Term Incentive Program that will vest on the third anniversary of the grant date only if Charter meets certain performance criteria. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$173,600 based on a per share market value (closing sale price) of \$2.24 for our Class A common stock on December 31, 2004.
- (22) These restricted shares consist solely of performance shares granted under our Long-Term Incentive Program that will vest on the third anniversary of the grant date only if Charter meets certain performance criteria. At December 31, 2004, the value of all of the named officer's unvested restricted stock holdings (including performance shares) was \$197,120, based on a per share market value (closing sale price) of \$2.24 for our Class A common stock on December 31, 2004.
- (23) In addition to items in Note 1 above, includes (i) for 2004, \$28,977 attributed to personal use of the corporate airplane, \$10,000 as reimbursement for tax advisory services and (ii) for 2003, \$10,000 as reimbursement for tax advisory services; and (iii) for 2002, \$10,000 as reimbursement for tax advisory services.
- (24) In addition to items in Note 1 above, includes (i) for 2004, \$183,899 for severance and accrued vacation at termination of employment, \$10,299 for COBRA payments following termination, \$4,650 for automobile allowance and \$2,831 attributed to personal use of the corporate airplane, and (ii) for 2003, \$5,000 as reimbursement for tax advisory services, \$7,500 for legal services and \$93,684 paid in relation to relocation expenses.
- (25) In addition to items in Note 1 above, includes for 2003, \$2,287 attributed to personal use of the corporate airplane.
- (26) In addition to items in Note 1 above, includes, (i) for 2004, \$7,200 for automobile allowance, and \$597 attributed to personal use of the corporation aircraft and (ii) for 2003, \$2,400 for automobile allowance.

2004 Option Grants

The following table shows individual grants of options made to individuals named in the Summary Compensation Table during 2004. All such grants were made under the 2001 Stock Incentive Plan and the exercise price was based upon the fair market value of Charter's Class A common stock on the respective grant dates.

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Name	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in 2004	Exercise Price (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation For Option Term (2)	
					5% (\$)	10% (\$)
Carl E. Vogel (3)	580,000	6.17%	\$ 5.17	1/27/14	1,885,803	4,778,996
Margaret A. Bellville (4)	200,000	2.13%	5.17	1/27/14	650,277	1,647,930
Derek Chang	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Steven A. Schumm (5)	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Curtis S. Shaw	135,000	1.44%	5.17	1/27/14	438,937	1,112,353
Michael J. Lovett	77,000	0.82%	5.17	1/27/14	251,982	638,573
	12,500	0.13%	4.555	4/27/14	35,808	90,744
	82,000	0.87%	2.865	10/26/14	147,746	374,418

- (1) Options are transferable under limited conditions, primarily to accommodate estate planning purposes. These options generally vest in four equal installments commencing on the first anniversary following the grant date.
- (2) This column shows the hypothetical gains on the options granted based on assumed annual compound price appreciation of 5% and 10% over the full ten-year term of the options. The assumed rates of 5% and 10% appreciation are mandated by the SEC and do not represent our estimate or projection of future prices.
- (3) Mr. Vogel's employment terminated on January 17, 2005. Under the terms of the separation agreement, his options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.
- (4) Ms. Bellville terminated employment on September 30, 2004. Under the terms of the separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.
- (5) Mr. Schumm's employment terminated on January 28, 2005. Under the terms of the separation agreement, his options will continue to vest until April 28, 2006, and all vested options are exercisable until sixty (60) days thereafter.

2004 Aggregated Option Exercises and Option Value

The following table sets forth, for the individuals named in the Summary Compensation Table, (i) information concerning options exercised during 2004, (ii) the number of shares of our Class A common stock underlying unexercised options at year-end 2004, and (iii) the value of unexercised "in-the-money" options (i.e., the positive spread between the exercise price of outstanding options and the market value of our Class A common stock) on December 31, 2004.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at December 31, 2004 (#) (1)		Value of Unexercised In-the-Money Options at December 31, 2004 (\$) (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Carl E. Vogel (3)	—	—	2,499,999	3,230,001	—	—
Margaret A. Bellville (4)	—	—	385,416	314,584	254,375	75,625
Derek Chang	—	—	87,500	397,500	—	—
Steven A. Schumm (5)	—	—	182,500	502,500	—	—
Curtis S. Shaw	—	—	438,833	420,167	—	—
Michael J. Lovett	—	—	25,000	247,000	—	—

- (1) Options granted prior to 2001 and under the 1999 Charter Communications Option Plan, when vested, are exercisable for membership units of Charter Holdco which are immediately exchanged on a one-for-one basis for shares of our Class A common stock upon exercise of the option. Options granted under the 2001 Stock Incentive Plan and after 2000 are exercisable for shares of our Class A common stock.
- (2) Based on a per share market value (closing price) of \$2.24 as of December 31, 2004 for our Class A common stock.
- (3) Mr. Vogel's employment terminated on January 17, 2005. Under the terms of the separation agreement, his options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.
- (4) Ms. Bellville terminated employment on September 30, 2004. Under the terms of the separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.
- (5) Mr. Schumm's employment terminated on January 28, 2005. Under the terms of the separation agreement, his options will continue to vest until April 28, 2006, and all vested options are exercisable until sixty (60) days thereafter.

Option/Stock Incentive Plans

The Plans. We have granted stock options, restricted stock and other incentive compensation under two plans — the 1999 Charter Communications Option Plan and the 2001 Stock Incentive Plan. The 1999 Charter Communications Option Plan provided for the grant of options to purchase membership units in Charter Holdco to current and prospective employees and consultants of Charter Holdco and its affiliates and to our current and prospective non-employee directors. Membership units received upon exercise of any options are immediately exchanged for shares of Charter Class A common stock on a one-for-one basis.

The 2001 Stock Incentive Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and/or shares of restricted stock (not to exceed 3,000,000 shares) as each term is defined in the 2001 Stock Incentive Plan. Employees, officers, consultants and directors of Charter and its subsidiaries and affiliates are eligible to receive grants under the 2001 Stock Incentive Plan. Generally, options expire 10 years from the grant date. Unless sooner terminated by our board of directors, the 2001 Stock Incentive Plan will terminate on February 12, 2011, and no option or award can be granted thereafter.

Together, the plans allow for the issuance of up to a total of 90,000,000 shares of our Class A common stock (or units exchangeable for our Class A common stock). Any shares covered by options that are terminated under the 1999 Charter Communications Option Plan will be transferred to the 2001 Stock Incentive Plan, and no new options will be granted under the 1999 Charter Communications Option Plan. At December 31, 2004, 1,004,848 shares had been issued under the plans upon exercise of options, 187,699 had been issued upon vesting of restricted stock granted under the plans, and 2,076,860 shares were subject to future vesting under restricted stock agreements. Of the remaining 86,730,593 shares covered by the plans, as of December 31, 2004, 24,834,513 were subject to outstanding options (31% of which were vested), and there were 6,899,600 performance shares granted under Charter's Long-Term Incentive Program as of December 31, 2004, to vest on the third anniversary of the date of grant conditional upon Charter's performance against certain financial targets approved by Charter's board of directors at the time of the award. As of December 31, 2004, 54,996,480 shares remained available for future grants under the plans.

The plans authorize the repricing of options, which could include reducing the exercise price per share of any outstanding option, permitting the cancellation, forfeiture or tender of outstanding options in exchange for other awards or for new options with a lower exercise price per share, or repricing or replacing any outstanding options by any other method.

In January 2004, the Compensation Committee of our board of directors approved our Long-Term Incentive Program, or LTIP, which is a program administered under the 2001 Stock Incentive Plan. Under the LTIP, employees of Charter and its subsidiaries whose pay classifications exceed a certain level are eligible to receive stock options, and more senior level employees were eligible to receive stock options and performance shares. The stock options vest 25% on each of the first four anniversaries of the date of grant. The performance shares vest at the end of a three-year performance cycle

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and shares of Class A common stock are issued, conditional upon our performance against financial performance measures established by our management and approved by the board of directors as of the time of the award. We granted 6,899,600 million performance shares in January 2004 under this program and recognized expense of \$8 million in the first three quarters of 2004. However, in the fourth quarter of 2004, we reversed the entire \$8 million of expense based on our assessment of the probability of achieving the financial performance measures established by management and required to be met for the performance shares to vest.

The 2001 Stock Incentive Plan must be administered by, and grants and awards to eligible individuals must be approved by our board of directors or a committee thereof consisting solely of nonemployee directors as defined in Section 16b-3 under the Securities Exchange Act of 1934, as amended. The board of directors or such committee determines the terms of each stock option grant, restricted stock grant or other award at the time of grant, including the exercise price to be paid for the shares, the vesting schedule for each option, the price, if any, to be paid by the grantee for the restricted stock, the restrictions placed on the shares, and the time or times when the restrictions will lapse. The board of directors or such committee also has the power to accelerate the vesting of any grant or extend the term thereof.

Upon a change of control of Charter, the board of directors or the administering committee can shorten the exercise period of any option, have the survivor or successor entity assume the options with appropriate adjustments, or cancel options and pay out in cash. If an optionee's or grantee's employment is terminated without "cause" or for "good reason" following a "change in control" (as those terms are defined in the plans), unless otherwise provided in an agreement, with respect to such optionee's or grantee's awards under the plans, all outstanding options will become immediately and fully exercisable, all outstanding stock appreciation rights will become immediately and fully exercisable, the restrictions on the outstanding restricted stock will lapse, and all of the outstanding performance shares will vest and the restrictions on all of the outstanding performance shares will lapse as if all performance objectives had been satisfied at the maximum level.

February 2004 Option Exchange. In January 2004, we offered employees of Charter and its subsidiaries the right to exchange all stock options (vested and unvested) under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over \$10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. Based on a sliding exchange ratio, which varied depending on the exercise price of an employee's outstanding options, if an employee would have received more than 400 shares of restricted stock in exchange for tendered options, we issued to that employee shares of restricted stock in the exchange. If, based on the exchange ratios, an employee would have received 400 or fewer shares of restricted stock in exchange for tendered options, we instead paid to the employee cash in an amount equal to the number of shares the employee would have received multiplied by \$5.00. The offer applied to options to purchase a total of 22,929,573 shares of Class A common stock, or approximately 48% of our 47,882,365 total options (vested and unvested) issued and outstanding as of December 31, 2003. Participation by employees was voluntary. Non-employee members of the board of directors of Charter or any of its subsidiaries were not eligible to participate in the exchange offer.

In the closing of the exchange offer on February 20, 2004, we accepted for cancellation eligible options to purchase approximately 18,137,664 shares of our Class A common stock. In exchange, we granted approximately 1,966,686 shares of restricted stock, including 460,777 performance shares to eligible employees of the rank of senior vice president and above, and paid a total cash amount of approximately \$4 million (which amount includes applicable withholding taxes) to those employees who received cash rather than shares of restricted stock. The restricted stock was granted on February 25, 2004. Employees tendered approximately 79% of the options eligible to be exchanged under the program.

The cost of the stock option exchange program was approximately \$10 million, with a 2004 cash compensation expense of approximately \$4 million and a non-cash compensation expense of approximately \$6 million to be expensed ratably over the three-year vesting period of the restricted stock issued in the exchange.

Employment Arrangements

Messrs. May and Chang serve pursuant to letter agreements described below. Mr. Vogel and Ms. Bellville are no longer employees, but served during 2004 pursuant to employment agreements as described below.

Charter entered into an agreement with Robert P. May, effective January 17, 2005, whereby Mr. May serves as Charter's Interim President and Chief Executive Officer (the "May Executive Services Agreement"). Under the May Executive Services Agreement, Mr. May receives a \$1,250,000 base fee per year. If Mr. May becomes Charter's permanent President and Chief Executive Officer or is terminated without cause, Mr. May will be eligible to receive a one-time discretionary bonus up to 100% of the actual base fee paid to him for his interim service under the

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agreement, based on individual and company performance. Mr. May will continue to receive the compensation and reimbursement of expenses to which he is entitled in his capacity as a member of the board of directors. Mr. May may terminate the May Executive Services Agreement on thirty (30) days notice. Charter may terminate such agreement upon three (3) months notice, and Charter may elect at its discretion to pay Mr. May the base rate for such period in lieu of all or part of the notice. Subject to the approval of the board of directors or a suitable committee thereof, Mr. May will be granted options to purchase shares of Charter Class A common stock and/or receive a grant of restricted stock pursuant to the Charter Communications, Inc. 2001 Stock Incentive Plan, the number and terms of which will be determined as soon as practicable. Mr. May serves as an independent contractor and is not entitled to any vacation or eligible to participate in any employee benefit programs of Charter. Charter will reimburse Mr. May for reasonable transportation costs from Mr. May's residence in Florida or other locations to Charter's offices and will provide temporary living quarters or reimburse expenses related thereto.

Mr. Chang is employed under the terms contained in an offer letter effective December 2, 2003 providing for an annual base salary of \$400,000 (which has since been increased to \$450,000 per year) and eligibility for an annual incentive target of 100% of the base salary (based on a combination of personal performance goals and overall company performance). Mr. Chang is also eligible to participate in our 2001 Stock Incentive Plan. Under this plan, Mr. Chang was granted 350,000 options to purchase Class A common stock and 50,000 restricted shares on December 9, 2003. Mr. Chang is also entitled to participate in our LTIP. Mr. Chang's agreement provides that one half of each of his unvested restricted shares would immediately vest, and one half of his unvested options of the initial option grant would vest if he is terminated without cause or if he elects to terminate his employment due to (1) a change in our Chief Executive Officer, (2) a change in reporting relationship to anyone other than the Chief Executive Officer, (3) a requirement that the employee relocate, or (4) a change of control of Charter, if terminated without cause. In addition, Mr. Chang would be entitled to eighteen months of full severance benefits at his current compensation rate, plus the pro rata portion of his bonus amounts within thirty days after termination because of any of these events. In light of Mr. Vogel's resignation, Charter and Mr. Chang have agreed that he will have until April 15, 2005 to exercise his right to terminate his employment and receive the foregoing vesting, severance and other benefits. In addition, Charter has agreed that it will pay Mr. Chang a special \$150,000 bonus, in addition to any other bonuses to which he may be otherwise entitled, conditioned on Mr. Chang's continued service as Interim co-Chief Financial Officer through March 31, 2005, or any earlier date on which Charter may appoint a new permanent Chief Financial Officer, and on his continued employment with Charter when the bonus is payable in March 2005. Mr. Chang has informed Charter of his intention to resign effective April 15, 2005.

Until his resignation in January 2005, Mr. Vogel was employed as President and Chief Executive Officer, earning a base annual salary of \$1,000,000 and was eligible to receive an annual bonus of up to \$500,000, a portion of which was based on personal performance goals and a portion of which was based on company performance measured against criteria established by the board with Mr. Vogel. Pursuant to his employment agreement, Mr. Vogel was granted 3,400,000 options to purchase Class A common stock and 50,000 shares of restricted stock under our 2001 Stock Incentive Plan. In the February 2004 option exchange, Mr. Vogel exchanged his 3,400,000 options for 340,000 shares of restricted stock and 340,000 performance shares. Mr. Vogel's initial 50,000 restricted shares vested 25% on the grant date, with the remainder vesting in 36 equal monthly installments beginning December 2002. The 340,000 shares of restricted stock were to vest over a three-year period, with one-third of the shares vesting on each of the first three anniversaries of the grant date. The 340,000 performance shares were to vest at the end of a three-year period if certain financial criteria were met. Mr. Vogel's agreement provided that, if Mr. Vogel is terminated without cause or if Mr. Vogel terminated the agreement for good reason, he is entitled to his aggregate base salary due during the remainder of the term and full prorated benefits and bonus for the year in which termination occurs. Mr. Vogel's agreement included a covenant not to compete for the balance of the initial term or any renewal term, but no more than one year in the event of termination without cause or by Mr. Vogel with good reason. Mr. Vogel's agreement entitled him to participate in any disability insurance, pensions or other benefit plans afforded to employees generally or to our executives, including our LTIP. We agreed to reimburse Mr. Vogel annually for the cost of term life insurance in the amount of \$5 million, although he declined this reimbursement in 2002, 2003 and 2004. Mr. Vogel was entitled to reimbursement of fees and dues for his membership in a country club of his choice, which he declined in 2002, 2003 and 2004, and reimbursement for up to \$10,000 per year for tax, legal and financial planning services. His agreement also provided for a car and associated expenses for Mr. Vogel's use. Mr. Vogel's agreement provided for automatic one-year renewals and also provided that we would cause him to be elected to our board of directors without any additional compensation.

In February 2005, Charter entered into an agreement with Mr. Vogel setting forth the terms of his resignation. Under the terms of the agreement, Mr. Vogel received in February 2005 all accrued and unpaid base salary and vacation pay through the date of resignation and a lump sum payment equal to the remainder of his base salary during 2005 (totaling \$953,425). In addition, he will receive a lump sum cash payment of \$500,000 at December 31, 2005, which is subject to reduction to the extent of compensation attributable to certain competitive activities.

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Mr. Vogel will continue to receive certain health benefits during 2005 and COBRA premiums for such health insurance coverage for 18 months thereafter. All of his outstanding stock options, as well as his restricted stock granted in 2004 (excluding 340,000 shares of restricted stock granted as "performance units", which will automatically be forfeited), will continue to vest through December 31, 2005. In addition, one-half of the remaining unvested portion of his 2001 restricted stock grant will vest immediately, and the other half was forfeited. Mr. Vogel will have 60 days after December 31, 2005 to exercise any outstanding vested stock options. Under the agreement, Mr. Vogel waived any further right to any bonus or incentive plan participation and provided certain releases of claims against Charter and its subsidiaries from any claims arising out of or based upon any facts occurring prior to the date of the agreement, but Charter will continue to provide Mr. Vogel certain indemnification rights and to include Mr. Vogel in its director and officer liability insurance for a period of six years. Charter and its subsidiaries also agreed to provide releases of certain claims against Mr. Vogel with certain exceptions reserved. Mr. Vogel has also agreed, with limited exceptions that he will continue to be bound by the covenant not to compete, confidentiality and non-disparagement provisions contained in his 2001 employment agreement.

Ms. Bellville was employed as Executive Vice President, Chief Operating Officer. Until her resignation in September 2004, she was employed under an employment agreement entered into as of April 27, 2003, that would have terminated on September 1, 2007. Her annual base salary was \$625,000 and she was eligible to receive an annual bonus in an amount to be determined by our board of directors, with a contractual minimum for 2003 of \$203,125. Commencing in 2004, Ms. Bellville would have been eligible to receive a target annual bonus equal to 100% of her base salary for the applicable year at the discretion of the board of directors, 50% to be based on personal performance goals and 50% to be based on overall company performance. Under a prior offer letter dated December 3, 2002, Ms. Bellville was granted 500,000 options to purchase shares of our Class A common stock, which vested 25% on the date of the grant (December 9, 2002), with the balance to vest in 36 equal installments commencing January 2003. Ms. Bellville's employment agreement provided that if she was terminated without cause or if she terminated the agreement for good reason (including due to a change in control or if Ms. Bellville was required to report, directly or indirectly, to persons other than the Chief Executive Officer), we would pay Ms. Bellville an amount equal to the aggregate base salary due to Ms. Bellville during the remainder of the term, or renewal term and a full prorated bonus for the year in which the termination occurs, within thirty days of termination. Ms. Bellville's agreement included a covenant not to compete for the balance of the initial term or any renewal term, but no more than one year, in the event of termination without cause or by her with good reason. Her agreement further provided that she was entitled to participate in any disability insurance, pension or other benefit plan afforded to employees generally or to executives, including our LTIP. Ms. Bellville was entitled to a monthly car allowance and reimbursement for all business expenses associated with the use of such car. Ms. Bellville's agreement provided that she was entitled to the reimbursement of dues for her membership in a country club of her choice, and reimbursement for up to \$5,000 per year for tax, legal and financial planning services. Her base salary may have been increased at the discretion of our board of directors. Ms. Bellville's agreement provided for automatic one-year renewals.

On September 16, 2004, Charter entered into an agreement with Ms. Bellville governing the terms and conditions of her resignation as an officer and employee of Charter. Under the terms of this agreement, Ms. Bellville has the right to receive 65 weeks of base pay based on an annual base of \$625,000, plus usual compensation for all accrued vacation and other leave time. Her options to purchase 700,000 shares of Class A common stock will continue to vest during the salary continuation period. Ms. Bellville will have 60 days after the expiration of the salary continuation period to exercise any outstanding vested options at the applicable exercise prices established at each grant date. To date, Ms. Bellville has exercised her options to purchase 350,000 shares. Ms. Bellville is entitled to receive relocation benefits under Charter's current relocation policy with respect to a move to a specified geographic area and will be provided outplacement assistance for 6 months following the date of her separation from Charter. Her resignation was effective September 30, 2004. The agreement provides that the previously existing employment agreement would terminate, except for certain ongoing obligations on Ms. Bellville's part concerning confidentiality, non-solicitation and non-disparagement. The contractual restriction on her ability to solicit current Charter employees does not apply to persons who, at the time of solicitation, have not worked for Charter in the prior 6 months and are not receiving severance from Charter. In addition, the non-competition provisions of her employment agreement were waived. Under the agreement, Ms. Bellville waived a right to any bonus or incentive plan and released Charter from any claims arising out of or based upon any facts occurring prior to the date of the agreement, but Charter will continue to provide Ms. Bellville certain indemnification rights for that period.

In addition to the indemnification provisions which apply to all employees under our bylaws, Mr. Vogel's and Ms. Bellville's agreements provide that we will indemnify and hold harmless each employee to the maximum extent permitted by law from and against any claims, damages, liabilities, losses, costs or expenses in connection with or

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arising out of the performance by the applicable employee of his or her duties. Each of the above agreements also contains confidentiality and non-solicitation provisions.

Effective January 28, 2005, we eliminated the position of Chief Administrative Officer, resulting in the termination of employment of Steven A. Schumm, Executive Vice President and Chief Administrative Officer from Charter and each of our subsidiaries for which Mr. Schumm served as an officer. Pursuant to a Separation Agreement executed on February 8, 2005, we will continue to pay Mr. Schumm's base salary for 65 weeks at an annual rate of \$450,000, and Mr. Schumm will be paid a bonus of \$15,815 at such time as other executives receive their bonuses. Mr. Schumm's stock options will continue to vest during the 65-week severance period, and he will have 60 days thereafter to exercise any vested options.

We have established separation guidelines which generally apply to all employees in situations where management determines that an employee is entitled to severance benefits. Severance benefits are granted solely in management's discretion and are not an employee entitlement or guaranteed benefit. The guidelines provide that persons employed at the level of Senior Vice President may be eligible to receive between six and fifteen months of severance benefits and persons employed at the level of Executive Vice President may be eligible to receive between nine and eighteen months of severance benefits in the event of separation under certain circumstances generally including elimination of a position, work unit or general staff reduction. Separation benefits are contingent upon the signing of a separation agreement containing certain provisions including a release of all claims against us. Severance amounts paid under these guidelines are distinct and separate from any one-time, special or enhanced severance programs that may be approved by us from time to time.

Our senior executives are eligible to receive bonuses according to our 2005 Executive Bonus Plan. Under this plan, our executive officers and certain other management and professional employees are eligible to receive an annual bonus. Each participating employee would receive his or her target bonus if Charter (or such employee's division) meets specified performance measures for revenues, operating cash flow, free cash flow and customer satisfaction.

Limitation of Directors' Liability and Indemnification Matters

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. The Delaware General Corporation Law provides that a corporation may eliminate or limit the personal liability of a director for monetary damages for breach of fiduciary duty as a director, except for liability for:

- (1) any breach of the director's duty of loyalty to the corporation and its shareholders;
- (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- (3) unlawful payments of dividends or unlawful stock purchases or redemptions; or
- (4) any transaction from which the director derived an improper personal benefit.

Our bylaws provide that we will indemnify all persons whom we may indemnify pursuant thereto to the fullest extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We have reimbursed certain of our current and former directors, officers and employees in connection with their defense in certain legal actions. See "Item 13. Certain Relationships and Related Transactions — Other Miscellaneous Relationships — Indemnification Advances."

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Beneficial Ownership of Securities

The following table sets forth certain information regarding beneficial ownership of Charter's Class A common stock as of January 31, 2005 by:

- each person currently serving as a director of Charter;

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- the current chief executive officer and individuals named in the Summary Compensation Table;
- all persons currently serving as directors and officers of Charter, as a group; and
- each person known by us to own beneficially 5% or more of our outstanding Class A common stock.

With respect to the percentage of voting power set forth in the following table:

- each holder of Class A common stock is entitled to one vote per share; and
- each holder of Class B common stock is entitled to (i) ten votes per share of Class B common stock held by such holder and its affiliates and (ii) ten votes per share of Class B Common Stock for which membership units in Charter Holdco held by such holder and its affiliates are exchangeable.

Name and Address of Beneficial Owner	Number of Class A Shares (Voting and Investment Power)(1)	Unvested Restricted Class A Shares (Voting Power Only) (2)	Class A Shares Receivable on Exercise of Vested Options or Other Convertible Securities (3)	Number of Class B Shares Owned	Class B Shares Issuable upon Exchange or Conversion of Units (4)	% of Equity (4)(5)	% of Voting Power (5)(6)
Paul G. Allen (7)	29,126,463	15,823	10,000	50,000	339,132,031	57.19%	92.54%
Charter Investment, Inc. (8)					222,818,858	42.23%	*
Vulcan Cable III Inc. (9)					116,313,173	27.62%	*
Robert P. May (10)		19,685				*	*
John H. Tory	14,182	15,823	40,000			*	*
Marc B. Nathanson	399,882	15,823	50,000			*	*
Charles M. Lillis (11)	11,429	18,416				*	*
David C. Merritt	9,882	15,823				*	*
Jo Allen Patton (12)		10,977				*	*
W. Lance Conn (13)		19,231				*	*
Jonathan L. Dolgen (10)		19,685				*	*
Larry W. Wangberg	12,882	15,823	40,000			*	*
Derek Chang	22,500	37,500	121,250			*	*
Curtis S. Shaw	5,000		489,250			*	*
Michael J. Lovett	7,500		44,375			*	*
All current directors and executive officers as a group (15 persons)	29,619,923	225,620	1,096,750	50,000	339,132,031	57.32%	92.56%
Carl E. Vogel (14)	208,126	226,666	735,625			*	*
Margaret A. Bellville (15)			106,249			*	*
Steven A. Schumm (16)	23,276	43,548	216,250			*	*
Mark Cuban (17)	19,000,000					6.23%	*
Wallace R. Weitz & Company (18)	26,000,000					8.53%	*
Amaranth L.L.C. (19)			21,322,312			6.54%	

* Less than 1%.

- (1) Includes shares for which the named person has sole voting and investment power; or shared voting and investment power with a spouse. Does not include shares that may be acquired through exercise of options.
- (2) Includes unvested shares of restricted stock issued under the Charter Communications, Inc. 2001 Stock Incentive Plan (including those issued in the February 2004 option exchange for those eligible employees who elected to participate), as to which the applicable director or employee has sole voting power but not investment power. Excludes certain performance units granted under the Charter 2001 Stock Incentive Plan with respect to which shares will not be issued until the third anniversary of the grant date and then only if Charter meets certain performance criteria (and which consequently do not provide the holder with any voting rights).
- (3) Includes shares of Class A common stock issuable upon exercise of options that have vested or will vest on or before April 1, 2005 under the 1999 Charter Communications Option Plan and the 2001 Stock Incentive Plan.
- (4) Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. The beneficial owners at December 31, 2004 of Class B common stock, Charter Holdco membership units and convertible senior notes of Charter are deemed to be beneficial owners of an equal number of shares of Class A common

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stock because such holdings are either convertible into Class A shares (in the case of Class B shares and convertible senior notes) or exchangeable (directly or indirectly) for Class A shares (in the case of the membership units) on a one-for-one basis. Unless otherwise noted, the named holders have sole investment and voting power with respect to the shares listed as beneficially owned. An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII, LLC membership interests following the consummation of the Bresnan put transaction on June 6, 2003. See “Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII.”

(5) The calculation of this percentage assumes for each person that:

- 304,795,728 shares of Class A common stock are issued and outstanding as of January 31, 2005;
- 50,000 shares of Class B common stock held by Mr. Allen have been converted into shares of Class A common stock;
- the acquisition by such person of all shares of Class A common stock that such person or affiliates of such person has the right to acquire upon exchange of membership units in subsidiaries or conversion of Series A Convertible Redeemable Preferred Stock or 5.875% or 4.75% convertible senior notes;
- the acquisition by such person of all shares that may be acquired upon exercise of options to purchase shares or exchangeable membership units that have vested or will vest by March 1, 2005; and
- that none of the other listed persons or entities has received any shares of Class A common stock that are issuable to any of such persons pursuant to the exercise of options or otherwise.

A person is deemed to have the right to acquire shares of Class A common stock with respect to options vested under the 1999 Charter Communications Option Plan. When vested, these options are exercisable for membership units of Charter Holdco, which are immediately exchanged on a one-for-one basis for shares of Charter Class A common stock. A person is also deemed to have the right to acquire shares of Class A common stock issuable upon the exercise of vested options under the 2001 Stock Incentive Plan.

(6) The calculation of this percentage assumes that Mr. Allen’s equity interests are retained in the form that maximizes voting power (i.e., the 50,000 shares of Class B common stock held by Mr. Allen have not been converted into shares of Class A common stock; that the membership units of Charter Holdco owned by each of Vulcan Cable III Inc. and Charter Investment, Inc. have not been exchanged for shares of Class A common stock).

(7) The total listed includes:

- 222,818,858 membership units in Charter Holdco held by Charter Investment, Inc.; and
- 116,313,173 membership units in Charter Holdco held by Vulcan Cable III Inc.

The listed total excludes 24,273,943 shares of Class A common stock issuable upon exchange of units of Charter Holdco, which may be issuable to Charter Investment, Inc. (which is owned by Mr. Allen) as a consequence of the closing of his purchase of the membership interests in CC VIII, LLC that were put to Mr. Allen and were purchased by him on June 6, 2003. An issue has arisen regarding the ultimate ownership of such CC VIII, LLC membership interests following the consummation of such put transaction. See “Item 13. Certain Relationships and Related Transactions — Transactions Arising out of Our Organizational Structure and Mr. Allen’s Investment in Charter Communications, Inc. and Its Subsidiaries — Equity Put Rights — CC VIII.”

The address of this person is: 505 Fifth Avenue South, Suite 900, Seattle, WA 98104.

(8) Includes 222,818,858 membership units in Charter Holdco, which are exchangeable for shares of Class B common stock on a one-for-one basis, which are convertible to shares of Class A common stock on a one-for-one basis. The address of this person is Charter Plaza, 12405 Powerscourt Drive, St. Louis, MO 63131.

(9) Includes 116,313,173 membership units in Charter Holdco, which are exchangeable for shares of Class B common stock on a one-for-one basis, which are convertible to shares of Class A common stock on a one-for-one basis. The address of this person is: 505 Fifth Avenue South, Suite 900, Seattle, WA 98104.

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- (10) Mr. May and Mr. Dolgen were elected to the board of directors of Charter on October 21, 2004 and were each granted 19,685 shares on October 21, 2004 which will fully vest on October 21, 2005.
- (11) Mr. Lillis was granted 11,429 shares of restricted Class A common stock on October 3, 2003, which vested fully on October 3, 2004. He was granted 18,416 shares of restricted Class A common stock on October 3, 2004, which will vest fully on October 3, 2005.
- (12) Ms. Patton was appointed to the board of directors of Charter on April 27, 2004 and was granted 10,997 shares on that date which will vest fully on April 27, 2005.
- (13) Mr. Conn was elected to the board of directors of Charter on September 24, 2004 and was granted 19,231 shares on September 30, 2004, which will vest fully on September 30, 2005.
- (14) Mr. Vogel terminated his employment effective on January 17, 2005. His stock options and restricted stock shown in this table continue to vest through December 31, 2005, and his options will be exercisable for another 60 days thereafter.
- (15) Ms. Bellville resigned from Charter effective September 30, 2004. Under the terms of her separation agreement, her options will continue to vest until December 31, 2005, and all vested options are exercisable until sixty (60) days thereafter.
- (16) Includes 1,000 shares for which Mr. Schumm has shared investment and voting power. Mr. Schumm's employment was terminated effective January 28, 2005. His stock options and restricted stock shown in this table continue to vest for 65 weeks following his termination, and his options will be exercisable for another 60 days thereafter.
- (17) The equity ownership reported in this table is based upon holder's Schedule 13G filed with the SEC May 21, 2003. The address of this person is: 5424 Deloache, Dallas, Texas 75220.
- (18) The equity ownership reported in this table, for both the named holder and its president and primary owner, Wallace R. Weitz, is based upon holders' Schedule 13G filed with the SEC on January 12, 2005, and reflects the holders' ownership in its capacity as an investment advisor and not ownership for its own account. The address of this person is: 1125 South 103rd Street, Suite 600, Omaha, Nebraska 68124-6008.
- (19) The equity ownership reported in this table is based upon holder's Schedule 13G filed with the SEC February 2, 2005. The address of this person is: c/o Amaranth Advisors L.L.C., One American Lane, Greenwich, Connecticut, 06831.

Securities authorized for issuance under equity compensation plans

The following information is provided as of December 31, 2004 with respect to equity compensation plans:

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders	24,834,513(1)	\$ 6.57	54,701,158
Equity compensation plans not approved by security holders	475,653(2)	\$ 10.39	—
TOTAL	25,310,166	\$ 6.64	54,701,158

- (1) This total does not include 2,076,860 shares issued pursuant to restricted stock grants made under our 2001 Stock Incentive Plan, which were subject to vesting based on continued employment or 6,899,600 performance shares issued under our LTIP plan, which were subject to vesting upon achievement of certain performance criteria.

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- (2) Includes shares of Class A common stock to be issued upon exercise of options granted pursuant to an individual compensation agreement with a consultant. We have agreed to exchange 186,385 of these options for 18,638 shares of Class A common stock.

Item 13. Certain Relationships and Related Transactions.

The following sets forth certain transactions in which we are involved and in which the directors, executive officers and affiliates of Charter have or may have a material interest. The transactions fall generally into three broad categories:

- **Transactions in which Mr. Allen has an interest that arise directly out of Mr. Allen's investment in Charter and Charter Holdco.** A large number of the transactions described below arise out of Mr. Allen's direct and indirect (through Charter Investment, Inc., or the Vulcan entities, each of which Mr. Allen controls) investment in Charter and its subsidiaries, as well as commitments made as consideration for the investments themselves.
- **Transactions with third party providers of products, services and content in which Mr. Allen has or had a material interest.** Mr. Allen has had numerous investments in the areas of technology and media. We have a number of commercial relationships with third parties in which Mr. Allen has or had an interest.
- **Other Miscellaneous Transactions.** We have a limited number of transactions in which certain of the officers, directors and principal shareholders of Charter and its subsidiaries, other than Mr. Allen, have an interest.

A number of our debt instruments and those of our subsidiaries require delivery of fairness opinions for transactions with Mr. Allen or his affiliates involving more than \$50 million. Such fairness opinions have been obtained whenever required. All of our transactions with Mr. Allen or his affiliates have been considered for approval either by the board of directors of Charter or a committee of the board of directors and, in compliance with corporate governance requirements, all related party transactions are considered by Charter's Audit Committee comprised entirely of independent directors. All of our transactions with Mr. Allen or his affiliates have been deemed by the board of directors or a committee of the board of directors to be in our best interest. Except where noted below, we do not believe that these transactions present any unusual risks for us that would not be present in any similar commercial transaction.

The chart below summarizes certain information with respect to these transactions. Additional information regarding these transactions is provided following the chart.

<u>Transaction</u>	<u>Interested Related Party</u>	<u>Description of Transaction</u>
Intercompany Management Arrangements	Paul G. Allen	Subsidiaries of Charter Holdco paid Charter approximately \$90 million for management services rendered in 2004.
Mutual Services Agreement	Paul G. Allen	Charter paid Charter Holdco \$74 million for services rendered in 2004.
Previous Management Agreement	Paul G. Allen	No fees were paid in 2004, although total management fees accrued and payable to Charter Investment, Inc., exclusive of interest, were approximately \$14 million at December 31, 2004.
Channel Access Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	At Vulcan Ventures' request, we will provide Vulcan Ventures with exclusive rights for carriage on eight of our digital cable channels as partial consideration for a 1999 capital contribution of approximately \$1.3 billion.
Equity Put Rights	Paul G. Allen	Certain sellers of cable systems that we acquired were granted, or previously had the right, as described below,

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<u>Transaction</u>	<u>Interested Related Party</u>	<u>Description of Transaction</u>
		to put to Paul Allen equity in Charter and CC VIII, LLC issued to such sellers in connection with such acquisitions.
Mirror Securities	Paul G. Allen W. Lance Conn Jo Allen Patton	To comply with the organizational documents of Charter and Charter Holdco, Charter Holdco issued certain mirror securities to Charter, redeemed certain other mirror securities, and paid interest and dividends on outstanding mirror notes and preferred units.
TechTV Carriage Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton William D. Savoy Larry W. Wangberg	We recorded approximately \$5 million from TechTV under the affiliation agreement in 2004 related to launch incentives as a reduction of programming expense and paid TechTV approximately \$2 million.
Oxygen Media Corporation Carriage Agreement	Paul G. Allen W. Lance Conn Jo Allen Patton	We paid Oxygen Media approximately \$13 million under a carriage agreement in exchange for programming in 2004. We recorded approximately \$1 million in 2004 from Oxygen Media related to launch incentives as a reduction of programming expense. We will receive 1 million shares of Oxygen Preferred Stock with a liquidation preference of \$33.10 per share in March 2005. We recognized approximately \$13 million as a reduction of programming expense in 2004, in recognition of the guaranteed value of the investment.
Portland Trail Blazers Carriage Agreement	Paul G. Allen	We paid approximately \$96,100 for rights to carry the cable broadcast of certain Trail Blazers basketball games in 2004.
Digeo, Inc. Broadband Carriage Agreement	Paul G. Allen William D. Savoy Carl E. Vogel	We paid Digeo approximately \$3 million for customized development of the i-channels and the local content tool kit in 2004. We entered into a license agreement in 2004 for the Digeo software that runs DVR units purchased from a third party. Charter paid approximately \$474,400 in license and maintenance fees in 2004. In 2004, we executed a purchase agreement for the purchase of up to 70,000 DVR units and a related software license agreement, both subject to satisfaction of certain conditions.
Viacom Networks	Jonathan L. Dolgen	We are party to certain affiliation agreements with networks of Viacom, pursuant to which Viacom provides Charter with programming for distribution via our cable systems. For the year ended December 31, 2004, Charter paid Viacom approximately \$194 million for programming and Charter recorded as receivables approximately \$8 million from Viacom for launch incentives and marketing support.
ADC Telecommunications Inc.	Larry W. Wangberg	We paid \$344,800 to purchase certain access/network equipment in 2004.
HDNet and HDNet Movies Network	Mark Cuban	Charter Holdco is party to an agreement to carry two around-the-clock, high definition networks, HDNet and HDNet Movies. We paid HDNet and HDNet Movies approximately \$609,100 in 2004.
Affiliate lease agreement	David L. McCall	We paid approximately \$43,400 in 2004 under an office

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<u>Transaction</u>	<u>Interested Related Party</u>	<u>Description of Transaction</u>
		lease agreement to a partnership controlled by Mr. McCall, a former executive officer who resigned in January 2003.
Carriage fees	David C. Merritt	We paid approximately \$1 million in 2004 to carry The Outdoor Channel. Mr. Merritt is a director of an affiliate of this channel.
Payment for relative's services	Carl E. Vogel	During all of 2004, Mr. Vogel's brother-in-law was an employee of Charter Holdco and was paid a salary commensurate with his position in the engineering department.
Indemnification Advances	Current and former directors and current and former officers named in certain legal proceedings	Charter reimbursed certain of its current and former directors and executive officers a total of approximately \$3 million for costs incurred in connection with litigation matters in 2004.

The following sets forth additional information regarding the transactions summarized above.

Transactions Arising Out of Our Organizational Structure and Mr. Allen's Investment in Charter Communications, Inc. and Its Subsidiaries

As noted above, a number of our related party transactions arise out of Mr. Allen's investment in Charter and its subsidiaries. Some of these transactions are with Charter Investment, Inc. and Vulcan Ventures (both owned 100% by Mr. Allen), Charter (controlled by Mr. Allen) and Charter Holdco (approximately 47% owned by us and 53% owned by other affiliates of Mr. Allen). See "Item 1. Business — Organizational Chart" for more information regarding the ownership by Mr. Allen and certain of his affiliates.

Intercompany Management Arrangements.

Charter is a party to management arrangements with Charter Holdco and certain of its subsidiaries. Under these agreements, Charter provides management services for the cable systems owned or operated by its subsidiaries. These management agreements provide for reimbursement to Charter for all costs and expenses incurred by it attributable to the ownership and operation of the managed cable systems (referred to as "company expenses"), plus an additional fee to reimburse additional costs incurred by Charter that are not in the nature of company expenses (such as corporate overhead, administration and salary expense). The management agreements covering the CC VI, CC VII, and CC VIII companies limit the additional fee that is not in respect of company expenses to 5%, 5%, and 3.5%, respectively, of their respective gross revenues. Under the arrangement covering all of our other operating subsidiaries, there is no limit on the dollar amount or percentage of revenues payable as this additional fee.

However, the total amount paid by Charter Holdco and all of its subsidiaries is limited to the amount necessary to reimburse Charter for all of its expenses, costs, losses, liabilities and damages paid or incurred by it in connection with the performance of its services under the various management agreements and in connection with its corporate overhead, administration, salary expense and similar items. The expenses subject to reimbursement include fees Charter is obligated to pay under the mutual services agreement with Charter Investment, Inc. Payment of management fees by Charter's operating subsidiaries is subject to certain restrictions under the credit facilities and indentures of such subsidiaries and the indentures governing the Charter Holdings public debt. If any portion of the management fee due and payable is not paid, it is deferred by Charter and accrued as a liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per year, compounded annually, from the date it was due and payable until the date it is paid. For the year ended December 31, 2004, the subsidiaries of Charter Holdings paid a total of \$90 million in management fees to Charter.

Mutual Services Agreement

Charter, Charter Holdco and Charter Investment, Inc. are parties to a mutual services agreement whereby each party shall provide rights and services to the other parties as may be reasonably requested for the management of the entities involved and their subsidiaries, including the cable systems owned by their subsidiaries all on a cost-reimbursement basis. The officers and employees of each party are available to the other parties to provide these

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rights and services, and all expenses and costs incurred in providing these rights and services are paid by Charter. Each of the parties will indemnify and hold harmless the other parties and their directors, officers and employees from and against any and all claims that may be made against any of them in connection with the mutual services agreement except due to its or their gross negligence or willful misconduct. The mutual services agreement expires on November 12, 2009, and may be terminated at any time by any party upon thirty days' written notice to the other. For the year ended December 31, 2004, Charter paid approximately \$74 million to Charter Holdco for services rendered pursuant to the mutual services agreement. All such amounts are reimbursable to Charter pursuant to a management arrangement with our subsidiaries. See " — Intercompany Management Arrangements." The accounts and balances related to these services eliminate in consolidation. Charter Investment, Inc. no longer provides services pursuant to this agreement.

Previous Management Agreement with Charter Investment, Inc.

Prior to November 12, 1999, Charter Investment, Inc. provided management and consulting services to our operating subsidiaries for a fee equal to 3.5% of the gross revenues of the systems then owned, plus reimbursement of expenses. The balance of management fees payable under the previous management agreement was accrued with payment at the discretion of Charter Investment, Inc., with interest payable on unpaid amounts. For the year ended December 31, 2004, Charter's subsidiaries did not pay any fees to Charter Investment, Inc. to reduce management fees payable. As of December 31, 2004, total management fees payable by our subsidiaries to Charter Investment, Inc. were approximately \$14 million, exclusive of any interest that may be charged.

Charter Communications Holding Company, LLC Limited Liability Agreement — Taxes

The limited liability company agreement of Charter Holdco contains special provisions regarding the allocation of tax losses and profits among its members — Vulcan Cable III Inc., Charter Investment, Inc. and us. In some situations, these provisions may cause us to pay more tax than would otherwise be due if Charter Holdco had allocated profits and losses among its members based generally on the number of common membership units. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Income Taxes."

Vulcan Ventures Channel Access Agreement

Vulcan Ventures, an entity controlled by Mr. Allen, Charter, Charter Investment and Charter Holdco are parties to an agreement dated September 21, 1999 granting to Vulcan Ventures the right to use up to eight of our digital cable channels as partial consideration for a prior capital contribution of \$1.325 billion. Specifically, at Vulcan Ventures' request, we will provide Vulcan Ventures with exclusive rights for carriage of up to eight digital cable television programming services or channels on each of the digital cable systems with local and to the extent available, national control of the digital product owned, operated, controlled or managed by Charter or its subsidiaries now or in the future of 550 megahertz or more. If the system offers digital services but has less than 550 megahertz of capacity, then the programming services will be equitably reduced. Upon request of Vulcan Ventures, we will attempt to reach a comprehensive programming agreement pursuant to which it will pay the programmer, if possible, a fee per digital video customer. If such fee arrangement is not achieved, then we and the programmer shall enter into a standard programming agreement. The initial term of the channel access agreement was 10 years, and the term extends by one additional year (such that the remaining term continues to be 10 years) on each anniversary date of the agreement unless either party provides the other with notice to the contrary at least 60 days prior to such anniversary date. To date, Vulcan Ventures has not requested to use any of these channels. However, in the future it is possible that Vulcan Ventures could require us to carry programming that is less profitable to us than the programming that we would otherwise carry and our results would suffer accordingly.

Equity Put Rights

CC VIII. As part of the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, CC VIII, Charter's indirect limited liability company subsidiary, issued, after adjustments, 24,273,943 Class A preferred membership units (collectively, the "CC VIII interest") with a value and an initial capital account of approximately \$630 million to certain sellers affiliated with AT&T Broadband, subsequently owned by Comcast Corporation (the "Comcast sellers"). While held by the Comcast sellers, the CC VIII interest was entitled to a 2% priority return on its initial capital account and such priority return was entitled to preferential distributions from available cash and upon liquidation of CC VIII. While held by the Comcast sellers, the CC VIII interest generally did not share in the profits and losses of CC VIII. Mr. Allen granted the Comcast sellers the right to sell to him the CC VIII interest for approximately \$630 million plus 4.5% interest

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annually from February 2000 (the “Comcast put right”). In April 2002, the Comcast sellers exercised the Comcast put right in full, and this transaction was consummated on June 6, 2003. Accordingly, Mr. Allen has become the holder of the CC VIII interest, indirectly through an affiliate. Consequently, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafter will be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would be entitled to a priority distribution with respect to the 2% priority return (which will continue to accrete). Any remaining distributions in liquidation would be distributed to CC V Holdings, LLC and Mr. Allen in proportion to CC V Holdings, LLC’s capital account and Mr. Allen’s capital account (which will equal the initial capital account of the Comcast sellers of approximately \$630 million, increased or decreased by Mr. Allen’s pro rata share of CC VIII’s profits or losses (as computed for capital account purposes) after June 6, 2003). The limited liability company agreement of CC VIII does not provide for a mandatory redemption of the CC VIII interest.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII interest following consummation of the Comcast put right. Specifically, under the terms of the Bresnan transaction documents that were entered into in June 1999, the Comcast sellers originally would have received, after adjustments, 24,273,943 Charter Holdco membership units, but due to an FCC regulatory issue raised by the Comcast sellers shortly before closing, the Bresnan transaction was modified to provide that the Comcast sellers instead would receive the preferred equity interests in CC VIII represented by the CC VIII interest. As part of the last-minute changes to the Bresnan transaction documents, a draft amended version of the Charter Holdco limited liability company agreement was prepared, and contract provisions were drafted for that agreement that would have required an automatic exchange of the CC VIII interest for 24,273,943 Charter Holdco membership units if the Comcast sellers exercised the Comcast put right and sold the CC VIII interest to Mr. Allen or his affiliates. However, the provisions that would have required this automatic exchange did not appear in the final version of the Charter Holdco limited liability company agreement that was delivered and executed at the closing of the Bresnan transaction. The law firm that prepared the documents for the Bresnan transaction brought this matter to the attention of Charter and representatives of Mr. Allen in 2002.

Thereafter, the board of directors of Charter formed a Special Committee (currently comprised of Messrs. Merritt, Tory and Wangberg) to investigate the matter and take any other appropriate action on behalf of Charter with respect to this matter. After conducting an investigation of the relevant facts and circumstances, the Special Committee determined that a “scrivener’s error” had occurred in February 2000 in connection with the preparation of the last-minute revisions to the Bresnan transaction documents and that, as a result, Charter should seek the reformation of the Charter Holdco limited liability company agreement, or alternative relief, in order to restore and ensure the obligation that the CC VIII interest be automatically exchanged for Charter Holdco units. The Special Committee further determined that, as part of such contract reformation or alternative relief, Mr. Allen should be required to contribute the CC VIII interest to Charter Holdco in exchange for 24,273,943 Charter Holdco membership units. The Special Committee also recommended to the board of directors of Charter that, to the extent the contract reformation is achieved, the board of directors should consider whether the CC VIII interest should ultimately be held by Charter Holdco or Charter Holdings or another entity owned directly or indirectly by them.

Mr. Allen disagrees with the Special Committee’s determinations described above and has so notified the Special Committee. Mr. Allen contends that the transaction is accurately reflected in the transaction documentation and contemporaneous and subsequent company public disclosures.

The parties engaged in a process of non-binding mediation to seek to resolve this matter, without success. The Special Committee is evaluating what further actions or processes it may undertake to resolve this dispute. To accommodate further deliberation, each party has agreed to refrain from initiating legal proceedings over this matter until it has given at least ten days’ prior notice to the other. In addition, the Special Committee and Mr. Allen have determined to utilize the Delaware Court of Chancery’s program for mediation of complex business disputes in an effort to resolve the CC VIII interest dispute. If the Special Committee and Mr. Allen are unable to reach a resolution through that mediation process or to agree on an alternative dispute resolution process, the Special Committee intends to seek resolution of this dispute through judicial proceedings in an action that would be commenced, after appropriate notice, in the Delaware Court of Chancery against Mr. Allen and his affiliates seeking contract reformation, declaratory relief as to the respective rights of the parties regarding this dispute and alternative forms of legal and equitable relief. The ultimate resolution and financial impact of the dispute are not determinable at this time.

Mirror Securities

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Charter is a holding company and its principal assets are its equity interest in Charter Holdco and certain mirror notes payable by Charter Holdco to Charter and mirror preferred units held by Charter, which have the same principal amount and terms as those of Charter's convertible senior notes and Charter's outstanding preferred stock. In 2004, Charter Holdco paid to Charter \$49 million related to interest on the mirror notes, and Charter Holdco paid an additional \$4 million related to dividends on the mirror preferred membership units. Further, during 2004 Charter Holdco issued 7,252,818 common membership units to Charter in cancellation of \$30 million principal amount of mirror notes so as to mirror the issuance by Charter of Class A common stock in exchange for a like principal amount of its outstanding convertible notes. In addition, in connection with our November 2004 sale of the \$862.5 million principal amount of 5.875% convertible senior notes due 2009, Charter Holdco issued to us mirror notes in identical principal amount in exchange for the proceeds from our offering. Charter Holdco then purchased and pledged certain U.S. government securities to us as security for the mirror notes (which were in turn repledged by us to the trustee for the benefit of holders of our 5.875% convertible senior notes and which we expect to use to fund the first six interest payments on the notes), and agreed to lend common units to us, the terms of which will, to the extent practicable, mirror the terms of the shares. Charter Holdco also redeemed the remaining \$588 million principal amount of the mirror notes in respect of our 5.75% convertible senior notes due 2005 concurrently with our December 23, 2004 redemption of our 5.75% convertible senior notes. In addition, in December 2004, Charter Holdco entered into a unit lending agreement with Charter in which it agreed to lend common units to Charter that would mirror the anticipated loan of Class A common shares by Charter to Citigroup Global Markets pursuant to a share lending agreement. The members of Charter Holdco (including the entities controlled by Mr. Allen) also at that time entered into a letter agreement providing, among other things, that for purposes of the allocation provisions of the Limited Liability Company Agreement of Charter Holdco, the mirror units be treated as disregarded and not outstanding until such time (and except to the extent) that, under Charter's share lending agreement, Charter treats the loaned shares in a manner that assumes they will neither be returned by Charter by the borrower nor otherwise be acquired by Charter in lieu of such a return.

Allocation of Business Opportunities with Mr. Allen

As described under " — Third Party Business Relationships in which Mr. Allen has or had an Interest" in this section, Mr. Allen and a number of his affiliates have interests in various entities that provide services or programming to our subsidiaries. Given the diverse nature of Mr. Allen's investment activities and interests, and to avoid the possibility of future disputes as to potential business, Charter and Charter Holdco, under the terms of their respective organizational documents, may not, and may not allow their subsidiaries, to engage in any business transaction outside the cable transmission business except for the Digeo, Inc. joint venture; a joint venture to develop a digital video recorder set-top terminal; an existing investment in Cable Sports Southeast, LLC, a provider of regional sports programming; as an owner of the business of Interactive Broadcaster Services Corporation or, Chat TV, an investment in @Security Broadband Corp., a company developing broadband security applications; and incidental businesses engaged in as of the closing of Charter's initial public offering in November 1999. This restriction will remain in effect until all of the shares of Charter's high-vote Class B common stock have been converted into shares of Charter Class A common stock due to Mr. Allen's equity ownership falling below specified thresholds.

Should Charter or Charter Holdco or any of their subsidiaries wish to pursue, or allow their subsidiaries to pursue, a business transaction outside of this scope, it must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not to pursue the business transaction and consents to Charter or its subsidiaries engaging in the business transaction, they will be able to do so. In any such case, the restated certificate of incorporation of Charter and the limited liability company agreement of Charter Holdco would need to be amended accordingly to modify the current restrictions on the ability of such entities to engage in any business other than the cable transmission business. The cable transmission business means the business of transmitting video, audio, including telephony, and data over cable systems owned, operated or managed by Charter, Charter Holdco or any of their subsidiaries from time to time.

Under Delaware corporate law, each director of Charter, including Mr. Allen, is generally required to present to Charter, any opportunity he or she may have to acquire any cable transmission business or any company whose principal business is the ownership, operation or management of cable transmission businesses, so that we may determine whether we wish to pursue such opportunities. However, Mr. Allen and the other directors generally will not have an obligation to present other types of business opportunities to Charter and they may exploit such opportunities for their own account.

Also, conflicts could arise with respect to the allocation of corporate opportunities between us and Mr. Allen and his affiliates in connection with his investments in businesses in which we are permitted to engage under Charter's restated certificate of incorporation. Certain of the indentures of Charter and its subsidiaries require the applicable issuer of notes to obtain, under certain circumstances, approval of the board of directors of Charter and, where a transaction or series of related transactions is valued at or in excess of \$50 million, a fairness opinion with respect to transactions in which Mr. Allen has an interest. Related party transactions are approved by our Audit Committee in compliance with the listing requirements applicable to NASDAQ national market listed companies. We have not instituted any other formal plan or arrangement to address potential conflicts of interest.

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The restrictive provisions of the organizational documents described above may limit our ability to take advantage of attractive business opportunities. Consequently, our ability to offer new products and services outside of the cable transmission business and enter into new businesses could be adversely affected, resulting in an adverse effect on our growth, financial condition and results of operations.

Third Party Business Relationships in which Mr. Allen has or had an Interest

As previously noted, Mr. Allen has and has had extensive investments in the areas of media and technology. We have a number of commercial relationships with third parties in which Mr. Allen has an interest. Mr. Allen or his affiliates own equity interests or warrants to purchase equity interests in various entities with which we do business or which provide us with products, services or programming. Mr. Allen owns 100% of the equity of Vulcan Ventures Incorporated and Vulcan Inc. and is the president of Vulcan Ventures. Ms. Jo Allen Patton is a director and the President and Chief Executive Officer of Vulcan Inc. and is a director and Vice President of Vulcan Ventures. Mr. Lance Conn is Executive Vice President of Vulcan Inc. and Vulcan Ventures. The various cable, media, Internet and telephony companies in which Mr. Allen has invested may mutually benefit one another. We can give no assurance, nor should you expect, that any of these business relationships will be successful, that we will realize any benefits from these relationships or that we will enter into any business relationships in the future with Mr. Allen's affiliated companies.

Mr. Allen and his affiliates have made, and in the future likely will make, numerous investments outside of us and our business. We cannot assure you that, in the event that we or any of our subsidiaries enter into transactions in the future with any affiliate of Mr. Allen, such transactions will be on terms as favorable to us as terms we might have obtained from an unrelated third party.

TechTV, Inc.

TechTV, Inc. ("TechTV") operated a cable television network that offered programming mostly related to technology. Pursuant to an affiliation agreement that originated in 1998 and that terminates in 2008, TechTV has provided us with programming for distribution via our cable systems. The affiliation agreement provides, among other things, that TechTV must offer Charter certain terms and conditions that are no less favorable in the affiliation agreement than are given to any other distributor that serves the same number of or fewer TechTV viewing customers. Additionally, pursuant to the affiliation agreement, we were entitled to incentive payments for channel launches through December 31, 2003.

In March 2004, Charter Holdco entered into agreements with Vulcan Programming and TechTV, which provide for (i) Charter Holdco and TechTV to amend the affiliation agreement which, among other things, revises the description of the TechTV network content, provides for Charter Holdco to waive certain claims against TechTV relating to alleged breaches of the affiliation agreement and provides for TechTV to make payment of outstanding launch receivables due to Charter Holdco under the affiliation agreement, (ii) Vulcan Programming to pay approximately \$10 million and purchase over a 24-month period, at fair market rates, \$2 million of advertising time across various cable networks on Charter cable systems in consideration of the agreements, obligations, releases and waivers under the agreements and in settlement of the aforementioned claims and (iii) TechTV to be a provider of content relating to technology and video gaming for Charter's interactive television platforms through December 31, 2006 (exclusive for the first year). For the year ended December 31, 2004, we recognized approximately \$5 million of the Vulcan Programming payment as an offset to programming expense and paid approximately \$2 million to Tech TV under the affiliation agreement.

We believe that Vulcan Programming, which is 100% owned by Mr. Allen, owned an approximate 98% equity interest in TechTV at the time Vulcan Programming sold TechTV to an unrelated third party in May 2004. Until September 2003, Mr. Savoy, a former Charter director, was the president and director of Vulcan Programming and was a director of TechTV. Mr. Wangberg, one of Charter's directors, was the chairman, chief executive officer and a director of TechTV. Mr. Wangberg resigned as the chief executive officer of TechTV in July 2002. He remained a director of TechTV along with Mr. Allen until Vulcan Programming sold TechTV.

Oxygen Media Corporation

Oxygen Media LLC (“Oxygen”) provides programming content aimed at the female audience for distribution over cable systems and satellite. On July 22, 2002, Charter Holdco entered into a carriage agreement with Oxygen, whereby we agreed to carry programming content from Oxygen. Under the carriage agreement, we currently make Oxygen programming available to approximately 5 million of our video customers. The term of the carriage agreement was retroactive to February 1, 2000, the date of launch of Oxygen programming by us, and was to run for a period of five years from that date. For the year ended December 31, 2004, we paid Oxygen approximately \$13 million for programming content. In addition, Oxygen pays us marketing support fees for customers launched after the first year of the term of the carriage agreement up to a total of \$4 million. We recorded approximately \$1 million related to these launch incentives as a reduction of programming expense for the year ended December 31, 2004.

Concurrently with the execution of the carriage agreement, Charter Holdco entered into an equity issuance agreement pursuant to which Oxygen’s parent company, Oxygen Media Corporation (“Oxygen Media”), granted a subsidiary of Charter Holdco a warrant to purchase 2.4 million shares of Oxygen Media common stock for an exercise price of \$22.00 per share. In February 2005, this warrant expired unexercised. Charter Holdco was also to receive unregistered shares of Oxygen Media common stock with a guaranteed fair market value on the date of issuance of \$34 million, on or prior to February 2, 2005, with the exact date to be determined by Oxygen Media, but this commitment was later revised as discussed below.

We recognize the guaranteed value of the investment over the life of the carriage agreement as a reduction of programming expense. For the year ended December 31, 2004, we recorded approximately \$13 million as a reduction of programming expense. The carrying value of our investment in Oxygen was approximately \$32 million as of December 31, 2004.

In August 2004, Charter Holdco and Oxygen entered into agreements that amended and renewed the carriage agreement. The amendment to the carriage agreement (a) revises the number of our customers to which Oxygen programming must be carried and for which we must pay, (b) releases Charter Holdco from any claims related to the failure to achieve distribution benchmarks under the carriage agreement, (c) requires Oxygen to make payment on outstanding receivables for marketing support fees due to us under the carriage agreement; and (d) requires that Oxygen provide its programming content to us on economic terms no less favorable than Oxygen provides to any other cable or satellite operator having fewer subscribers than us. The renewal of the carriage agreement (a) extends the period that we will carry Oxygen programming to our customers through January 31, 2008, and (b) requires license fees to be paid based on customers receiving Oxygen programming, rather than for specific customer benchmarks.

In August 2004, Charter Holdco and Oxygen also amended the equity issuance agreement to provide for the issuance of 1 million shares of Oxygen Preferred Stock with a liquidation preference of \$33.10 per share plus accrued dividends to Charter Holdco on February 1, 2005 in place of the \$34 million of unregistered shares of Oxygen Media common stock. Oxygen Media will deliver these shares in March 2005. The preferred stock is convertible into common stock after December 31, 2007 at a conversion ratio, the numerator of which is the liquidation preference and the denominator which is the fair market value per share of Oxygen Media common stock on the conversion date.

As of December 31, 2004, through Vulcan Programming, Mr. Allen owned an approximate 31% interest in Oxygen assuming no exercises of outstanding warrants or conversion or exchange of convertible or exchangeable securities. Ms. Jo Allen Patton is a director and the President of Vulcan Programming. Mr. Lance Conn is a Vice President of Vulcan Programming. Marc Nathanson has an indirect beneficial interest of less than 1% in Oxygen.

Portland Trail Blazers

On October 7, 1996, the former owner of our Falcon cable systems entered into a letter agreement and a cable television agreement with Trail Blazers Inc. for the cable broadcast in the metropolitan area surrounding Portland, Oregon of pre-season, regular season and playoff basketball games of the Portland Trail Blazers, a National Basketball Association basketball team. Mr. Allen is the 100% owner of the Portland Trail Blazers and Trail Blazers Inc. After the acquisition of the Falcon cable systems in November 1999, we continued to operate under the terms of these agreements until their termination on September 30, 2001. Under the letter agreement, Trail Blazers Inc. was paid a fixed fee for each customer in areas directly served by the Falcon cable systems. Under the cable television agreement, we shared subscription revenues with Trail Blazers Inc. We paid approximately \$96,100 for

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the year ended December 31, 2004 in connection with the cable broadcast of Portland Trail Blazers basketball games under the October 1996 cable television agreement and subsequent local cable distribution agreements.

Digeo, Inc.

In March 2001, Charter Ventures and Vulcan Ventures Incorporated formed DBroadband Holdings, LLC for the sole purpose of purchasing equity interests in Digeo. In connection with the execution of the broadband carriage agreement, DBroadband Holdings, LLC purchased an equity interest in Digeo funded by contributions from Vulcan Ventures Incorporated. The equity interest is subject to a priority return of capital to Vulcan Ventures up to the amount contributed by Vulcan Ventures on Charter Ventures' behalf. After Vulcan Ventures recovers its amount contributed and any cumulative loss allocations, Charter Ventures has a 100% profit interest in DBroadband Holdings, LLC. Charter Ventures is not required to make any capital contributions, including capital calls, and may require Vulcan Ventures, through January 24, 2004, to make certain additional contributions through DBroadband Holdings, LLC to acquire additional equity in Digeo as necessary to maintain Charter Ventures' pro rata interest in Digeo in the event of certain future Digeo equity financings by the founders of Digeo. These additional equity interests are also subject to a priority return of capital to Vulcan Ventures up to amounts contributed by Vulcan Ventures on Charter Ventures' behalf. DBroadband Holdings, LLC is therefore not included in our consolidated financial statements. Pursuant to an amended version of this arrangement, in 2003, Vulcan Ventures contributed a total of \$29 million to Digeo, \$7 million of which was contributed on Charter Ventures' behalf, subject to Vulcan Ventures' aforementioned priority return. Since the formation of DBroadband Holdings, LLC, Vulcan Ventures has contributed approximately \$56 million on Charter Ventures' behalf.

On March 2, 2001, a subsidiary of Charter, Charter Communications Ventures, LLC ("Charter Ventures") entered into a broadband carriage agreement with Digeo Interactive, LLC ("Digeo Interactive"), a wholly owned subsidiary of Digeo, Inc. ("Digeo"), an entity controlled by Paul Allen. The carriage agreement provided that Digeo Interactive would provide to Charter a "portal" product, which would function as the television-based Internet portal (the initial point of entry to the Internet) for Charter's customers who received Internet access from Charter. The agreement term was for 25 years and Charter agreed to use the Digeo portal exclusively for six years. Before the portal product was delivered to Charter, Digeo terminated development of the portal product.

On September 27, 2001, Charter and Digeo Interactive amended the broadband carriage agreement. According to the amendment, Digeo Interactive would provide to Charter the content for enhanced "Wink" interactive television services, known as Charter Interactive Channels ("i-channels"). In order to provide the i-channels, Digeo Interactive sublicensed certain Wink technologies to Charter. Charter is entitled to share in the revenues generated by the i-channels. Currently, our digital video customers who receive i-channels receive the service at no additional charge.

On September 28, 2002, Charter entered into a second amendment to its broadband carriage agreement with Digeo Interactive. This amendment supersedes the amendment of September 27, 2001. It provides for the development by Digeo Interactive of future features to be included in the Basic i-TV service provided by Digeo and for Digeo's development of an interactive "toolkit" to enable Charter to develop interactive local content. Furthermore, Charter may request that Digeo Interactive manage local content for a fee. The amendment provides for Charter to pay for development of the Basic i-TV service as well as license fees for customers who receive the service, and for Charter and Digeo to split certain revenues earned from the service. In 2004, we paid Digeo Interactive approximately \$3 million for customized development of the i-channels and the local content tool kit. We received no revenues under the broadband carriage agreement in 2003. This amendment expired pursuant to its terms on December 31, 2003. Digeo Interactive is continuing to provide the Basic i-TV service on a month-to-month basis.

On June 30, 2003, Charter Holdco entered into an agreement with Motorola, Inc. for the purchase of 100,000 digital video recorder ("DVR") units. The software for these DVR units is being supplied by Digeo Interactive, LLC under a license agreement entered into in April 2004. Under the license agreement Digeo Interactive granted to Charter Holdco the right to use Digeo's proprietary software for the number of DVR units that Charter deploys from a maximum of 10 headends through year-end 2004. This maximum number of headends was increased from 10 to 15 pursuant to a letter agreement executed on June 11, 2004 and the date for entering into license agreements for units deployed was extended to June 30, 2005. The number of headends was increased from 15 to 20 pursuant to a letter agreement dated August 4, 2004, from 20 to 30 pursuant to a letter agreement dated September 28, 2004 and from 30 to 50 headends by a letter agreement in February 2005. The license granted for each unit deployed under the agreement is valid for five years. In addition, Charter will pay certain other fees including a per-headend license fee and maintenance fees. Maximum license and maintenance fees during the term of the agreement are expected to be approximately \$7 million. The agreement provides that Charter is entitled to receive contract terms, considered

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on the whole, and license fees, considered apart from other contract terms, no less favorable than those accorded to any other Digeo customer. Charter paid approximately \$474,400 in license and maintenance fees in 2004.

In April 2004, we launched DVR service (using units containing the Digeo software) in our Rochester, Minnesota market using a broadband media center that is an integrated set-top terminal with a cable converter, DVR hard drive and connectivity to other consumer electronics devices (such as stereos, MP3 players, and digital cameras).

In May 2004, Charter Holdco entered into a binding term sheet with Digeo Interactive for the development, testing and purchase of 70,000 Digeo PowerKey DVR units. The term sheet provided that the parties would proceed in good faith to negotiate, prior to year-end 2004, definitive agreements for the development, testing and purchase of the DVR units and that the parties would enter into a license agreement for Digeo's proprietary software on terms substantially similar to the terms of the license agreement described above. In November 2004, Charter Holdco and Digeo Interactive executed the license agreement and in December 2004, the parties executed the purchase agreement, each on terms substantially similar to the binding term sheet. Product development and testing are continuing. Total purchase price and license and maintenance fees during the term of the definitive agreements are expected to be approximately \$41 million. The definitive agreements are terminable at no penalty to Charter in certain circumstances.

We believe that Vulcan Ventures, an entity controlled by Mr. Allen, owns an approximate 51% equity interest in Digeo, Inc., on a fully-converted basis. Mr. Allen is a director of Digeo, and Mr. Vogel was a director of Digeo in 2004. During 2004, Mr. Vogel held options to purchase 10,000 shares of Digeo common stock.

Other Miscellaneous Relationships

Viacom Networks

Pursuant to certain affiliation agreements with networks of Viacom, Inc. ("Viacom"), including MTV, MTV2, Nickelodeon, VH1, TVLand, CMT, Spike TV, Comedy Central, Viacom Digital Suite, CBS-owned and operated broadcast stations, Showtime, The Movie Channel, and Flix, Viacom provides Charter with programming for distribution via our cable systems. The affiliation agreements provide for, among other things, rates and terms of carriage, advertising on the Viacom networks, which Charter can sell to local advertisers and marketing support. For the year ended December 31, 2004, Charter paid Viacom approximately \$194 million for programming. Charter recorded approximately \$8 million as receivables from Viacom networks related to launch incentives for certain channels and marketing support, respectively, for the year ended December 31, 2004. From April 1994 to July 2004, Mr. Dolgen served as Chairman and Chief Executive Officer of the Viacom Entertainment Group.

ADC Telecommunications Inc.

Charter and Charter Holdco purchase certain equipment for use in our business from ADC Telecommunications, which provides broadband access and network equipment. Mr. Wangberg serves as a director for ADC Telecommunications. For the year ended December 31, 2004, we paid \$344,800 to ADC Telecommunications under this arrangement.

HDNet and HDNet Movies Network

On January 10, 2003, we signed an agreement to carry two around-the-clock, high-definition networks, HDNet and HDNet Movies. HDNet Movies delivers a commercial-free schedule of full-length feature films converted from 35mm to high-definition, including titles from an extensive library of Warner Bros. films. HDNet Movies will feature a mix of theatrical releases, made-for-TV movies, independent films and shorts. The HDNet channel features a variety of HDTV programming, including live sports, sitcoms, dramas, action series, documentaries, travel programs, music concerts and shows, special events, and news features including the popular HDNet World Report. HDNet also offers a selection of classic and recent television series. We paid HDNet and HDNet Movies approximately \$609,100 in 2004. We believe that entities controlled by Mr. Cuban owned approximately 81% of HDNet as of December 31, 2004. As of December 31, 2004, we believe that Mark Cuban, co-founder and president of HDNet, owned approximately 19,000,000 shares, or 6.2% of the total common equity in Charter based on a Schedule 13G filed with the SEC on May 21, 2003.

Affiliate Lease Agreement

David L. McCall, who served as Senior Vice President — Operations — Eastern Division during 2002 and January 2003, is a partner in a partnership that leases office space to us under a lease agreement, which expires December 31, 2010. The partnership received approximately \$43,400 pursuant to such lease and related agreements for the year ended December 31, 2004.

Carriage Fees

We have carried The Outdoor Channel on a month-to-month basis since the expiration of an affiliation agreement in July 2002. We paid approximately \$1 million to The Outdoor Channel during 2004. In December 2003, Mr. Merritt became director of Outdoor Channel Holdings, Inc., an affiliate of The Outdoor Channel, Inc.

Payment for Relative's Services

Since June 2003, Mr. Vogel's brother-in-law has been an employee of Charter Holdco and has received a salary commensurate with his position in the engineering department.

Indemnification Advances

Pursuant to Charter's bylaws (and the employment agreements of certain of our current and former officers), Charter is obligated (subject to certain limitations) to indemnify and hold harmless, to the fullest extent permitted by law, any officer, director or employee against all expense, liability and loss (including, among other things, attorneys' fees) reasonably incurred or suffered by such officer, director or employee as a result of the fact that he or she is a party or is threatened to be made a party or is otherwise involved in any action, suit or proceeding by reason of the fact that he or she is or was a director, officer or employee of Charter. In addition, Charter is obligated to pay, as an advancement of its indemnification obligation, the expenses (including attorneys' fees) incurred by any officer, director or employee in defending any such action, suit or proceeding in advance of its final disposition, subject to an obligation to repay those amounts under certain circumstances. Pursuant to these indemnification arrangements and as an advancement of costs, Charter has reimbursed certain of its current and former directors and executive officers a total of approximately \$3 million in respect of invoices received in 2004, in connection with their defense of certain legal actions described herein. See "Item 3. Legal Proceedings." Those current and former directors and officers include: Paul G. Allen, David C. Andersen, David G. Barford, Mary Pat Blake, J. Christian Fenger, Kent D. Kalkwarf, Ralph G. Kelly, Jerald L. Kent, Paul E. Martin, David L. McCall, Ronald L. Nelson, Nancy B. Peretsman, John C. Pietri, William D. Savoy, Steven A. Schumm, Curtis S. Shaw, William J. Shreffler, Stephen E. Silva, James Trey Smith and Carl E. Vogel. These amounts were submitted to Charter's director and officer insurance carrier and have been reimbursed consistent with the terms of the Securities Class Action and Derivative Action Settlements described in "Item 3. Legal Proceedings." On or about February 22, 2005, Charter filed lawsuits against the four former officers who were indicted and pled guilty as part of the government investigation conducted by the United States Attorney's Office. These suits seek to recover fees and related expenses that Charter advanced these former officers under the indemnification provisions described above.

PART IV

Item 14. Principal Accounting Fees and Services.

Audit Fees

During the years ended December 31, 2004 and 2003, we incurred fees and related expenses for professional services rendered by KPMG LLP (“KPMG”) for the audits of our and our subsidiaries’ financial statements (including five subsidiaries that are also public registrants), for the review of our and our subsidiaries’ interim financial statements and five offering memorandums and registration statement filings in 2004 and two offering memorandums and registration statement filings in 2003 totaling approximately \$6.2 million and \$3.2 million, respectively. Included in 2004 are fees and related expenses of \$1.9 million for the audit of internal control over financial reporting required under Sarbanes-Oxley Section 404.

Audit-Related Fees

We incurred fees to KPMG of approximately \$0.1 million and \$0.4 million during the years ended December 31, 2004 and 2003, respectively. The services in 2004 primarily related to the audit of our 401(k) plan and advisory services associated with our Sarbanes-Oxley Section 404 implementation. In 2003, these services primarily related to the audit of cable systems sold to Atlantic Broadband Finance, LLC and advisory services associated with our Sarbanes-Oxley Section 404 implementation.

All Other Fees

None.

The Audit Committee appoints, retains, compensates and oversees the registered public accountants (subject, if applicable, to board of director and/or shareholder ratification), and approves in advance all fees and terms for the audit engagement and non-audit engagements where non-audit services are not prohibited by Section 10A of the Securities Exchange Act of 1934, as amended with registered public accountants. Pre-approvals of non-audit services are sometimes delegated to a single member of the Audit Committee. However, any pre-approvals made by the Audit Committee’s designee are presented at the Audit Committee’s next regularly scheduled meeting. The Audit Committee has an obligation to consult with management on these matters. The Audit Committee approved 100% of the KPMG fees for the years ended December 31, 2004 and 2003. Each year, including 2004, with respect to the proposed audit engagement, the Audit Committee reviews the proposed risk assessment process in establishing the scope of examination and the reports to be rendered.

In its capacity as a committee of the Board, the Audit Committee oversees the work of the registered public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The registered public accounting firm reports directly to the Audit Committee. In performing its functions, the Audit Committee undertakes those tasks and responsibilities that, in its judgment, most effectively contribute to and implement the purposes of the Audit Committee charter. For more detail of the Audit Committee’s authority and responsibilities, see Charter’s Audit Committee charter set forth in Appendix A of our 2004 Proxy Statement filed with the SEC on June 25, 2004.

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this annual report:

(1) Financial Statements.

A listing of the financial statements, notes and reports of independent public accountants required by Item 8 begins on page F-1 of this annual report.

(2) Financial Statement Schedules

No financial statement schedules are required to be filed by Items 8 and 15(d) because they are not required or are not applicable, or the required information is set forth in the applicable financial statements or notes thereto.

(3) The index to the Exhibits begins on page 114 of this annual report.

We agree to furnish to the SEC, upon request, copies of any long-term debt instruments that authorize an amount of securities constituting 10% or less of the total assets of Charter and its subsidiaries on a consolidated basis.

Exhibit Index

(Exhibits are listed by numbers corresponding to the Exhibit Table of Item 601 in Regulation S-K).

Exhibit	Description
2.1(a)	Purchase and Contribution Agreement, entered into as of June 1999, by and among BCI (USA), LLC, William Bresnan, Blackstone BC Capital Partners L.P., Blackstone BC Offshore Capital Partners L.P., Blackstone Family Investment Partnership III L.P., TCID of Michigan, Inc. and TCI Bresnan LLC and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 2.11 to Amendment No. 2 to the registration statement on Form S-1 of Charter Communications, Inc. filed on September 28, 1999 (File No. 333-83887)).
2.1(b)	First Amendment to Purchase and Contribution Agreement dated as of February 14, 2000, by and among BCI (USA), LLC, William J. Bresnan, Blackstone BC Capital Partners L.P., Blackstone BC Offshore Capital Partners, L.P., Blackstone Family Media III L.P. (as assignee of Blackstone Family Investment III, L.P.), TCID of Michigan, Inc., TCI Bresnan, LLC and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 2.11(a) to the current report on Form 8-K filed by Charter Communications, Inc. on February 29, 2000 (File No. 000-27927)).
2.2	Asset Purchase Agreement, dated as of September 28, 2001, between High Speed Access Corp. and Charter Communications Holding Company, LLC (including as Exhibit A, the Form of Voting Agreement, as Exhibit B, the form of Management Agreement, as Exhibit C, the form of License Agreement, and as Exhibit D, the Form of Billing Letter Agreement) (incorporated by reference to Exhibit 10.1 to Amendment No. 6 to Schedule 13D filed by Charter Communications, Inc. and others with respect to High Speed Access Corp., filed on October 1, 2001 (File No. 005-56431)).
2.3(a)	Asset Purchase Agreement, dated August 29, 2001, by and between Charter Communications Entertainment I, LLC, Interlink Communications Partners, LLC, and Rifkin Acquisitions Partners, LLC and Enstar Income Program II-1, L.P., Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar IV/PBD Systems Venture, and Enstar Cable of Macoupin County (incorporated by reference to Exhibit 2.1 to the current report of Form 8-K filed by Enstar IV-2, L.P. on September 13, 2001 (File No. 000-15706)).
2.3(b)	Letter of Amendment, dated September 10, 2001, by and between Charter Communications Entertainment I, LLC, Interlink Communications Partners, LLC, and Rifkin Acquisition Partners, LLC and Enstar Income Program II-1, L.P., Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar IV/PBD Systems Venture, and Enstar Cable of Macoupin County (incorporated by reference to Exhibit 2.1 to the current report of Form 8-K filed by Enstar IV-2, L.P. on September 13, 2001 (File No. 000-15706)).
2.3(c)	Letter of Amendment, dated April 10, 2002, by and between Charter Communications Entertainment I, LLC, Interlink Communications Partners, LLC, and Rifkin Acquisition Partners, LLC and Enstar Income Program II-1, L.P., Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar IV/PBD Systems Venture, and Enstar Cable of Macoupin County (incorporated by reference to Exhibit 2.1 to the current report on Form 8-K filed by Enstar Income Program IV-1, L.P. on April 22, 2002 (File No. 000-15705)).
2.4	Asset Purchase Agreement, dated April 10, 2002, by and between Charter Communications Entertainment I, LLC, and Enstar Income Program II-1, L.P. (incorporated by reference to Exhibit 2.2 to the current report on Form 8-K filed by Enstar Income Program II-1, L.P. on April 26, 2002 (File No. 000-14508)).
2.5	Purchase Agreement, dated May 29, 2003, by and between Falcon Video Communications, L.P. and WaveDivision Holdings, LLC (incorporated by reference to Exhibit 2.1 to Charter

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<u>Exhibit</u>	<u>Description</u>
	Communications, Inc.'s current report on Form 8-K filed on May 30, 2003 (File No. 000-27927)).
2.6	Asset Purchase Agreement, dated September 3, 2003, by and between Charter Communications VI, LLC, The Helicon Group, L.P., Hornell Television Service, Inc., Interlink Communications Partners, LLC, Charter Communications Holdings, LLC and Atlantic Broadband Finance, LLC (incorporated by reference to Exhibit 2.1 to Charter Communications, Inc.'s current report on Form 8-K/A filed on September 3, 2003 (File No. 000-27927)).
3.1(a)	Restated Certificate of Incorporation of Charter Communications, Inc. (Originally incorporated July 22, 1999) (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887)).
3.1(b)	Certificate of Amendment of Restated Certificate of Incorporation of Charter Communications, Inc. filed May 10, 2001 (incorporated by reference to Exhibit 3.1(b) to the annual report of Form 10-K of Charter Communications, Inc. filed on March 29, 2002 (File No. 000-27927)).
3.2(a)	Amended and Restated By-laws of Charter Communications, Inc. as of June 6, 2001 (incorporated by reference to Exhibit 3.2 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2001 (File No. 000-27927)).
3.2(b)	Fourth Amendment to Amended and Restated By-Laws of Charter Communications, Inc. adopted as of October 3, 2003 (incorporated by reference to Exhibit No. 3.3 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 3, 2003 (File No. 000-27927)).
3.2(c)	Fifth Amendment to Amended and Restated By-Laws of Charter Communications, Inc. adopted as of October 28, 2003 (incorporated by reference to Exhibit No. 3.3 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 3, 2003 (File No. 000-27927)).
3.2(d)	Sixth Amendment to the Amended and Restated By-Laws of Charter Communications, Inc. adopted as of September 24, 2004 (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed on September 30, 2004 (File No. 000-27927)).
3.2(e)	Seventh Amendment to the Amended and Restated By-Laws of Charter Communications, Inc. adopted as of October 21, 2004 (incorporated by reference to Exhibit 3.1 to the current report on Form 8-K of Charter Communications, Inc. filed on October 22, 2004 (File No. 000-27927)).
3.2(f)	Eighth Amendment to the Amended and Restated By-Laws of Charter Communications, Inc. adopted as of December 14, 2004 (incorporated by reference to Exhibit 3.1 to the current report on Form 8-K of Charter Communications, Inc. filed on December 15, 2004 (File No. 000-27927)).
4.1	Indenture dated May 30, 2001 between Charter Communications, Inc. and BNY Midwest Trust Company as Trustee governing 4.75% Convertible Senior Notes due 2006 (incorporated by reference to Exhibit 4.1(b) to the current report on Form 8-K filed by Charter Communications, Inc. on June 1, 2001 (File No. 000-27927)).
4.2	Certificate of Designation of Series A Convertible Redeemable Preferred Stock of Charter Communications, Inc. and related Certificate of Correction of Certificate of Designation (incorporated by reference to Exhibit 3.1 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2001 (File No. 000-27927)).
4.3	CCI Senior Notes Exchange Agreement, dated as of September 18, 2003, by and between

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<u>Exhibit</u>	<u>Description</u>
	Charter Communications, Inc., CCH II, LLC and CCH II Capital Corp. (incorporated by reference to Exhibit 10.4 to Charter Communications, Inc.'s current report on Form 8-K filed on September 26, 2003 (File No. 000-27927)).
4.4	Indenture relating to the 5.875% convertible senior notes due 2009, dated as of November 2004, by and among Charter Communications, Inc. and Wells Fargo Bank, N.A. as trustee (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.5	5.875% convertible senior notes due 2009 Resale Registration Rights Agreement, dated November 22, 2004, by and among Charter Communications, Inc. and Citigroup Global Markets Inc. and Morgan Stanley and Co. Incorporated as representatives of the initial purchasers (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.6	Share Loan Registration Rights Agreement, dated November 22, 2004, by and between Charter Communications, Inc. and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 10.3 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.7	Collateral Pledge and Security Agreement, dated as of November 22, 2004, by and between Charter Communications, Inc. and Wells Fargo Bank, N.A. as trustee and collateral agent (incorporated by reference to Exhibit 10.4 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.8	Collateral Pledge and Security Agreement, dated as of November 22, 2004 among Charter Communications, Inc., Charter Communications Holding Company, LLC and Wells Fargo Bank, N.A. as trustee and collateral agent (incorporated by reference to Exhibit 10.5 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.9	Share Lending Agreement, dated as of November 22, 2004 between Charter Communications, Inc., Citigroup Global Markets Limited, through Citigroup Global Markets, Inc. (incorporated by reference to Exhibit 10.6 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.10	Holdco Mirror Notes Agreement, dated as of November 22, 2004, by and between Charter Communications, Inc. and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 10.7 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
4.11	Unit Lending Agreement, dated as of November 22, 2004, by and between Charter Communications, Inc. and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 10.8 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
10.1	Indenture, dated as of April 9, 1998, by and among Renaissance Media (Louisiana) LLC, Renaissance Media (Tennessee) LLC, Renaissance Media Capital Corporation, Renaissance Media Group LLC and United States Trust Company of New York, as trustee (incorporated by reference to Exhibit 4.1 to the registration statement on Forms S-4 of Renaissance Media Group LLC, Renaissance Media (Tennessee) LLC, Renaissance Media (Louisiana) LLC and Renaissance Media Capital Corporation filed on June 12, 1998 (File No. 333-56679)).
10.2(a)	Indenture, dated as of December 10, 1998, by and among Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC and Avalon Cable Holdings Finance, Inc., as issuers and The Bank of New York, as trustee for the Notes (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the registration statement on Form S-4 of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. filed on May 28, 1999 (File Nos. 333-75415 and 333-75453)).

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<u>Exhibit</u>	<u>Description</u>
10.2(b)	Supplemental Indenture, dated as of March 26, 1999, by and among Avalon Cable of Michigan Holdings, Inc., Avalon Cable LLC and Avalon Cable Holdings Finance, Inc., as issuers, Avalon Cable of Michigan, Inc., as guarantor, and The Bank of New York, as trustee for the Notes (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the registration statement on Form S-4 of Avalon Cable LLC, Avalon Cable Holdings Finance, Inc., Avalon Cable of Michigan Holdings, Inc. and Avalon Cable of Michigan, Inc. filed on May 28, 1999 (File No. 333-75415 and 333-75453)).
10.3	Indenture relating to the 8.250% Senior Notes due 2007, dated as of March 17, 1999, between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.1(a) to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499)).
10.4	Indenture relating to the 8.625% Senior Notes due 2009, dated as of March 17, 1999, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.2(a) to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499)).
10.5	Indenture relating to the 9.920% Senior Discount Notes due 2011, dated as of March 17, 1999, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.3(a) to Amendment No. 2 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on June 22, 1999 (File No. 333-77499)).
10.6	Indenture relating to the 10.00% Senior Notes due 2009, dated as of January 12, 2000, between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.1(a) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351)).
10.7	Indenture relating to the 10.25% Senior Notes due 2010, dated as of January 12, 2000, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.2(a) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351)).
10.8	Indenture relating to the 11.75% Senior Discount Notes due 2010, dated as of January 12, 2000, among Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4.3(a) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351)).
10.9	Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.750% senior notes due 2009 (incorporated by reference to Exhibit 4.2(a) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on February 2, 2001 (File No. 333-54902)).
10.10	Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 11.125% senior notes due 2011 (incorporated by reference to

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<u>Exhibit</u>	<u>Description</u>
	Exhibit 4.2(b) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on February 2, 2001 (File No. 333-54902)).
10.11	Indenture dated as of January 10, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 13.500% senior discount notes due 2011 (incorporated by reference to Exhibit 4.2(c) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on February 2, 2001 (File No. 333-54902)).
10.12(a)	Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 9.625% Senior Notes due 2009 (incorporated by reference to Exhibit 10.2(a) to the current report on Form 8-K filed by Charter Communications, Inc. on June 1, 2001 (File No. 000-27927)).
10.12(b)	First Supplemental Indenture dated as of January 14, 2002 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 9.625% Senior Notes due 2009 (incorporated by reference to Exhibit 10.2(a) to the current report on Form 8-K filed by Charter Communications, Inc. on January 15, 2002 (File No. 000-27927)).
10.12(c)	Second Supplemental Indenture dated as of June 25, 2002 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 9.625% Senior Notes due 2009 (incorporated by reference to Exhibit 4.1 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 6, 2002 (File No. 000-27927)).
10.13(a)	Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.000% Senior Notes due 2011. (incorporated by reference to Exhibit 10.3(a) to the current report on Form 8-K filed by Charter Communications, Inc. on June 1, 2001 (File No. 000-27927)).
10.13(b)	First Supplemental Indenture dated as of January 14, 2002 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.000% Senior Notes due 2011 (incorporated by reference to Exhibit 10.3(a) to the current report on Form 8-K filed by Charter Communications, Inc. on January 15, 2002 (File No. 000-27927)).
10.13(c)	Second Supplemental Indenture dated as of June 25, 2002 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 10.000% Senior Notes due 2011 (incorporated by reference to Exhibit 4.2 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 6, 2002 (File No. 000-27927)).
10.14	Indenture dated as of May 15, 2001 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 11.750% Senior Discount Notes due 2011 (incorporated by reference to Exhibit 10.4(a) to the current report on Form 8-K filed by Charter Communications, Inc. on June 1, 2001 (File No. 000-27927)).
10.15	4.75% Mirror Note in the principal amount of \$632.5 million dated as of May 30, 2001, made by Charter Communications Holding Company, LLC, a Delaware limited liability company, in favor of Charter Communications, Inc., a Delaware corporation (incorporated by reference to Exhibit 4.5 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 6, 2002 (File No. 000-27927)).
10.16(a)	Indenture dated as of January 14, 2002 between Charter Communications Holdings, LLC,

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<u>Exhibit</u>	<u>Description</u>
	Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 12.125% Senior Discount Notes due 2012 (incorporated by reference to Exhibit 10.4(a) to the current report on Form 8-K filed by Charter Communications, Inc. on January 15, 2002 (File No. 000-27927)).
10.16(b)	First Supplemental Indenture dated as of June 25, 2002 between Charter Communications Holdings, LLC, Charter Communications Holdings Capital Corporation and BNY Midwest Trust Company as Trustee governing 12.125% Senior Discount Notes due 2012 (incorporated by reference to Exhibit 4.3 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 6, 2002 (File No. 000-27927)).
10.17	Holdings Senior Notes Exchange Agreement, dated as of September 18, 2003, by CCH II, LLC and CCH II Capital Corp. (incorporated by reference to Exhibit 10.5 to Charter Communications, Inc.'s current report on Form 8-K filed on September 26, 2003 (File No. 000-27927)).
10.18	Indenture relating to the 10.25% Senior Notes due 2010, dated as of September 23, 2003, among CCH II, LLC, CCH II Capital Corporation and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K of Charter Communications Inc. filed on September 26, 2003 (File No. 000-27927)).
10.19	Exchange and Registration Rights Agreement relating to 10.25% Senior Notes due 2010, dated as of September 23, 2003, among CCH II, LLC, CCH II Capital Corp., and the purchasers set forth on the signature pages thereto (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K of Charter Communications, Inc. filed on September 26, 2003 (File No. 000-27927)).
10.20	Indenture relating to the 8 ³ / ₄ % Senior Notes due 2013, dated as of November 10, 2003, by and among CCO Holdings, LLC, CCO Holdings Capital Corp. and Wells Fargo Bank, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Charter Communications, Inc.'s current report on Form 8-K filed on November 12, 2003 (File No. 000-27927)).
10.21	Exchange and Registration Rights Agreement, dated as of November 10, 2003, by and between CCO Holdings, LLC and CCO Holdings Capital Corp. (incorporated by reference to Exhibit 4.2 to Charter Communications, Inc.'s current report on Form 8-K filed on November 12, 2003 (File No. 000-27927)).
10.22	Indenture relating to the 8% senior second-lien notes due 2012 and 83/8% senior second-lien notes due 2014, dated as of April 27, 2004, by and among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp. and Wells Fargo Bank, N.A. as trustee (incorporated by reference to Exhibit 10.32 to Amendment No. 2 to the registration statement on Form S-4 of CCH II, LLC filed on May 5, 2004 (File No. 333-111423)).
10.23	5.875% Mirror Convertible Senior Note due 2009, in the principal amount of \$862,500,000 dated as of November 22, 2004 made by Charter Communications Holding Company, LLC, a Delaware limited liability company, in favor of Charter Communications, Inc., a Delaware limited liability company, in favor of Charter Communications, Inc., a Delaware corporation (incorporated by reference to Exhibit 10.9 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
10.24	Indenture dated as of December 15, 2004 among CCO Holdings, LLC, CCO Holdings Capital Corp. and Wells Fargo Bank, N.A., as trustee (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K of CCO Holdings, LLC filed on December 21, 2004 (File No. 333-112593)).
10.25	Exchange and Registration Rights Agreement dated December 15, 2004 by and among CCO Holdings, LLC, CCO Holdings Capital Corp, on the one hand, and Credit Suisse First Boston LLC and Citigroup Global Markets Inc, on the other hand, as representatives (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K of CCO

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<u>Exhibit</u>	<u>Description</u>
	Holdings, LLC filed on December 21, 2004 (File No. 333-112593)).
10.26	Consulting Agreement, dated as of March 10, 1999, by and between Vulcan Northwest Inc., Charter Communications, Inc. (now called Charter Investment, Inc.) and Charter Communications Holdings, LLC (incorporated by reference to Exhibit 10.3 to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499)).
10.27	Letter Agreement, dated September 21, 1999, by and among Charter Communications, Inc., Charter Investment, Inc., Charter Communications Holding Company, Inc. and Vulcan Ventures Inc. (incorporated by reference to Exhibit 10.22 to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887)).
10.28	Form of Management Agreement, dated as of November 9, 1999, by and between Charter Communications Holding Company, LLC and Charter Communications, Inc. (incorporated by reference to Exhibit 10.2(d) to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887)).
10.29	Management Agreement, dated as of November 12, 1999, by and between CC VI Operating Company, LLC and Charter Communications, Inc. (incorporated by reference to Exhibit 10.2(d) to Amendment No. 1 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on April 18, 2000 (File No. 333-77499)).
10.30	Management Agreement, dated as of November 12, 1999 by and between Falcon Cable Communications, LLC and Charter Communications, Inc. (incorporated by reference to Exhibit 10.2(e) to Amendment No. 1 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on April 18, 2000 (File No. 333-77499)).
10.31	Form of Exchange Agreement, dated as of November 12, 1999 by and among Charter Investment, Inc., Charter Communications, Inc., Vulcan Cable III Inc. and Paul G. Allen (incorporated by reference to Exhibit 10.13 to Amendment No. 3 to the registration statement on Form S-1 of Charter Communications, Inc. filed on October 18, 1999 (File No. 333-83887)).
10.32	Exchange Agreement, dated as of February 14, 2000, by and among Charter Communications, Inc., BCI (USA), LLC, William J. Bresnan, Blackstone BC Capital Partners L.P., Blackstone BC Offshore Capital Partners L.P., Blackstone Family Media, III L.P. (as assignee of Blackstone Family Investment III L.P.), TCID of Michigan, Inc., and TCI Bresnan LLC (incorporated by reference to Exhibit 10.40 to the current report on Form 8-K of Charter Communications, Inc. filed on February 29, 2000 (File No. 000-27927)).
10.33(a)	First Amended and Restated Mutual Services Agreement, dated as of December 21, 2000, by and between Charter Communications, Inc., Charter Investment, Inc. and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 10.2(b) to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on February 2, 2001 (File No. 333-54902)).
10.33(b)	Letter Agreement, dated June 19, 2003, by and among Charter Communications, Inc., Charter Communications Holding Company, LLC and Charter Investment, Inc. regarding Mutual Services Agreement (incorporated by reference to Exhibit No. 10.5(b) to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 5, 2003 (File No. 000-27927)).

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<u>Exhibit</u>	<u>Description</u>
10.33(c)	Second Amended and Restated Mutual Services Agreement, dated as of June 19, 2003 between Charter Communications, Inc. and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 10.5(a) to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 5, 2003 (File No. 000-27927)).
10.34	Amended and Restated Limited Liability Company Agreement for Charter Communications Holding Company, LLC made as of August 31, 2001 (incorporated by reference to Exhibit 10.9 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2001 (File No. 000-27927)).
10.35	Amended and Restated Limited Liability Company Agreement for CC VIII, LLC, dated as of March 31, 2003 (incorporated by reference to Exhibit 10.27 to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.36	Amended and Restated Limited Liability Company Agreement of Charter Communications Operating, LLC, dated as of June 19, 2003 (incorporated by reference to Exhibit No. 10.2 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 5, 2003 (File No. 000-27927)).
10.37	Amended and Restated Management Agreement, dated as of June 19, 2003, between Charter Communications Operating, LLC and Charter Communications, Inc. (incorporated by reference to Exhibit 10.4 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on August 5, 2003 (File No. 333-83887)).
10.38	Amended and Restated Credit Agreement among Charter Communications Operating, LLC, CCO Holdings, LLC and certain lenders and agents named therein dated April 27, 2004 (incorporated by reference to Exhibit 10.25 to Amendment No. 2 to the registration statement on Form S-4 of CCH II, LLC filed on May 5, 2004 (File No. 333-111423)).
10.39	Letter Agreement between Charter Communications, Inc. and Charter Investment Inc. and Vulcan Cable III Inc. amending the Amended and Restated Limited Liability Company Agreement of Charter Communications Holding Company, LLC, dated as of November 22, 2004 (incorporated by reference to Exhibit 10.10 to the current report on Form 8-K of Charter Communications, Inc. filed on November 30, 2004 (File No. 000-27927)).
10.40(a)+	Letter Agreement, dated May 25, 1999, between Charter Communications, Inc. and Marc Nathanson (incorporated by reference to Exhibit 10.36 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on January 25, 2000 (File No. 333-95351)).
10.40(b)+	Letter Agreement, dated March 27, 2000, between CC VII Holdings, LLC and Marc Nathanson, amending the Letter Agreement dated May 25, 1999 (incorporated by reference to Exhibit 10.13(b) to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.41(a)+	Charter Communications Holdings, LLC 1999 Option Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 4 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on July 22, 1999 (File No. 333-77499)).
10.41(b)+	Assumption Agreement regarding Option Plan, dated as of May 25, 1999, by and between Charter Communications Holdings, LLC and Charter Communications Holding Company, LLC (incorporated by reference to Exhibit 10.13 to Amendment No. 6 to the registration statement on Form S-4 of Charter Communications Holdings, LLC and Charter Communications Holdings Capital Corporation filed on August 27, 1999 (File No. 333-77499)).
10.41(c)+	Form of Amendment No. 1 to the Charter Communications Holdings, LLC 1999 Option Plan (incorporated by reference to Exhibit 10.10(c) to Amendment No. 4 to the registration statement on Form S-1 of Charter Communications, Inc. filed on November 1, 1999 (File

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<u>Exhibit</u>	<u>Description</u>
	No. 333-83887)).
10.41(d)+	Amendment No. 2 to the Charter Communications Holdings, LLC 1999 Option Plan (incorporated by reference to Exhibit 10.4(c) to the annual report on Form 10-K filed by Charter Communications, Inc. on March 30, 2000 (File No. 000-27927)).
10.41(e)+	Amendment No. 3 to the Charter Communications 1999 Option Plan (incorporated by reference to Exhibit 10.14(e) to the annual report of Form 10-K of Charter Communications, Inc. filed on March 29, 2002 (File No. 000-27927)).
10.41(f)+	Amendment No. 4 to the Charter Communications 1999 Option Plan (incorporated by reference to Exhibit 10.10(f) to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.42(a)+	Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.25 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on May 15, 2001 (File No. 000-27927)).
10.42(b) +	Amendment No. 1 to the Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.11(b) to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.42(c)+	Amendment No. 2 to the Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.10 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 14, 2001 (File No. 000-27927)).
10.42(d)+	Amendment No. 3 to the Charter Communications, Inc. 2001 Stock Incentive Plan effective January 2, 2002 (incorporated by reference to Exhibit 10.15(c) to the annual report of Form 10-K of Charter Communications, Inc. filed on March 29, 2002 (File No. 000-27927)).
10.42(e)+	Amendment No. 4 to the Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.11(e) to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.42(f)+	Amendment No. 5 to the Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.11(f) to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
10.42(g)+	Description of Long-Term Incentive Program to the Charter Communications, Inc. 2001 Stock Incentive Plan (incorporated by reference to Exhibit 10.11(g) to the annual report on Form 10-K of Charter Communications, Inc. filed on March 15, 2004 (File No. 000-27927)).
10.43(a)+	Employment Offer Letter, dated December 2, 2003 by and between Charter Communications, Inc. and Derek Chang (incorporated by reference to Exhibit 10.24 to the annual report on Form 10-K filed by Charter Communications, Inc. on March 15, 2004 (File No. 000-27927)).
10.43(b)+	Amendment to Employment Offer Letter, dated January 27, 2005, by and between Charter Communications, Inc. and Derek Chang (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed January 28, 2005 (File No. 000-27927)).
10.44+	Separation Agreement and Release for Margaret A. Bellville, dated as of September 16, 2004 (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on November 4, 2004 (File No. 000-27927)).
10.45+	Executive Services Agreement, dated as of January 17, 2005, between Charter Communications, Inc. and Robert P. May (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K of Charter Communications, Inc. filed on January 21, 2005 (File No. 000-27927)).

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<u>Exhibit</u>	<u>Description</u>
10.46+	Separation Agreement and Release for Steven A. Schumm, dated as of February 8, 2005 (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on February 11, 2005 (File No. 000-27927)).
10.47+	Separation Agreement and Release for Carl E. Vogel, dated as of February 17, 2005 (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on February 22, 2005 (File No. 000-27927)).
10.48*	Stipulation of Settlement, dated as of January 24, 2005, regarding settlement of Consolidated Federal Class Action entitled In Re Charter Communications, Inc. Securities Litigation.
10.49*	Settlement Agreement and Mutual Release, dated as of February 1, 2005, by and among Charter Communications, Inc. and certain other insureds, on the one hand, and Certain Underwriters at Lloyd's of London and certain subscribers, on the other hand.
10.50*	Stipulation of Settlement, dated as of January 24, 2005, regarding settlement of Federal Derivative Action, Arthur J. Cohn v. Ronald L. Nelson et al and Charter Communications, Inc.
10.51+*	Description of Charter Communications, Inc. 2005 Executive Bonus Plan
14.1	Code of Conduct adopted January 28, 2003 (incorporated by reference to Exhibit 14.1 to the annual report on Form 10-K of Charter Communications, Inc. filed on April 15, 2003 (File No. 000-27927)).
21.1*	Subsidiaries of Charter Communications, Inc.
23.1*	Consent of KPMG LLP.
31.1*	Certificate of Interim Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certificate of Interim Co-Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.3*	Certificate of Interim Co-Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Interim Chief Executive Officer).
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Interim co-Chief Financial Officer).
32.3*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Interim co-Chief Financial Officer).

* Document attached

+ Management compensatory plan or arrangement

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Report of Independent Registered Public Accounting Firm

To the Board of Directors
Charter Communications, Inc.:

We have audited the accompanying consolidated balance sheets of Charter Communications, Inc. and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charter Communications, Inc. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

As discussed in note 7 to the consolidated financial statements, effective September 30, 2004, the Company adopted EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*.

As discussed in note 19 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123*.

/s/ KPMG LLP

St. Louis, Missouri
March 1, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors
Charter Communications, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Charter Communications, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in *Internal Control — Integrated Framework* issued by COSO. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control — Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2004, and our report dated March 1, 2005 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

St. Louis, Missouri
March 1, 2005

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share data)

	December 31,	
	2004	2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 650	\$ 127
Accounts receivable, less allowance for doubtful accounts of \$15 and \$17, respectively	190	189
Prepaid expenses and other current assets	82	34
Total current assets	<u>922</u>	<u>350</u>
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of \$5,311 and \$3,950, respectively	6,289	7,014
Franchises	9,878	13,680
Total investment in cable properties, net	<u>16,167</u>	<u>20,694</u>
OTHER NONCURRENT ASSETS		
	<u>584</u>	<u>320</u>
Total assets	<u>\$ 17,673</u>	<u>\$ 21,364</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,217	\$ 1,286
Total current liabilities	<u>1,217</u>	<u>1,286</u>
LONG-TERM DEBT	<u>19,464</u>	<u>18,647</u>
DEFERRED MANAGEMENT FEES – RELATED PARTY	<u>14</u>	<u>14</u>
OTHER LONG-TERM LIABILITIES	<u>681</u>	<u>848</u>
MINORITY INTEREST	<u>648</u>	<u>689</u>
PREFERRED STOCK – REDEEMABLE; \$.001 par value; 1 million shares authorized; 545,259 shares issued and outstanding	<u>55</u>	<u>55</u>
SHAREHOLDERS' DEFICIT:		
Class A Common stock; \$.001 par value; 1.75 billion shares authorized; 305,203,770 and 295,038,606 shares issued and outstanding, respectively	—	—
Class B Common stock; \$.001 par value; 750 million shares authorized; 50,000 shares issued and outstanding	—	—
Preferred stock; \$.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	—	—
Additional paid-in capital	4,794	4,700
Accumulated deficit	(9,196)	(4,851)
Accumulated other comprehensive loss	<u>(4)</u>	<u>(24)</u>
Total shareholders' deficit	<u>(4,406)</u>	<u>(175)</u>
Total liabilities and shareholders' deficit	<u>\$ 17,673</u>	<u>\$ 21,364</u>

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share and share data)

	Year Ended December 31,		
	2004	2003	2002
REVENUES	\$ 4,977	\$ 4,819	\$ 4,566
COSTS AND EXPENSES:			
Operating (excluding depreciation and amortization)	2,080	1,952	1,807
Selling, general and administrative	971	940	963
Depreciation and amortization	1,495	1,453	1,436
Impairment of franchises	2,433	—	4,638
(Gain) loss on sale of fixed assets	(86)	5	3
Option compensation expense, net	31	4	5
Special charges, net	104	21	36
Unfavorable contracts and other settlements	(5)	(72)	—
	<u>7,023</u>	<u>4,303</u>	<u>8,888</u>
Income (loss) from operations	<u>(2,046)</u>	<u>516</u>	<u>(4,322)</u>
OTHER INCOME AND EXPENSES:			
Interest expense, net	(1,670)	(1,557)	(1,503)
Gain (loss) on derivative instruments and hedging activities, net	69	65	(115)
Loss on debt to equity conversions	(23)	—	—
Gain (loss) on extinguishment of debt	(31)	267	—
Other, net	3	(16)	(4)
	<u>(1,652)</u>	<u>(1,241)</u>	<u>(1,622)</u>
Loss before minority interest, income taxes and cumulative effect of accounting change	(3,698)	(725)	(5,944)
MINORITY INTEREST	<u>19</u>	<u>377</u>	<u>3,176</u>
Loss before income taxes and cumulative effect of accounting change	(3,679)	(348)	(2,768)
INCOME TAX BENEFIT	<u>103</u>	<u>110</u>	<u>460</u>
Loss before cumulative effect of accounting change	(3,576)	(238)	(2,308)
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX	<u>(765)</u>	<u>—</u>	<u>(206)</u>
Net loss	(4,341)	(238)	(2,514)
Dividends on preferred stock – redeemable	<u>(4)</u>	<u>(4)</u>	<u>(3)</u>
Net loss applicable to common stock	<u>\$ (4,345)</u>	<u>\$ (242)</u>	<u>\$ (2,517)</u>
LOSS PER COMMON SHARE, basic and diluted	<u>\$ (14.47)</u>	<u>\$ (0.82)</u>	<u>\$ (8.55)</u>
Weighted average common shares outstanding, basic and diluted	<u>300,291,877</u>	<u>294,597,519</u>	<u>294,440,261</u>

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(dollars in millions)

	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
BALANCE, December 31, 2001	\$ —	\$ —	\$ 4,694	\$ (2,092)	\$ (17)	\$ 2,585
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Changes in fair value of interest rate agreements	—	—	—	—	(30)	(30)
Option compensation expense, net	—	—	2	—	—	2
Loss on issuance of equity by subsidiary	—	—	(1)	—	—	(1)
Dividends on preferred stock - redeemable	—	—	—	(3)	—	(3)
Net loss	—	—	—	(2,514)	—	(2,514)
BALANCE, December 31, 2002	—	—	4,697	(4,609)	(47)	41
Changes in fair value of interest rate agreements	—	—	—	—	23	23
Option compensation expense, net	—	—	2	—	—	2
Issuance of common stock related to acquisitions	—	—	2	—	—	2
Loss on issuance of equity by subsidiary	—	—	(1)	—	—	(1)
Dividends on preferred stock - redeemable	—	—	—	(4)	—	(4)
Net loss	—	—	—	(238)	—	(238)
BALANCE, December 31, 2003	—	—	4,700	(4,851)	(24)	(175)
Changes in fair value of interest rate agreements	—	—	—	—	20	20
Option compensation expense, net	—	—	27	—	—	27
Issuance of common stock in exchange for convertible notes	—	—	67	—	—	67
Dividends on preferred stock - redeemable	—	—	—	(4)	—	(4)
Net loss	—	—	—	(4,341)	—	(4,341)
BALANCE, December 31, 2004	\$ —	\$ —	\$ 4,794	\$ (9,196)	\$ (4)	\$ (4,406)

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

	Year Ended December 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (4,341)	\$ (238)	\$ (2,514)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Minority interest	(19)	(377)	(3,176)
Depreciation and amortization	1,495	1,453	1,436
Impairment of franchises	2,433	—	4,638
Option compensation expense, net	27	4	5
Special charges, net	85	—	—
Noncash interest expense	324	414	395
Gain on derivative instruments and hedging activities, net	(69)	(65)	115
(Gain) loss on sale of assets	(86)	5	3
Loss on debt to equity conversions	23	—	3
(Gain) loss on extinguishment of debt	20	(267)	—
Deferred income taxes	(109)	(110)	(460)
Cumulative effect of accounting change, net	765	—	206
Unfavorable contracts and other settlements	(5)	(72)	—
Other, net	(3)	3	—
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable	(7)	70	27
Prepaid expenses and other assets	(2)	5	26
Accounts payable, accrued expenses and other	(59)	(69)	47
Receivables from and payables to related party, including deferred management fees	—	9	(3)
Net cash flows from operating activities	<u>472</u>	<u>765</u>	<u>748</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(924)	(854)	(2,167)
Change in accrued expenses related to capital expenditures	(43)	(33)	(55)
Proceeds from sale of systems	744	91	—
Payments for acquisitions, net of cash acquired	—	—	(139)
Purchases of investments	(17)	(11)	(12)
Other, net	(3)	(10)	10
Net cash flows from investing activities	<u>(243)</u>	<u>(817)</u>	<u>(2,363)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	—	—	2
Borrowings of long-term debt	3,148	738	4,106
Repayments of long-term debt	(5,448)	(1,368)	(2,134)
Proceeds from issuance of long-term debt	2,882	529	—
Payments for debt issuance costs	(145)	(41)	(40)
Purchase of pledge securities	(143)	—	—
Net cash flows from financing activities	<u>294</u>	<u>(142)</u>	<u>1,934</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	523	(194)	319
CASH AND CASH EQUIVALENTS, beginning of period	<u>127</u>	<u>321</u>	<u>2</u>
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 650</u>	<u>\$ 127</u>	<u>\$ 321</u>
CASH PAID FOR INTEREST	<u>\$ 1,302</u>	<u>\$ 1,111</u>	<u>\$ 1,103</u>
NONCASH TRANSACTIONS:			
Debt exchanged for Charter Class A common stock	\$ 30	\$ —	\$ —
Issuance of debt by CCH II, LLC	—	1,572	—
Retirement of debt	—	1,866	—
Issuances of preferred stock – redeemable, as payment for acquisitions	—	4	—
Issuance of equity as partial payments for acquisitions	—	2	—

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004, 2003 AND 2002

(dollars in millions, except where indicated)

1. Organization and Basis of Presentation

Charter Communications, Inc. (“Charter”) is a holding company whose principal assets at December 31, 2004 are the 47% controlling common equity interest in Charter Communications Holding Company, LLC (“Charter Holdco”) and “mirror” notes which are payable by Charter Holdco to Charter and have the same principal amount and terms as those of Charter’s convertible senior notes. Charter Holdco is the sole owner of Charter Communications Holdings, LLC (“Charter Holdings”). The consolidated financial statements include the accounts of Charter, Charter Holdco, Charter Holdings and all of their wholly owned subsidiaries where the underlying operations reside, collectively referred to herein as the “Company.” Charter consolidates Charter Holdco on the basis of voting control. Charter Holdco’s limited liability company agreement provides that so long as Charter’s Class B common stock retains its special voting rights, Charter will maintain a 100% voting interest in Charter Holdco. Voting control gives Charter full authority and control over the operations of Charter Holdco. 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 its customers traditional cable video programming (analog and digital video) as well as high-speed data services and, in some areas, advanced broadband services such as high definition television, video on demand and telephony. The Company sells its cable video programming, high-speed data and advanced broadband services on a subscription basis. The Company also sells local advertising on satellite-delivered networks.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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, franchises and goodwill; income taxes; and contingencies. Actual results could differ from those estimates.

Reclassifications. Certain prior year amounts have been reclassified to conform with the 2004 presentation.

2. Liquidity and Capital Resources

The Company incurred net loss applicable to common stock of \$4.3 billion, \$242 million and \$2.5 billion in 2004, 2003 and 2002, respectively. The Company’s net cash flows from operating activities were \$472 million, \$765 million and \$748 million for the years ending December 31, 2004, 2003 and 2002, respectively.

The Company has a significant level of debt. The Company’s long-term financing as of December 31, 2004 consists of \$5.5 billion of credit facility debt, \$13.3 billion principal amount of high-yield notes and \$1.0 billion principal amount of convertible senior notes. In 2005, \$30 million of the Company’s debt will mature and in 2006, an additional \$186 million of the Company’s debt will mature. In 2007 and beyond, significant additional amounts will become due under the Company’s remaining long-term debt obligations.

The Company has historically required significant cash to fund capital expenditures and debt service costs. Historically, the Company has funded these requirements through cash flows from operating activities, borrowings under its credit facilities, sales of assets, issuances of debt and equity securities and cash on hand. However, the mix of funding sources changes from period to period. For the year ended December 31, 2004, the Company, generated \$472 million of net cash flows from operating activities, after paying cash interest of \$1.3 billion. In addition, the Company generated approximately \$744 million from the sale of assets, substantially all of which was used to fund operations, including capital expenditures. Finally, the Company had net cash flows from financing activities of \$294 million, which included, among other things, the proceeds from the issuance in December of \$550 million of CCO Holdings, LLC (“CCO Holdings”) Notes. This debt issuance was the primary reason cash on hand increased by \$523 million to \$650 million at December 31, 2004. Approximately \$622 million was used to repay outstanding borrowings under the Company’s revolving credit facility, through a series of transactions executed in February 2005.

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The Company expects that cash on hand, cash flows from operating activities and the amounts available under its credit facilities will be adequate to meet its cash needs in 2005. Cash flows from operating activities and amounts available under the Company's credit facilities may not be sufficient to fund the Company's operations and satisfy its principal repayment obligations that come due in 2006 and, the Company believes, will not be sufficient to fund its operations and satisfy such repayment obligations thereafter.

It is likely that the Company will require additional funding to repay debt maturing after 2006. The Company is working with its financial advisors to address such funding requirements. However, there can be no assurance that such funding will be available to the Company. Although Mr. Allen and his affiliates have purchased equity from the Company in the past, Mr. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to the Company in the future.

Credit Facilities and Covenants

The Company's ability to operate depends upon, among other things, its continued access to capital, including credit under the Charter Communications Operating, LLC ("Charter Operating") credit facilities. These credit facilities, along with the Company's indentures, are subject to certain restrictive covenants, some of which require the Company to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from the Company's independent auditors. As of December 31, 2004, the Company was in compliance with the covenants under the Company's indentures and under its credit facilities and the Company expects to remain in compliance with those covenants for the next twelve months. As of December 31, 2004, the Company had borrowing availability under the credit facilities of \$804 million, none of which was restricted due to covenants. Continued access to the Company's credit facilities is subject to the Company remaining in compliance with the applicable covenants of these credit facilities, including covenants tied to the Company's operating performance. If the Company's operating performance results in non-compliance with these covenants, or if any of certain other events of non-compliance under these credit facilities or indentures governing the Company's debt occurs, funding under the credit facilities may not be available and defaults on some or potentially all of the Company's debt obligations could occur. An event of default under the covenants governing any of the Company's debt instruments could result in the acceleration of its payment obligations under that debt and, under certain circumstances, in cross-defaults under its other debt obligations, which could have a material adverse effect on the Company's consolidated financial condition or results of operations.

The Charter Operating credit facilities require the Company to redeem the CC V Holdings notes within 45 days after the first date that the Charter Holdings leverage ratio is less than 8.75 to 1.0. In satisfaction of this requirement, CC V Holdings, LLC has called for redemption all of its outstanding notes, at 103.958% of principal amount, plus accrued and unpaid interest to the date of redemption, which is expected to be March 14, 2005. The total cost of the redemption including accrued and unpaid interest is expected to be \$122 million. The Company intends to fund the redemption with borrowings under its credit facilities.

Specific Limitations

Charter's ability to make interest payments on its convertible senior notes, and, in 2006 and 2009, to repay the outstanding principal of its convertible senior notes, will depend on its ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco or its subsidiaries, including CCH II, LLC ("CCH II"), CCO Holdings, LLC ("CCO Holdings") and Charter Operating. The indentures governing the CCH II notes, CCO Holdings notes, and Charter Operating notes, however, restrict these entities and their subsidiaries from making distributions to their parent companies (including Charter and Charter Holdco) for payment of interest and principal on Charter's convertible senior notes, in each case unless there is no default under the applicable indenture and a specified leverage ratio test is met at the time of such event. CCH II, CCO Holdings and Charter Operating meet the applicable leverage ratio test under each of their respective indentures, and as a result are not prohibited from making any such distributions to their respective direct parent.

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The indentures governing the Charter Holdings notes permit Charter Holdings to make distributions to Charter Holdco for payment of interest or principal on the convertible senior notes, only if, after giving effect to the distribution, Charter Holdings can incur additional debt under the leverage ratio of 8.75 to 1.0, there is no default under Charter Holdings' indentures and other specified tests are met. For the quarter ended December 31, 2004, there was no default under Charter Holdings' indentures and other specified tests were met. In addition, Charter Holdings met the leverage ratio of 8.75 to 1.0 based on December 31, 2004 financial results. As a result, distributions from Charter Holdings to Charter or Charter Holdco are not currently restricted. Such distributions will again be restricted, however, if Charter Holdings fails to meet its leverage ratio test. In the past, Charter Holdings has from time to time failed to meet this leverage ratio test and there can be no assurance that Charter Holdings will satisfy this test in the future.

During periods when such distributions are restricted, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments in Charter Holdco or Charter, up to an amount determined by a formula, as long as there is no default under the indentures. As of December 31, 2004, Charter Holdco had \$106 million in cash on hand and was owed \$29 million in intercompany loans from its subsidiaries, which were available to pay interest on Charter's 4.75% convertible senior notes, which is expected to be approximately \$7 million in 2005. In addition, Charter has \$144 million of governmental securities pledged as security for the six interest payments on Charter's 5.875% convertible senior notes.

Sale of Assets

In March 2004, the Company closed the sale of certain cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia to Atlantic Broadband Finance, LLC. The Company closed the sale of an additional cable system in New York to Atlantic Broadband Finance, LLC in April 2004. These transactions resulted in a \$104 million pretax gain recorded as a gain on sale of assets in the Company's consolidated statements of operations. Subject to post-closing contractual adjustments, the total net proceeds from the sale of all of these systems were approximately \$733 million. The proceeds received to date were used to repay a portion of amounts outstanding under the Company's credit facilities.

3. Summary of Significant Accounting Policies

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. These investments are carried at cost, which approximates market value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, including all material, labor and certain indirect costs associated with the construction of cable transmission and distribution facilities. Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are capitalized. Costs capitalized as part of initial customer installations include materials, labor, and certain indirect costs. Indirect costs are associated with the activities of the Company's personnel who assist in connecting and activating the new service and consist of compensation and indirect costs associated with these support functions. Indirect costs primarily include employee benefits and payroll taxes, direct variable costs associated with capitalizable activities, consisting primarily of installation and construction vehicle costs, the cost of dispatch personnel and indirect costs directly attributable to capitalizable activities. The costs of disconnecting service at a customer's dwelling or reconnecting service to a previously installed dwelling are charged to operating expense in the period incurred. Costs for repairs and maintenance are charged to operating expense as incurred, while plant and equipment replacement and betterments, including replacement of cable drops from the pole to the dwelling, are capitalized.

Depreciation is recorded using the straight-line composite method over management's estimate of the useful lives of the related assets as follows:

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Cable distribution systems	7-20 years
Customer equipment and installations	3-5 years
Vehicles and equipment	1-5 years
Buildings and leasehold improvements	5-15 years
Furniture and fixtures	5 years

Franchises

Franchise rights represent the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired through the purchase of cable systems. Management estimates the fair value of franchise rights at the date of acquisition and determines if the franchise has a finite life or an indefinite-life as defined by Statement of Financial Accounting Standards (“SFAS”) No. 142, *Goodwill and Other Intangible Assets*. All franchises that qualify for indefinite-life treatment under SFAS No. 142 are no longer amortized against earnings but instead are tested for impairment annually as of October 1, or more frequently as warranted by events or changes in circumstances (see Note 7). The Company concluded that 99% of its franchises qualify for indefinite-life treatment; however, certain franchises did not qualify for indefinite-life treatment due to technological or operational factors that limit their lives. These franchise costs are amortized on a straight-line basis over 10 years. Costs incurred in renewing cable franchises are deferred and amortized over 10 years.

Other Noncurrent Assets

Other noncurrent assets primarily include goodwill, deferred financing costs, governmental securities and investments in equity securities. Costs related to borrowings are deferred and amortized to interest expense over the terms of the related borrowings.

Investments in equity securities are accounted for at cost, under the equity method of accounting or in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Charter recognizes losses for any decline in value considered to be other than temporary. Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive income or loss.

The following summarizes investment information as of and for the years ended December 31, 2004 and 2003:

	Carrying Value at December 31,		Gain (loss) for the Years Ended December 31,		
	2004	2003	2004	2003	2002
Equity investments, under the cost method	\$ 39	\$ 30	\$ (3)	\$ (2)	\$ —
Equity investments, under the equity method	25	11	7	(1)	(5)
Marketable securities, at market value	—	—	—	—	2
	<u>\$ 64</u>	<u>\$ 41</u>	<u>\$ 4</u>	<u>\$ (3)</u>	<u>\$ (3)</u>

As required by the indentures to the Company’s 5.875% convertible senior notes issued in November 2004, the Company purchased U.S. government securities valued at approximately \$144 million with maturities corresponding to the interest payment dates for the convertible senior notes. These securities were pledged and are held in escrow to provide payment in full for the first six interest payments of the convertible senior notes (see Note 9). These securities are accounted for as held-to-maturity securities. At December 31, 2004, the carrying value and fair value of the securities was approximately \$144 million with approximately \$48 million recorded in prepaid and other assets and approximately \$96 million recorded in other assets in the Company’s consolidated balance sheet.

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Valuation of Property, Plant and Equipment

The Company evaluates the recoverability of property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such events or changes in circumstances could include such factors as impairment of the Company's indefinite life franchise under SFAS No. 142, changes in technological advances, fluctuations in the fair value of such assets, adverse changes in relationships with local franchise authorities, adverse changes in market conditions or poor operating results. If a review indicates that the carrying value of such asset is not recoverable from estimated undiscounted cash flows, the carrying value of such asset is reduced to its estimated fair value. While the Company believes that its estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect its evaluations of asset recoverability. No impairment of property, plant and equipment occurred in 2004, 2003 and 2002.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. For those instruments which qualify as hedging activities, related gains or losses are recorded in accumulated other comprehensive income. For all other derivative instruments, the related gains or losses are recorded in the income statement. The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements, interest rate cap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) as required under the terms of the credit facilities of the Company's subsidiaries. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate cap agreements are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market rates. Interest rate collar agreements are used to limit exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates. The Company does not hold or issue any derivative financial instruments for trading purposes.

Certain provisions of the Company's 5.875% convertible senior notes issued in November 2004 were considered embedded derivatives for accounting purposes and were required to be separately accounted for from the convertible senior notes. In accordance with SFAS No. 133, these derivatives are marked to market with gains or losses recorded in interest expense on the Company's consolidated statement of operations. For the year ended December 31, 2004, the Company recognized \$1 million in losses related to these derivatives. At December 31, 2004, \$10 million is recorded in accounts payable and accrued expenses relating to the short-term portion of these derivatives and \$21 million is recorded in other long-term liabilities related to the long-term portion.

Revenue Recognition

Revenues from residential and commercial video and high-speed data services are recognized when the related services are provided. Advertising sales are recognized at estimated realizable values in the period that the advertisements are broadcast. Local governmental authorities impose franchise fees on the Company ranging up to a federally mandated maximum of 5% of gross revenues as defined in the franchise agreement. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to local franchise authorities. Franchise fees are reported as revenues on a gross basis with a corresponding operating expense.

Programming Costs

The Company has various contracts to obtain analog, digital and premium video programming from program suppliers whose compensation is typically based on a flat fee per customer. The cost of the right to exhibit network programming under such arrangements is recorded in operating expenses in the month the programming is available for exhibition. Programming costs are paid each month based on calculations performed by the Company and are subject to adjustment based on periodic audits performed by the programmers. Certain programming contracts contain launch incentives to be paid by the programmers. The Company receives these payments related to the activation of the programmer's cable television channel and recognizes the launch incentives on a straight-line basis

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over the life of the programming agreement as a reduction of programming expense. This offset to programming expense was \$59 million, \$62 million and \$57 million for the years ended December 31, 2004, 2003 and 2002, respectively. Programming costs included in the accompanying statement of operations were \$1.3 billion, \$1.2 billion and \$1.2 billion for the years ended December 31, 2004, 2003 and 2002, respectively. As of December 31, 2004 and 2003, the deferred amount of launch incentives, included in other long-term liabilities, totaled \$106 million and \$170 million, respectively.

Advertising Costs

Advertising costs associated with marketing the Company's products and services are generally expensed as costs are incurred. Such advertising expense was \$72 million, \$62 million and \$60 million for the years ended December 31, 2004, 2003 and 2002, respectively.

Stock-Based Compensation

The Company has historically accounted for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, as permitted by SFAS No. 123, *Accounting for Stock-Based Compensation*. On January 1, 2003, the Company adopted the fair value measurement provisions of SFAS No. 123 using the prospective method under which the Company will recognize compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date consistent with the method described in Financial Accounting Standards Board Interpretation ("FIN") No. 28, *Accounting for Stock Appreciation Rights and Other Variable Stock Option or Award Plans*. Adoption of these provisions resulted in utilizing a preferable accounting method as the consolidated financial statements will present the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated with goods and services received for equity instruments. In accordance with SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, the fair value method was applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date were accounted for under APB No. 25, unless they were modified or settled in cash.

SFAS No. 123 requires pro forma disclosure of the impact on earnings as if the compensation expense for these plans had been determined using the fair value method. The following table presents the Company's net loss and loss per share as reported and the pro forma amounts that would have been reported using the fair value method under SFAS No. 123 for the years presented:

	Year Ended December 31,		
	2004	2003	2002
Net loss applicable to common stock	\$ (4,345)	\$ (242)	\$ (2,517)
Add back stock-based compensation expense related to stock options included in reported net loss (net of minority interest)	31	2	2
Less employee stock-based compensation expense determined under fair value based method for all employee stock option awards (net of minority interest)	(33)	(14)	(56)
Effects of unvested options in stock option exchange (see Note 19)	48	—	—
Pro forma	<u>\$ (4,299)</u>	<u>\$ (254)</u>	<u>\$ (2,571)</u>
Loss per common shares, basic and diluted:			
As reported	<u>\$ (14.47)</u>	<u>\$ (0.82)</u>	<u>\$ (8.55)</u>
Pro forma	<u>\$ (14.32)</u>	<u>\$ (0.86)</u>	<u>\$ (8.73)</u>

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants during the years ended December 31, 2004, 2003 and 2002, respectively: risk-free interest rates of 3.3%, 3.0%, and 3.6%; expected volatility of 92.4%, 93.6% and

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64.2%; and expected lives of 4.6 years, 4.5 years and 4.3 years, respectively. The valuations assume no dividends are paid.

Unfavorable Contracts and Other Settlements

The Company recognized \$5 million of benefit for the year ended December 31, 2004 related to changes in estimated legal reserves established as part of previous business combinations, which, based on an evaluation of current facts and circumstances, are no longer required.

The Company recognized \$72 million of benefit for the year ended December 31, 2003 as a result of the settlement of estimated liabilities recorded in connection with prior business combinations. The majority of this benefit (approximately \$52 million) is due to the renegotiation of a major programming contract, for which a liability had been recorded for the above market portion of the agreement in conjunction with the Falcon acquisition in 1999 and the Bresnan acquisition in 2000. The remaining benefit relates to the reversal of previously recorded liabilities, which are no longer required.

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss carryforwards. The impact on deferred taxes of changes in tax rates and tax law, if any, applied to the years during which temporary differences are expected to be settled, are reflected in the consolidated financial statements in the period of enactment (see Note 21).

Minority Interest

Minority interest on the consolidated balance sheets represents the portion of members' equity of Charter Holdco not owned by Charter, plus preferred membership interests in an indirect subsidiary of Charter held by Mr. Paul G. Allen. Minority interest totaled \$648 million and \$689 million as of December 31, 2004 and 2003, respectively, on the accompanying consolidated balance sheets. Gains or losses arising from issuances by Charter Holdco of its membership units are recorded as capital transactions thereby increasing or decreasing shareholders' equity and decreasing or increasing minority interest on the consolidated balance sheets. These losses totaled \$0, \$1 million and \$1 million for the years ended December 31, 2004, 2003 and 2002, respectively, on the accompanying consolidated statements of changes in shareholders' equity. Operating losses are allocated to the minority owners based on their ownership percentage, thereby reducing the Company's net loss.

Reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco was substantially eliminated at December 31, 2003, beginning in 2004, Charter began to absorb substantially all future losses before income taxes that otherwise would have been allocated to minority interest.

Loss per Common Share

Basic loss per common share is computed by dividing the net loss applicable to common stock by 300,291,877 shares, 294,597,519 shares and 294,440,261 shares for the years ended December 31, 2004, 2003 and 2002, representing the weighted-average common shares outstanding during the respective periods. Diluted loss per common share equals basic loss per common share for the periods presented, as the effect of stock options is antidilutive because the Company incurred net losses. All membership units of Charter Holdco are exchangeable on a one-for-one basis into common stock of Charter at the option of the holders. As of December 31, 2004, Charter Holdco has 644,385,801 membership units outstanding. Should the holders exchange units for shares, the effect would not be dilutive because the Company incurred net losses.

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Segments

SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information*, established standards for reporting information about operating segments in annual financial statements and in interim financial reports issued to shareholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance of the segment.

The Company's operations are managed on the basis of geographic divisional operating segments. The Company has evaluated the criteria for aggregation of the geographic operating segments under paragraph 17 of SFAS No. 131 and believes it meets each of the respective criteria set forth. The Company delivers similar products and services within each of its geographic divisional operations. Each geographic and divisional service area utilizes similar means for delivering the programming of the Company's services; have similarity in the type or class of customer receiving the products and services; distributes the Company's services over a unified network; and operates within a consistent regulatory environment. In addition, each of the geographic divisional operating segments has similar economic characteristics. In light of the Company's similar services, means for delivery, similarity in type of customers, the use of a unified network and other considerations across its geographic divisional operating structure, management has determined that the Company has one reportable segment, broadband services.

4. Acquisitions

On February 28, 2002, CC Systems, LLC, a subsidiary of the Company, and High Speed Access Corp. ("HSA") closed the Company's acquisition from HSA of the contracts and associated assets, and assumed related liabilities, that served certain of the Company's high-speed data customers. At closing, the Company paid approximately \$78 million in cash and delivered 37,000 shares of HSA's Series D convertible preferred stock and all the warrants to buy HSA common stock owned by the Company. The purchase price has been allocated to assets acquired and liabilities assumed based on fair values, including approximately \$8 million assigned to intangible assets and amortized over an average useful life of three years and approximately \$52 million assigned to goodwill. During the period from 1997 to 2000, certain subsidiaries of the Company entered into Internet-access related service agreements with HSA, and both Vulcan Ventures and certain of the Company's subsidiaries made equity investments in HSA. (see Note 22 for additional information).

In April 2002, Interlink Communications Partners, LLC, Rifkin Acquisition Partners, LLC and Charter Communications Entertainment I, LLC, each an indirect, wholly-owned subsidiary of Charter Holdings, completed the purchase of certain assets of Enstar Income Program II-2, L.P., Enstar Income Program IV-3, L.P., Enstar Income/Growth Program Six-A, L.P., Enstar Cable of Macoupin County and Enstar IV/PBD Systems Venture, serving approximately 21,600 (unaudited) customers, for a total cash purchase price of \$48 million. In September 2002, Charter Communications Entertainment I, LLC purchased all of Enstar Income Program II-1, L.P.'s Illinois cable systems, serving approximately 6,400 (unaudited) customers, for a cash purchase price of \$15 million. Enstar Communications Corporation, a direct subsidiary of Charter Holdco, is a general partner of the Enstar limited partnerships but does not exercise control over them. The purchase prices were allocated to assets acquired based on fair values, including \$41 million assigned to franchises and \$4 million assigned to other intangible assets amortized over a useful life of three years.

The 2002 acquisitions were funded primarily from borrowings under the credit facilities of the Company's subsidiaries.

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5. Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows for the years presented:

	Year Ended December 31,		
	2004	2003	2002
Balance, beginning of year	\$ 17	\$ 19	\$ 33
Charged to expense	92	79	108
Uncollected balances written off, net of recoveries	(94)	(81)	(122)
Balance, end of year	<u>\$ 15</u>	<u>\$ 17</u>	<u>\$ 19</u>

6. Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31, 2004 and 2003:

	2004	2003
Cable distribution systems	\$ 6,596	\$ 6,347
Customer equipment and installations	3,500	3,160
Vehicles and equipment	433	430
Buildings and leasehold improvements	578	583
Furniture and fixtures	493	444
	11,600	10,964
Less: accumulated depreciation	(5,311)	(3,950)
	<u>\$ 6,289</u>	<u>\$ 7,014</u>

The Company periodically evaluates the estimated useful lives used to depreciate its assets and the estimated amount of assets that will be abandoned or have minimal use in the future. A significant change in assumptions about the extent or timing of future asset retirements, or in the Company's use of new technology and upgrade programs, could materially affect future depreciation expense.

Depreciation expense for the years ended December 31, 2004, 2003 and 2002 was \$1.5 billion, \$1.5 billion and \$1.4 billion respectively.

7. Franchises and Goodwill

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, which eliminates the amortization of indefinite-lived intangible assets. Accordingly, beginning January 1, 2002, all franchises that qualify for indefinite-life treatment under SFAS No. 142 are no longer amortized against earnings but instead are tested for impairment annually based on valuations, or more frequently as warranted by events or changes in circumstances. Based on the guidance prescribed in Emerging Issues Task Force ("EITF") Issue No. 02-7, *Unit of Accounting for Testing of Impairment of Indefinite-Lived Intangible Assets*, franchises are aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clustering of the Company's cable systems into groups by which such systems are managed. Management believes such grouping represents the highest and best use of those assets.

The Company's valuations, which are based on the present value of projected after tax cash flows, result in a value of property, plant and equipment, franchises, customer relationships and its total entity value. The value of goodwill is the difference between the total entity value and amounts assigned to the other assets.

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Franchises, for valuation purposes, are defined as the future economic benefits of the right to solicit and service potential customers (customer marketing rights), and the right to deploy and market new services such as interactivity and telephony to the potential customers (service marketing rights). Fair value is determined based on estimated discounted future cash flows using assumptions consistent with internal forecasts. The franchise after-tax cash flow is calculated as the after-tax cash flow generated by the potential customers obtained and the new services added to those customers in future periods. The sum of the present value of the franchises' after-tax cash flow in years 1 through 10 and the continuing value of the after-tax cash flow beyond year 10 yields the fair value of the franchise. Prior to the adoption of EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*, discussed below, the Company followed a residual method of valuing its franchise assets, which had the effect of including goodwill with the franchise assets.

The Company follows the guidance of EITF Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination*, in valuing customer relationships. Customer relationships, for valuation purposes, represent the value of the business relationship with existing customers and are calculated by projecting future after-tax cash flows from these customers including the right to deploy and market additional services such as interactivity and telephony to these customers. The present value of these after-tax cash flows yield the fair value of the customer relationships. Substantially all acquisitions occurred prior to January 1, 2002. The Company did not record any value associated with the customer relationship intangibles related to those acquisitions. For acquisitions subsequent to January 1, 2002 the Company did assign a value to the customer relationship intangible, which is amortized over its estimated useful life.

In September 2004, the SEC staff issued Topic D-108 which requires the direct method of separately valuing all intangible assets and does not permit goodwill to be included in franchise assets. The Company performed an impairment assessment as of September 30, 2004, and adopted Topic D-108 in that assessment resulting in a total franchise impairment of approximately \$3.3 billion. The Company recorded a cumulative effect of accounting change of \$765 million (approximately \$875 million before tax effects of \$91 million and minority interest effects of \$19 million) for the year ended December 31, 2004 representing the portion of the Company's total franchise impairment attributable to no longer including goodwill with franchise assets. The effect of the adoption was to increase net loss and loss per share by \$765 million and \$2.55 for the year ended December 31, 2004. The remaining \$2.4 billion of the total franchise impairment was attributable to the use of lower projected growth rates and the resulting revised estimates of future cash flows in the Company's valuation, and was recorded as impairment of franchises in the Company's accompanying consolidated statements of operations for the year ended December 31, 2004. Sustained analog video customer losses by the Company in the third quarter of 2004 primarily as a result of increased competition from direct broadcast satellite providers and decreased growth rates in the Company's high-speed data customers in the third quarter of 2004, in part, as a result of increased competition from digital subscriber line service providers led to the lower projected growth rates and the revised estimates of future cash flows from those used at October 1, 2003.

The valuation completed at October 1, 2003 showed franchise values in excess of book value and thus resulted in no impairment. The Company's annual impairment assessment as of October 1, 2002, based on revised estimates from January 1, 2002 of future cash flows and projected long-term growth rates in the Company's valuation, led to the recognition of a \$4.6 billion impairment charge in the fourth quarter of 2002.

As of December 31, 2004 and 2003, indefinite-lived and finite-lived intangible assets are presented in the following table:

	December 31,					
	2004			2003		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises with indefinite lives	\$ 9,845	\$ —	\$ 9,845	\$ 13,606	\$ —	\$ 13,606
Goodwill	52	—	52	52	—	52

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	<u>\$ 9,897</u>	<u>\$ —</u>	<u>\$ 9,897</u>	<u>\$ 13,658</u>	<u>\$ —</u>	<u>\$ 13,658</u>
Finite-lived intangible assets:						
Franchises with finite lives	<u>\$ 37</u>	<u>\$ 4</u>	<u>\$ 33</u>	<u>\$ 107</u>	<u>\$ 33</u>	<u>\$ 74</u>

For the year ended December 31, 2004, the net carrying amount of indefinite-lived intangible assets was reduced by \$490 million as a result of the sale of cable systems, primarily the sale to Atlantic Broadband Finance, LLC, discussed in Note 2. Additionally, in the first and fourth quarters of 2004, approximately \$29 million and \$8 million, respectively, of franchises that were previously classified as finite-lived were reclassified to indefinite-lived, based on the Company's renewal of these franchise assets in 2003 and 2004. Franchise amortization expense for the years ended December 31, 2004, 2003 and 2002 was \$4 million, \$9 million and \$9 million, respectively, which represents the amortization relating to franchises that did not qualify for indefinite-life treatment under SFAS No. 142, including costs associated with franchise renewals. The Company expects that amortization expense on franchise assets will be approximately \$3 million annually for each of the next five years. 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 and other relevant factors.

8. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Accounts payable – trade	\$ 148	\$ 163
Accrued capital expenditures	65	108
Accrued expenses:		
Interest	324	277
Programming costs	278	319
Franchise related fees	67	70
State sales tax	47	61
Other	<u>288</u>	<u>288</u>
	<u>\$ 1,217</u>	<u>\$ 1,286</u>

9. Long-Term Debt

Long-term debt consists of the following as of December 31, 2004 and 2003:

	<u>2004</u>		<u>2003</u>	
	<u>Face Value</u>	<u>Accreted Value</u>	<u>Face Value</u>	<u>Accreted Value</u>
Long-Term Debt				
Charter Communications, Inc.:				
5.75% convertible senior notes due 2005	\$ —	\$ —	\$ 618	\$ 618
4.750% convertible senior notes due 2006	156	156	156	156
5.875% convertible senior notes due 2009	863	834	—	—
Charter Holdings:				
8.250% senior notes due 2007	451	451	451	450
8.625% senior notes due 2009	1,244	1,243	1,244	1,242
9.920% senior discount notes due 2011	1,108	1,108	1,108	1,082
10.000% senior notes due 2009	640	640	640	640

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	2004		2003	
	Face Value	Accreted Value	Face Value	Accreted Value
10.250% senior notes due 2010	318	318	318	318
11.750% senior discount notes due 2010	450	448	450	400
10.750% senior notes due 2009	874	874	874	873
11.125% senior notes due 2011	500	500	500	500
13.500% senior discount notes due 2011	675	589	675	517
9.625% senior notes due 2009	640	638	640	638
10.000% senior notes due 2011	710	708	710	708
11.750% senior discount notes due 2011	939	803	939	717
12.125% senior discount notes due 2012	330	259	330	231
CCH II, LLC:				
10.250% senior notes due 2010	1,601	1,601	1,601	1,601
CCO Holdings, LLC:				
8 3/4% senior notes due 2013	500	500	500	500
Senior floating notes due 2010	550	550	—	—
Charter Operating:				
8% senior second-lien notes due 2012	1,100	1,100	—	—
8 3/8% senior second-lien notes due 2014	400	400	—	—
Renaissance Media Group LLC:				
10.000% senior discount notes due 2008	114	116	114	116
CC V Holdings, LLC:				
11.875% senior discount notes due 2008	113	113	113	113
Credit Facilities				
Charter Operating	5,515	5,515	4,459	4,459
CC VI Operating	—	—	868	868
Falcon Cable	—	—	856	856
CC VIII Operating	—	—	1,044	1,044
	<u>\$ 19,791</u>	<u>\$ 19,464</u>	<u>\$ 19,208</u>	<u>\$ 18,647</u>

The accreted values presented above represents the face value of the notes less the original issue discount at the time of sale plus the accretion to the balance sheet date.

On November 22, 2004, the Company issued \$862.5 million original principal amount of 5.875% convertible senior notes due 2009, which are convertible into shares of Charter's Class A common stock, par value \$.001 per share, at a rate of 413.2231 shares per \$1,000 principal amount of notes (or approximately \$2.42 per share), subject to adjustment in certain circumstances. On December 23, 2004, the Company used a portion of the proceeds from the sale of the notes to redeem all of its outstanding 5.75% convertible senior notes due 2005 (total principal amount of \$588 million). The redemption resulted in a loss on extinguishment of debt of \$10 million.

In April 2004, Charter's indirect subsidiaries, Charter Operating and Charter Communications Operating Capital Corp., sold \$1.5 billion of senior second-lien notes in a private transaction. Additionally, Charter Operating amended and restated its \$5.1 billion credit facilities, among other things, to defer maturities and increase availability under those facilities to approximately \$6.5 billion, consisting of a \$1.5 billion six-year revolving credit facility, a \$2.0 billion six-year term loan facility and a \$3.0 billion seven-year term loan facility. Charter Operating used the additional borrowings under the amended and restated credit facilities, together with proceeds from the sale of the Charter Operating senior second-lien notes to refinance the credit facilities of its subsidiaries, CC VI Operating Company, LLC ("CC VI Operating"), Falcon Cable Communications, LLC ("Falcon Cable"), and CC VIII Operating, LLC ("CC VIII Operating"), all in concurrent transactions. In addition, Charter Operating was substituted as the lender in place of the banks under those subsidiaries' credit facilities. These transactions resulted in losses on extinguishment of debt of \$21 million.

The Company recognized a loss of approximately \$23 million recorded as loss on debt to equity conversion on the accompanying consolidated statement of operations for the year ended December 31, 2004 from privately negotiated

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exchanges of a total of \$30 million principal amount of Charter's 5.75% convertible senior notes for shares of Charter Class A common stock. The exchanges resulted in the issuance of more shares in the exchange transaction than would have been issuable under the original terms of the convertible senior notes.

In September 2003, Charter, Charter Holdings and their indirect subsidiary, CCH II purchased, in a non-monetary transaction, a total of approximately \$609 million principal amount of Charter's outstanding convertible senior notes and approximately \$1.3 billion principal amount of the senior notes and senior discount notes issued by Charter Holdings from institutional investors in a small number of privately negotiated transactions. As consideration for these securities, CCH II issued approximately \$1.6 billion principal amount of 10.25% notes due 2010, and realized approximately \$294 million of debt discount. CCH II also issued an additional \$30 million principal amount of 10.25% notes for an equivalent amount of cash and used the proceeds for transaction costs and for general corporate purposes. This transaction resulted in a gain on extinguishment of debt of \$267 million for the year ended December 31, 2003. See discussion of the CCH II notes below for more details.

5.75% Charter Convertible Notes In October and November 2000, Charter issued 5.75% convertible senior notes with a total principal amount at maturity of \$750 million. The 5.75% Charter convertible notes were convertible at the option of the holder into shares of Class A common stock at a conversion rate of 46.3822 shares per \$1,000 principal amount of notes, which was equivalent to a price of \$21.56 per share, subject to certain adjustments. The remaining \$588 million of these notes was redeemed on December 23, 2004 at a price of 101.15% of the outstanding principal amount plus accrued and unpaid interest through the redemption date.

4.75% Charter Convertible Notes. In May 2001, Charter issued 4.75% convertible senior notes with a total principal amount at maturity of \$633 million. As of December 31, 2004, there was \$156 million in total principal amount of these notes outstanding. The 4.75% Charter convertible notes rank equally with any of Charter's future unsubordinated and unsecured indebtedness, but are structurally subordinated to all existing and future indebtedness and other liabilities of Charter's subsidiaries.

The 4.75% Charter convertible notes are convertible at the option of the holder into shares of Class A common stock at a conversion rate of 38.0952 shares per \$1,000 principal amount of notes, which is equivalent to a price of \$26.25 per share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which automatically occur based on the occurrence of specified events to provide protection rights to holders of the notes. Additionally, Charter may adjust the conversion ratio under certain circumstances when deemed appropriate. These notes are redeemable at Charter's option at amounts decreasing from 101.9% to 100% of the principal amount, plus accrued and unpaid interest beginning on June 4, 2004, to the date of redemption. Interest is payable semiannually on December 1 and June 1, beginning December 1, 2001, until maturity on June 1, 2006.

Upon a change of control, subject to certain conditions and restrictions, Charter may be required to repurchase the notes, in whole or in part, at 100% of their principal amount plus accrued interest at the repurchase date.

5.875% Charter Convertible Notes. In November 2004, Charter issued 5.875% convertible senior notes due 2009 with a total original principal amount of \$862.5 million. The 5.875% Charter convertible notes are convertible at any time at the option of the holder into shares of Class A common stock at an initial conversion rate of 413.2231 shares per \$1,000 principal amount of notes, which is equivalent to a conversion price of approximately \$2.42 per share, subject to certain adjustments. Specifically, the adjustments include anti-dilutive provisions, which cause adjustments to occur automatically based on the occurrence of specified events to provide protection rights to holders of the notes. The conversion rate may also be increased (but not to exceed 462 shares per \$1,000 principal amount of notes) upon a specified change of control transaction. Additionally, Charter may elect to increase the conversion rate under certain circumstances when deemed appropriate and subject to applicable limitations of the NASDAQ stock market. Holders who convert their notes prior to November 16, 2007 will receive an early conversion make whole amount in respect of their notes based on a proportional share of the portfolio of pledged securities described below, with specified adjustments.

The 5.875% Charter convertible notes are unsecured (except with respect to the collateral as described below) and rank equally with existing and future unsubordinated and unsecured indebtedness (except with respect to the

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collateral described below), but are structurally subordinated to all existing and future indebtedness and other liabilities of Charter's subsidiaries. Upon a change of control and certain other fundamental changes, subject to certain conditions and restrictions, Charter may be required to repurchase the notes, in whole or in part, at 100% of their principal amount plus accrued interest at the repurchase date.

Interest is payable semi-annually in arrears. Charter Holdco used a portion of the proceeds from the sale of the notes to purchase a portfolio of U.S. government securities in an amount which the Company believes will be sufficient to make the first six interest payments on the notes. These government securities were pledged to the Company as security for a mirror note issued by Charter Holdco to Charter (as discussed below) and pledged to the trustee under the indenture governing the notes as security for the Company's obligations thereunder. The Company expects to use such securities to fund the first six interest payments under the notes. The pledged securities totaled \$144 million at December 31, 2004. Any holder that converts its notes prior to the third anniversary of the issue date will be entitled to receive, in addition to the requisite number of shares upon conversion, an interest make whole payment equal to the cash proceeds from the sale by the trustee of that portion of the remaining pledged U.S. government securities which secure interest payments on the notes so converted, subject to certain limitations with respect to notes that have not been sold prior to being registered under the Securities Act of 1933.

Following the earlier of the sale of the notes pursuant to an effective registration statement or the date two years following the issue date, the notes in whole or in part may be redeemed for cash at any time at a redemption price equal to 100% of the aggregate principal amount plus accrued and unpaid interest, deferred interest and liquidated damages, if any, but only if for any 20 trading days in any 30 consecutive trading day period the closing price has exceeded 180% of the conversion price, if such 30 trading day period begins prior to November 16, 2007 or 150% of the conversion price, if such 30 trading period begins thereafter. Holders who convert notes that the Company has called for redemption shall receive, in addition to the early conversion make whole amount, if applicable, the present value of the interest on the notes converted that would have been payable for the period from the later of November 17, 2007 and the redemption date through the scheduled maturity date for the notes, plus any accrued deferred interest.

The Company is required to register the 5.875% Charter convertible notes by April 21, 2005. If the 5.875% Charter convertible notes are not registered by such date, the Company will incur liquidating damages as defined in the related indenture. In conjunction with issuing the 5.875% Charter convertible notes, the Company filed a registration statement to sell up to 150 million shares of the Company's Class A common stock pursuant to a share lending agreement. The share lending agreement is required to be registered by April 1, 2005. If the share lending agreement is not registered by such date, the Company will incur liquidating damages as defined in the related indenture.

In connection with our November 2004 sale of the \$862.5 million principal amount of 5.875% convertible senior notes due 2009, Charter Holdco issued to Charter mirror notes in identical principal amount in exchange for the proceeds from its offering. Charter Holdco then purchased and pledged certain U.S. government securities to Charter as security for the mirror notes (which were in turn repledged by Charter to the trustee for the benefit of holders of Charter's 5.875% convertible senior notes and which Charter expects to use to fund the first six interest payments on the notes), and agreed to lend common units to Charter, the terms of which will, to the extent practicable, mirror the terms of the shares. Charter Holdco also redeemed the remaining \$588 million principal amount of the mirror notes in respect of our 5.75% convertible senior notes due 2005 concurrently with its December 23, 2004 redemption of its 5.75% convertible senior notes.

In addition, in December 2004, Charter Holdco entered into a unit lending agreement with Charter in which it agreed to lend common units to Charter that would mirror the anticipated loan of Class A common shares by Charter to Citigroup Global Markets pursuant to a share lending agreement. The members of Charter Holdco (including the entities controlled by Mr. Allen) also at that time entered into a letter agreement providing, among other things, that for purposes of the allocation provisions of the Limited Liability Company Agreement of Charter Holdco, the mirror units be treated as disregarded and not outstanding until such time (and except to the extent) that, under Charter's share lending agreement, Charter treats the loaned shares in a manner that assumes they will neither be returned by Charter by the borrower nor otherwise be acquired by Charter in lieu of such a return.

March 1999 Charter Holdings Notes. The March 1999 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Communications Capital Corporation ("Charter Capital"). The March 1999 8.250% Charter Holdings notes mature on April 1, 2007, and as of December 31, 2004, there was \$451 million in total principal amount outstanding. The March 1999 8.625% Charter Holdings notes mature on April 1, 2009 and as of December 31, 2004, there was \$1.2 billion in total principal amount outstanding. The March 1999 9.920% Charter Holdings notes mature on April 1, 2011 and as of December 31, 2004, the total principal amount outstanding and accreted value was \$1.1 billion. Cash interest on the March 1999 9.920% Charter Holdings notes began to accrue on April 1, 2004.

The March 1999 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the March 1999 8.250% Charter Holdings notes prior to their maturity on April 1, 2007. On or after April 1, 2004, Charter Holdings and Charter Capital may redeem some or all of the March 1999 8.625% Charter Holdings notes and the March 1999 9.920% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of March 1999 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after April 1, 2007.

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In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding March 1999 Charter Holdings notes at 101% of their principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the March 1999 Charter Holdings notes contain restrictive covenants that limit certain transactions or activities by Charter Holdings and its restricted subsidiaries. Substantially all of Charter Holdings' direct and indirect subsidiaries are currently restricted subsidiaries.

January 2000 Charter Holdings Notes. The January 2000 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The January 2000 10.00% Charter Holdings notes mature on April 1, 2009, and as of December 31, 2004, there was \$640 million in total principal amount of these notes outstanding. The January 2000 10.25% Charter Holdings notes mature on January 15, 2010 and as of December 31, 2004, there was \$318 million in total principal amount of these notes outstanding. The January 2000 11.75% Charter Holdings notes mature on January 15, 2010 and as of December 31, 2004, the total principal amount outstanding was \$450 million and the total accreted value of these notes was approximately \$448 million. Cash interest on the January 2000 11.75% Charter Holdings notes began to accrue on January 15, 2005.

The January 2000 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the January 2000 10.00% Charter Holdings notes prior to their maturity on April 1, 2009. Charter Holdings and Charter Capital may redeem some or all of the January 2000 10.25% Charter Holdings notes and the January 2000 11.75% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2000 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2008.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2000 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2000 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 Charter Holdings notes.

January 2001 Charter Holdings Notes. The January 2001 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The January 2001 10.750% Charter Holdings notes mature on October 1, 2009, and as of December 31, 2004, there was \$874 million in total principal amount of these notes outstanding. The January 2001 11.125% Charter Holdings notes mature on January 15, 2011 and as of December 31, 2004, there was \$500 million in total principal amount outstanding. The January 2001 13.500% Charter Holdings notes mature on January 15, 2011 with a total principal amount at maturity of \$675 million. As of December 31, 2004, the total accreted value of these 13.500% notes was approximately \$589 million. Cash interest on the January 2001 13.500% Charter Holdings notes will not accrue prior to January 15, 2006.

The January 2001 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

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Charter Holdings and Charter Capital will not have the right to redeem the January 2001 10.750% Charter Holdings notes prior to their maturity date on October 1, 2009. On or after January 15, 2006, Charter Holdings and Charter Capital may redeem some or all of the January 2001 11.125% Charter Holdings notes and the January 2001 13.500% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the January 2001 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after January 15, 2009.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2001 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2001 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999 and January 2000 Charter Holdings notes.

May 2001 Charter Holdings Notes. The May 2001 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The May 2001 9.625% Charter Holdings notes mature on November 15, 2009, and as of December 31, 2004, combined with the January 2002 additional bond issue, there was \$640 million in total principal amount outstanding. The May 2001 10.000% Charter Holdings notes mature on May 15, 2011 and as of December 31, 2004, combined with the January 2002 additional bond issue, there was \$710 million in total principal amount outstanding. The May 2001 11.750% Charter Holdings notes mature on May 15, 2011 and as of December 31, 2004, the total principal amount outstanding was \$939 million and the total accreted value of the 11.750% notes was approximately \$803 million. Cash interest on the May 2001 11.750% Charter Holdings notes will not accrue prior to May 15, 2006.

The May 2001 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with all other current and future unsubordinated obligations of Charter Holdings and Charter Capital. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Charter Holdings and Charter Capital will not have the right to redeem the May 2001 9.625% Charter Holdings notes prior to their maturity on November 15, 2009. On or after May 15, 2006, Charter Holdings and Charter Capital may redeem some or all of the May 2001 10.000% Charter Holdings notes and the May 2001 11.750% Charter Holdings notes at any time, in each case, at a premium. The optional redemption price declines to 100% of the principal amount of the May 2001 Charter Holdings notes redeemed, plus accrued and unpaid interest, if any, for redemption on or after May 15, 2009.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding May 2001 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the May 2001 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999, January 2000 and January 2001 Charter Holdings notes.

January 2002 Charter Holdings Notes. The January 2002 Charter Holdings notes are general unsecured obligations of Charter Holdings and Charter Capital. The January 2002 Charter Holdings notes consist of \$330 million in total principal amount at maturity of 12.125% senior discount notes due 2012.

The January 2002 12.125% senior discount notes mature on January 15, 2012, and as of December 31, 2004, the total principal amount outstanding was \$330 million and the total accreted value of these notes was approximately \$259 million. Cash interest on the January 2002 12.125% Charter Holdings notes will not accrue prior to January 15, 2007.

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The January 2002 Charter Holdings notes are senior debt obligations of Charter Holdings and Charter Capital. They rank equally with the current and future unsecured and unsubordinated debt of Charter Holdings. They are structurally subordinated to the obligations of Charter Holdings' subsidiaries, including the CCH II notes, the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

The Charter Holdings 12.125% senior discount notes are redeemable at the option of the issuers at amounts decreasing from 106.063% to 100% of accreted value beginning January 15, 2007.

In the event that a specified change of control event occurs, Charter Holdings and Charter Capital must offer to repurchase any then outstanding January 2002 Charter Holdings notes at 101% of their total principal amount or accreted value, as applicable, plus accrued and unpaid interest, if any.

The indentures governing the January 2002 Charter Holdings notes contain substantially identical events of default, affirmative covenants and negative covenants as those contained in the indentures governing the March 1999, January 2000, January 2001 and May 2001 Charter Holdings notes.

CCH II Notes. In September 2003, CCH II and CCH II Capital Corp. jointly issued \$1.6 billion total principal amount of 10.25% senior notes due 2010. The CCH II notes are general unsecured obligations of CCH II and CCH II Capital Corp. They rank equally with all other current or future unsubordinated obligations of CCH II and CCH II Capital Corp. The CCH II notes are structurally subordinated to all obligations of subsidiaries of CCH II, including the CCO Holdings notes, the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Interest on the CCH II notes accrues at 10.25% per annum and is payable semi-annually in arrears on each March 15 and September 15, commencing on March 15, 2004.

At any time prior to September 15, 2006, the issuers of the CCH II notes may redeem up to 35% of the total principal amount of the CCH II notes on a pro rata basis at a redemption price equal to 110.25% of the principal amount of CCH II notes redeemed, plus any accrued and unpaid interest.

On or after September 15, 2008, the issuers of the CCH II notes may redeem all or a part of the notes at a redemption price that declines ratably from the initial redemption price of 105.125% to a redemption price on or after September 15, 2009 of 100.0% of the principal amount of the CCH II notes redeemed, plus, in each case, any accrued and unpaid interest.

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

The indenture governing the CCH II notes contains restrictive covenants that limit certain transactions or activities by CCH II and its restricted subsidiaries. Substantially all of CCH II's direct and indirect subsidiaries are currently restricted subsidiaries.

CCO Holdings Notes.

8 3/4% Senior Notes due 2013

In November 2003, CCO Holdings and CCO Holdings Capital Corp. jointly issued \$500 million total principal amount of 8 3/4% senior notes due 2013. The CCO Holdings notes are general unsecured obligations of CCO Holdings and CCO Holdings Capital Corp. They rank equally with all other current or future unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The CCO Holdings notes are structurally subordinated

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to all obligations of CCO Holdings' subsidiaries, including the Renaissance notes, the CC V Holdings notes, the Charter Operating credit facilities and the Charter Operating notes.

Interest on the CCO Holdings senior notes accrues at 8³/₄% per year and is payable semi-annually in arrears on each May 15 and November 15.

At any time prior to November 15, 2006, the issuers of the CCO Holdings senior notes may redeem up to 35% of the total principal amount of the CCO Holdings senior notes to the extent of public equity proceeds they have received on a pro rata basis at a redemption price equal to 108.75% of the principal amount of CCO Holdings senior notes redeemed, plus any accrued and unpaid interest.

On or after November 15, 2008, the issuers of the CCO Holdings senior notes may redeem all or a part of the notes at a redemption price that declines ratably from the initial redemption price of 104.375% to a redemption price on or after November 15, 2011 of 100.0% of the principal amount of the CCO Holdings senior notes redeemed, plus, in each case, any accrued and unpaid interest.

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

Senior Floating Rate Notes Due 2010

In December 2004, CCO Holdings and CCO Holdings Capital Corp. jointly issued \$550 million total principal amount of senior floating rate notes due 2010.

Interest on the CCO Holdings senior floating rate notes accrues at the LIBOR rate plus 4.125% annually, from December 15, 2004 or, if interest already has been paid, from the date it was most recently paid. Interest is reset and payable quarterly in arrears on each March 15, June 15, September 15 and December 15, commencing on March 15, 2005.

At any time prior to December 15, 2006, the issuers of the senior floating rate notes may redeem up to 35% of the notes in an amount not to exceed the amount of proceeds of one or more public equity offerings at a redemption price equal to 100% of the principal amount, plus a premium equal to the interest rate per annum applicable to the notes on the date notice of redemption is given, plus accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the original aggregate principal amount of the notes issued remains outstanding after the redemption.

The issuers of the senior floating rate notes may redeem the notes in whole or in part at the issuers' option from December 15, 2006 until December 14, 2007 for 102% of the principal amount, from December 15, 2007 until December 14, 2008 for 101% of the principal amount and from and after December 15, 2008, at par, in each case, plus accrued and unpaid interest.

The indentures governing the CCO Holdings senior notes contain restrictive covenants that limit certain transactions or activities by CCO Holdings and its restricted subsidiaries. Substantially all of CCO Holdings' direct and indirect subsidiaries are currently restricted subsidiaries.

Charter Operating Notes. On April 27, 2004, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.1 billion of 8% senior second-lien notes due 2012 and \$400 million of 8 3/8% senior second-lien notes due 2014, for total gross proceeds of \$1.5 billion. Interest on the Charter Operating notes is payable semi-annually in arrears on each April 30 and October 30, commencing on October 30, 2004.

The Charter Operating notes were sold in a private transaction that was not subject to the registration requirements of the Securities Act of 1933. The Charter Operating notes are not expected to have the benefit of any exchange or other registration rights, except in specified limited circumstances. On the issue date of the Charter Operating notes, because

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of restrictions contained in the Charter Holdings indentures, there were no Charter Operating note guarantees, even though Charter Operating's immediate parent, CCO Holdings, and certain of the Company's subsidiaries were obligors and/or guarantors under the Charter Operating credit facilities. Upon the occurrence of the guarantee and pledge date (generally, the fifth business day after the Charter Holdings leverage ratio is certified to be below 8.75 to 1.0), CCO Holdings and those subsidiaries of Charter Operating that are then guarantors of, or otherwise obligors with respect to, indebtedness under the Charter Operating credit facilities and related obligations will be required to guarantee the Charter Operating notes. The note guarantee of each such guarantor will be:

- a senior obligation of such guarantor;
- structurally senior to the outstanding senior notes of CCO Holdings and CCO Holdings Capital Corp. (except in the case of CCO Holdings' note guarantee, which ranks equally with such senior notes), the outstanding senior notes of CCH II and CCH II Capital Corp., the outstanding senior notes and senior discount notes of Charter Holdings and the outstanding convertible senior notes of Charter (but subject to provisions in the Charter Operating indenture that permit interest and, subject to meeting the 4.25 to 1.0 leverage ratio test, principal payments to be made thereon); and
- senior in right of payment to any future subordinated indebtedness of such guarantor.

As a result of the above leverage ratio test being met, CCO Holdings and certain of its subsidiaries provided the additional guarantees described above during the first quarter of 2005.

All the subsidiaries of Charter Operating (except CCO NR Sub, LLC, and certain other subsidiaries that are not deemed material and are designated as nonrecourse subsidiaries under the Charter Operating credit facilities) are restricted subsidiaries of Charter Operating under the Charter Operating notes. Unrestricted subsidiaries generally will not be subject to the restrictive covenants in the Charter Operating indenture.

In the event of specified change of control events, Charter Operating must offer to purchase the Charter Operating notes at a purchase price equal to 101% of the total principal amount of the Charter Operating notes repurchased plus any accrued and unpaid interest thereon.

The indenture governing the Charter Operating senior notes contains restrictive covenants that limit certain transactions or activities by Charter Operating and its restricted subsidiaries. Substantially all of Charter Operating's direct and indirect subsidiaries are currently restricted subsidiaries.

Renaissance Notes. In connection with the acquisition of Renaissance in April 1999, the Company assumed \$163 million principal amount at maturity of 10.000% senior discount notes due 2008 of which \$49 million was repurchased in May 1999. The Renaissance notes did not require the payment of interest until April 15, 2003. From and after April 15, 2003, the Renaissance notes bear interest, payable semi-annually, on April 15 and October 15, commencing on October 15, 2003. The Renaissance notes are due on April 15, 2008.

CC V Holdings Notes. Charter Holdco acquired CC V Holdings in November 1999 and assumed CC V Holdings' outstanding 11.875% senior discount notes due 2008 with an accreted value of \$113 million as of December 31, 2003. Commencing December 1, 2003, cash interest on the CC V Holdings 11.875% notes will be payable semi-annually on June 1 and December 1 of each year. In February 2005, these notes were called with an anticipated redemption date of March 14, 2005.

High-Yield Restrictive Covenants; Limitation on Indebtedness. The indentures governing the notes of the Company's subsidiaries contain certain covenants that restrict the ability of Charter Holdings, Charter Capital, CCH II, CCH II Capital Corp., CCO Holdings, CCO Holdings Capital Corp., Charter Operating, Charter Communications Operating Capital Corp., the CC V Holdings notes issuers, Renaissance Media Group, and all of their restricted subsidiaries to:

- incur additional debt;
- pay dividends on equity or repurchase equity;
- make investments;

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- sell all or substantially all of their assets or merge with or into other companies;
- sell assets;
- enter into sale-leasebacks;
- in the case of restricted subsidiaries, create or permit to exist dividend or payment restrictions with respect to the bond issuers, guarantee their parent companies debt, or issue specified equity interests;
- engage in certain transactions with affiliates; and
- grant liens.

Charter Operating Credit Facilities. In April 2004, Charter Operating amended and restated its \$5.1 billion credit facilities, among other things, to defer maturities and increase availability under those facilities to approximately \$6.5 billion, consisting of a \$1.5 billion revolving credit facility with a maturity date in 2010; a \$2.0 billion Term A loan facility of which 12.5% matures in 2007, 30% matures in 2008, 37.5% matures in 2009 and 20% matures in 2010; and a \$3.0 billion Term B loan facility which is repayable in 27 equal quarterly installments aggregating in each loan year to 1% of the original amount of the Term B facility, with the remaining balance due at final maturity in 2011. Charter Operating used the additional borrowings under the amended and restated credit facilities, together with proceeds from the sale of the Charter Operating senior second-lien notes to refinance the credit facilities of its subsidiaries, CC VI Operating, Falcon Cable, and CC VIII Operating,, all in concurrent transactions. In addition, Charter Operating was substituted as the lender in place of the banks under those subsidiaries' credit facilities.

Amounts outstanding under the Charter Operating credit facilities bear interest, at Charter Operating's election, at a base rate or the Eurodollar rate (2.07% to 2.28% as of December 31, 2004), as defined, plus a margin for Eurodollar loans of up to 3.00% for the Term A facility and revolving credit facility, and up to 3.25% for the Term B facility, and for base rate loans of up to 2.00% for the Term A facility and revolving credit facility, and up to 2.25% for the Term B facility. A quarterly commitment fee of up to .75% is payable on the average daily unborrowed balance of the revolving credit facilities.

The obligations of Charter's subsidiaries under the Charter Operating credit facilities (the "Obligations") are guaranteed by Charter Operatings' immediate parent company, CCO Holdings, and the subsidiaries of Charter Operating, except for immaterial subsidiaries and subsidiaries precluded from guaranteeing by reason of the provisions of other indebtedness to which they are subject (the "non-guarantor subsidiaries", primarily Renaissance and CC V Holdings and their subsidiaries). The Obligations are also secured by (i) a lien on 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) by 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. Upon the Charter Holdings Leverage Ratio (as defined in the indenture governing the Charter Holdings senior notes and senior discount notes) being under 8.75 to 1.0, the Charter Operating credit facilities require that the 11.875% notes due 2008 issued by CC V Holdings, LLC be redeemed. Because such Leverage Ratio was determined to be under 8.75 to 1.0 in February 2005, CC V Holdings has called for redemption of such notes with an anticipated redemption date of March 14, 2005. Following such redemption and provided the Leverage Ratio of Charter Holdings remains under 8.75 to 1.0, CC V Holdings and its subsidiaries (other than non-guarantor subsidiaries) will guarantee the Obligations and grant a lien on all of their assets as to which a lien can be perfected under the Uniform Commercial Code by the filing of a financing statement.

The Charter Operating credit facilities were amended and restated previously as of June 19, 2003 to allow for the insertion of intermediate holding companies between Charter Holdings and Charter Operating. In exchange for the lenders' consent to the organizational restructuring, Charter Operating's pricing increased by 50 basis points across all levels in the pricing grid then in effect under the Charter Operating credit facilities.

Amounts under the Charter Operating credit facilities, as amended in 2003, bore interest at the Eurodollar rate or the base rate, each as defined, plus a margin of up to 3.0% for Eurodollar loans (3.15% to 3.92% as of December 31, 2003) and 2.0% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per annum was payable on the unborrowed balance of the revolving credit facilities.

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As of December 31, 2004, outstanding borrowings under the Charter Operating credit facilities were approximately \$5.5 billion and the unused total potential availability was \$804 million.

CC VI Operating Credit Facilities. As discussed above, in April 2004, Charter Operating was substituted as the lender in place of the banks for the CC VI Operating Credit Facilities

Prior to April 2004, amounts under the CC VI Operating credit facilities bore interest at the Eurodollar rate or the base rate, each as defined, plus a margin of up to 2.5% for Eurodollar loans (2.40% to 3.66% as of December 31, 2003) and 1.5% for base rate loans. A quarterly commitment fee of 0.25% per year was payable on the unborrowed balance of the Term A facility and the revolving facility.

Falcon Cable Credit Facilities. As discussed above, in April 2004, Charter Operating was substituted as the lender in place of the banks for the Falcon Cable Credit Facilities.

Prior to April 2004, amounts under the Falcon Cable credit facilities bore interest at the Eurodollar rate or the base rate, each as defined, plus a margin of up to 2.25% for Eurodollar loans (2.40% to 3.42% as of December 31, 2003) and up to 1.25% for base rate loans. A quarterly commitment fee of between 0.25% and 0.375% per year was payable on the unborrowed balance of the revolving facilities.

CC VIII Operating Credit Facilities. As discussed above, in April 2004, Charter Operating was substituted as the lender in place of the banks for the CC VIII Operating Credit Facilities.

Prior to April 2004, amounts under the CC VIII Operating credit facilities bear interest at the Eurodollar rate or the base rate, each as defined, plus a margin of up to 2.50% for Eurodollar loans (2.15% to 3.66% as of December 31, 2003) and up to 1.50% for base rate loans. A quarterly commitment fee of 0.25% was payable on the unborrowed balance of the revolving credit facilities.

Charter Operating Credit Facilities Restrictive Covenants. The Charter Operating credit facilities contain representations and warranties, affirmative and negative covenants similar to those described above with respect to the indentures governing the Company's notes, information requirements, events of default and financial covenants. The financial covenants, as defined, measure performance against standards set for leverage, debt service coverage, and operating cash flow coverage of cash interest expense on a quarterly basis or as applicable. Additionally, the credit facilities contain provisions requiring mandatory loan prepayments under specific circumstances, including when significant amounts of assets are sold and the proceeds are not promptly reinvested in assets useful in the business of the borrower within a specified period. The Charter Operating credit facilities also provide that in the event that any indebtedness of CCO Holdings remains outstanding on the date, which is six months prior to the scheduled final maturity, the term loans under the Charter Operating credit facilities will mature and the revolving credit facilities will terminate on such date. The events of default under the Charter Operating credit facilities include, among other things:

- the failure to make payments when due or within the applicable grace period,
- the failure to comply with specified covenants, including but not limited to a covenant to deliver audited financial statements with an unqualified opinion from the Company's independent auditors,
- the failure to pay or the occurrence of events that cause or permit the acceleration of other indebtedness owing by CCO Holdings, Charter Operating or Charter Operating's subsidiaries in amounts in excess of \$50 million in aggregate principal amount,
- the failure to pay or the occurrence of events that result in the acceleration of other indebtedness owing by certain of CCO Holdings' direct and indirect parent companies in amounts in excess of \$200 million in aggregate principal amount,
- Paul Allen and/or certain of his family members and/or their exclusively owned entities (collectively, the "Paul Allen Group") ceasing to have the power, directly or indirectly, to vote at least 35% of the ordinary voting power of Charter Operating,
- the consummation of any transaction resulting in any person or group (other than the Paul Allen Group) having power, directly or indirectly, to vote more than 35% of the ordinary voting power of Charter

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Operating, unless the Paul Allen Group holds a greater share of ordinary voting power of Charter Operating,

- certain of Charter Operating's indirect or direct parent companies having indebtedness in excess of \$500 million aggregate principal amount which remains undefeased three months prior to the final maturity of such indebtedness, and
- Charter Operating ceasing to be a wholly-owned direct subsidiary of CCO Holdings, except in certain very limited circumstances.

In the event of a default under the Company's subsidiaries' credit facilities or notes, the subsidiaries' creditors could elect to declare all amounts borrowed, together with accrued and unpaid interest and other fees, to be due and payable. In such event, the subsidiaries' credit facilities and indentures would not permit the Company's subsidiaries to distribute funds to Charter Holdco or Charter to pay interest or principal on Charter's notes. In addition, the lenders under the Company's credit facilities could foreclose on their collateral, which includes equity interests in the Company's subsidiaries, and exercise other rights of secured creditors. In any such case, the Company might not be able to repay or make any payments on its notes. Additionally, an acceleration or payment default under Charter Operating's credit facilities would cause a cross-default in the indentures governing the Charter Holdings notes, CCH II notes, CCO Holdings notes, Charter Operating notes and Charter's convertible senior notes and would trigger the cross-default provision of the Charter Operating Credit Agreement. Any default under any of the subsidiaries' credit facilities or notes might adversely affect the holders of Charter's notes and the Company's growth, financial condition and results of operations and could force the Company to examine all options, including seeking the protection of the bankruptcy laws.

Based upon outstanding indebtedness as of December 31, 2004, the amortization of term loans, scheduled reductions in available borrowings of the revolving credit facilities, and the maturity dates for all senior and subordinated notes and debentures, total future principal payments on the total borrowings under all debt agreements as of December 31, 2004, are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 30
2006	186
2007	731
2008	858
2009	5,040
Thereafter	12,946
	<u>\$ 19,791</u>

For the amounts of debt scheduled to mature during 2005, it is management's intent to fund the repayments from borrowings on the Company's revolving credit facility. The accompanying consolidated balance sheet reflects this intent by presenting all debt balances as long-term while the table above reflects actual debt maturities as of the stated date.

10. Minority Interest and Equity Interest of Charter Holdco

Charter is a holding company whose primary asset is a controlling equity interest in Charter Holdco, the indirect owner of the Company's cable systems, and \$990 million and \$774 million at December 31, 2004 and 2003, respectively, of mirror notes which are payable by Charter Holdco to Charter and have the same principal amount and terms as those of Charter's convertible senior notes. Minority interest on the Company's consolidated balance sheets represents the ownership percentage of Charter Holdco not owned by Charter, or 52.8% of total members' equity of Charter Holdco, plus \$656 million and \$694 million of preferred membership interests in CC VIII, LLC ("CC VIII"), an indirect subsidiary of Charter Holdco, as of December 31, 2004 and 2003 respectively. As more fully described in Note 22, this preferred interest arises from the approximately \$630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000. As of December 31, 2003,

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minority interest also includes \$25 million of preferred interest in Charter Helicon, LLC, another indirect subsidiary of Charter Holdco, issued in connection with the 1999 Helicon acquisition. As of December 31, 2004, the preferred interest in Charter Helicon, LLC was reclassified to other long-term liabilities.

Members' equity of Charter Holdco was (\$4.4) billion, (\$57) million and \$662 million as of December 31, 2004, 2003 and 2002, respectively. Gains and losses arising from the issuance by Charter Holdco of its membership units are recorded as capital transactions, thereby increasing or decreasing shareholders' equity and decreasing or increasing minority interest on the accompanying consolidated balance sheets. Minority interest was 52.8% as of December 31, 2004 and 53.5% as of December 31, 2003 and 2002. Minority interest includes the proportionate share of changes in fair value of interest rate risk derivative agreements. Such amounts are temporary as they are contractually scheduled to reverse over the life of the underlying instrument. Additionally, reported losses allocated to minority interest on the consolidated statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Holdco. Because minority interest in Charter Holdco was substantially eliminated at December 31, 2003, beginning in 2004, the Company began to absorb substantially all losses before income taxes that otherwise would have been allocated to minority interest. This resulted in an additional \$2.4 billion of net loss for the year ended December 31, 2004. Subject to any changes in Charter Holdco's capital structure, future losses will be substantially absorbed by Charter. Changes to minority interest consist of the following for the periods presented:

	Minority Interest
Balance, December 31, 2001	\$ 4,434
Minority interest in loss of a subsidiary	(3,176)
Minority interest in change in accounting principle	(306)
Minority interest in income tax benefit	132
Changes in fair value of interest rate agreements	(35)
Other	<u>1</u>
Balance, December 31, 2002	1,050
Minority interest in loss of a subsidiary	(377)
Minority interest in income tax benefit	(8)
Changes in fair value of interest rate agreements	25
Other	<u>(1)</u>
Balance, December 31, 2003	689
Minority interest in loss of a subsidiary	(19)
Minority interest in cumulative effect of accounting change	(19)
Reclass of Helicon, LLC interest	(25)
Changes in fair value of interest rate agreements	<u>22</u>
Balance, December 31, 2004	<u>\$ 648</u>

11. Preferred Stock — Redeemable

On August 31, 2001, in connection with its acquisition of Cable USA, Inc. and certain cable system assets from affiliates of Cable USA, Inc., the Company issued 505,664 shares of Series A Convertible Redeemable Preferred Stock (the Preferred Stock) valued at and with a liquidation preference of \$51 million. Holders of the Preferred Stock have no voting rights but are entitled to receive cumulative cash dividends at an annual rate of 5.75%, payable quarterly. If for any reason Charter fails to pay the dividends on the Preferred Stock on a timely basis, the dividend rate on each share increases to an annual rate of 7.75% until the payment is made. The Preferred Stock is redeemable by Charter at its option on or after August 31, 2004 and must be redeemed by Charter at any time upon a change of control, or if not previously redeemed or converted, on August 31, 2008. The Preferred Stock is convertible, in whole or in part, at the option of the holders from April 1, 2002 through August 31, 2008, into shares

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of common stock at an initial conversion rate equal to a conversion price of \$24.71 per share of common stock, subject to certain customary adjustments. The redemption price per share of Preferred Stock is the Liquidation Preference of \$100, subject to certain customary adjustments. In the first quarter of 2003, the Company issued 39,595 additional shares of preferred stock valued at and with a liquidation preference of \$4 million.

12. Common Stock

The Company's Class A common stock and Class B common stock are identical except with respect to certain voting, transfer and conversion rights. Holders of Class A common stock are entitled to one vote per share and holder of Class B common stock is entitled to ten votes for each share of Class B common stock held and for each Charter Holdco membership unit held. The Class B common stock is subject to significant transfer restrictions and is convertible on a share for share basis into Class A common stock at the option of the holder. Charter Holdco membership units are exchangeable on a one-for-one basis for shares of Class A common stock.

13. Comprehensive Loss

Certain marketable equity securities are classified as available-for-sale and reported at market value with unrealized gains and losses recorded as accumulated other comprehensive loss on the accompanying consolidated balance sheets. Additionally, the Company reports changes in the fair value of interest rate agreements designated as hedging the variability of cash flows associated with floating-rate debt obligations, that meet the effectiveness criteria of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, in accumulated other comprehensive loss, after giving effect to the minority interest share of such gains and losses. Comprehensive loss for the years ended December 31, 2004, 2003 and 2002 was \$4.3 billion, \$219 million and \$2.5 billion, respectively.

14. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate collar agreements (collectively referred to herein as interest rate agreements) to manage its interest costs. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements, the Company has agreed to exchange, at specified intervals through 2007, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate collar agreements are used to limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

The Company does not hold or issue derivative instruments for trading purposes. The Company does, however, have 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, SFAS No. 133 allows derivative gains and losses to offset related results on hedged items in the consolidated statement of operations. The Company has formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. For the years ended December 31, 2004, 2003 and 2002, net gain (loss) on derivative instruments and hedging activities includes gains of \$4 million and \$8 million and losses of \$14 million, respectively, which represent cash flow hedge ineffectiveness on interest rate hedge agreements arising from differences between the critical terms of the agreements and the related hedged obligations. Changes in the fair value of interest rate agreements designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations that meet the effectiveness criteria SFAS No. 133 are reported in accumulated other comprehensive loss. For the years ended December 31, 2004, 2003 and 2002, a gain of \$42 million and \$48 million and losses of \$65 million, respectively, related to derivative instruments designated as cash flow hedges, was recorded in accumulated other comprehensive loss and minority interest. The amounts are subsequently reclassified into interest expense as a yield adjustment in the same period 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 do not meet the effectiveness criteria specified by SFAS No. 133. 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

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marked to fair value, with the impact recorded as gain (loss) on derivative instruments and hedging activities in the Company's consolidated statement of operations. For the years ended December 31, 2004, 2003 and 2002, net gain (loss) on derivative instruments and hedging activities includes gains of \$65 million, \$57 million and losses of \$101 million, respectively, for interest rate derivative instruments not designated as hedges.

As of December 31, 2004, 2003 and 2002, the Company had outstanding \$2.7 billion, \$3.0 billion and \$3.4 billion and \$20 million, \$520 million and \$520 million, respectively, in notional amounts of interest rate swaps and collars, respectively. 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.

15. Fair Value of Financial Instruments

The Company has estimated the fair value of its financial instruments as of December 31, 2004 and 2003 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 consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments. The Company is exposed to market price risk volatility with respect to investments in publicly traded and privately held entities.

The fair value of interest rate agreements represents the estimated amount the Company would receive or pay upon termination of the agreements. Management believes that the sellers of the interest rate agreements will be able to meet their obligations under the agreements. In addition, some of the interest rate agreements are with certain of the participating banks under the Company's credit facilities, thereby reducing the exposure to credit loss. The Company has policies regarding the financial stability and credit standing of major counterparties. Nonperformance by the counterparties is not anticipated nor would it have a material adverse effect on the Company's consolidated financial condition or results of operations.

The estimated fair value of the Company's notes and interest rate agreements at December 31, 2004 and 2003 are based on quoted market prices, and the fair value of the credit facilities is based on dealer quotations.

A summary of the carrying value and fair value of the Company's debt and related interest rate agreements at December 31, 2004 and 2003 is as follows:

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
Charter convertible notes	\$ 990	\$ 1,127	\$ 774	\$ 732
Charter Holdings debt	8,579	7,669	8,316	7,431
CCH II debt	1,601	1,698	1,601	1,680
CCO Holdings debt	1,050	1,064	500	510
Charter Operating debt	1,500	1,563	—	—
Credit facilities	5,515	5,502	7,227	6,949
Other	229	236	229	238
Interest Rate Agreements				
Assets (Liabilities)				
Swaps	(69)	(69)	(171)	(171)
Collars	(1)	(1)	(8)	(8)

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The weighted average interest pay rate for the Company's interest rate swap agreements was 8.07% and 7.25% at December 31, 2004 and 2003, respectively.

16. Revenues

Revenues consist of the following for the years presented:

	Year Ended December 31,		
	2004	2003	2002
Video	\$ 3,373	\$ 3,461	\$ 3,420
High-speed data	741	556	337
Advertising sales	289	263	302
Commercial	238	204	161
Other	336	335	346
	<u>\$ 4,977</u>	<u>\$ 4,819</u>	<u>\$ 4,566</u>

17. Operating Expenses

Operating expenses consist of the following for the years presented:

	Year Ended December 31,		
	2004	2003	2002
Programming	\$ 1,319	\$ 1,249	\$ 1,166
Advertising sales	98	88	87
Service	663	615	554
	<u>\$ 2,080</u>	<u>\$ 1,952</u>	<u>\$ 1,807</u>

18. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following for the years presented:

	Year Ended December 31,		
	2004	2003	2002
General and administrative	\$ 849	\$ 833	\$ 810
Marketing	122	107	153
	<u>\$ 971</u>	<u>\$ 940</u>	<u>\$ 963</u>

Components of selling expense are included in general and administrative and marketing expense.

19. Stock Compensation Plans

The Company grants stock options, restricted stock and other incentive compensation pursuant to the 2001 Stock Incentive Plan of Charter (the "2001 Plan"). Prior to 2001, options were granted under the 1999 Option Plan of Charter Holdco (the "1999 Plan").

The 1999 Plan provided for the grant of options to purchase membership units in Charter Holdco to current and prospective employees and consultants of Charter Holdco and its affiliates and current and prospective non-

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employee directors of Charter. Options granted generally vest over five years from the grant date, with 25% vesting 15 months after the anniversary of the grant date and ratably thereafter. Options not exercised accumulate and are exercisable, in whole or in part, in any subsequent period, but not later than 10 years from the date of grant. Membership units received upon exercise of the options are automatically exchanged into Class A common stock of Charter on a one-for-one basis.

The 2001 Plan provides for the grant of non-qualified stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock and/or shares of restricted stock (not to exceed 3,000,000), as each term is defined in the 2001 Plan. Employees, officers, consultants and directors of the Company and its subsidiaries and affiliates are eligible to receive grants under the 2001 Plan. Options granted generally vest over four years from the grant date, with 25% vesting on the anniversary of the grant date and ratably thereafter. Generally, options expire 10 years from the grant date.

The 2001 Plan allows for the issuance of up to a total of 90,000,000 shares of Charter Class A common stock (or units convertible into Charter Class A common stock). The total shares available reflect a July 2003 amendment to the 2001 Plan approved by the board of directors and the shareholders of Charter to increase available shares by 30,000,000 shares. In 2001, any shares covered by options that terminated under the 1999 Plan were transferred to the 2001 Plan, and no new options can be granted under the 1999 Plan.

In the years ended December 31, 2004 and 2003, certain directors were awarded a total of 182,932 and 80,603 shares, respectively, of restricted Class A common stock of which 25,705 shares had been cancelled as of December 31, 2004. The shares vest one year from the date of grant. In December 2003 and January 2004, in connection with new employment agreements, certain officers were awarded 50,000 and 50,000 shares, respectively, of restricted Class A common stock of which 50,000 shares had been cancelled as of December 31, 2004. The shares vest annually over a four-year period beginning from the date of grant. As of December 31, 2004, deferred compensation remaining to be recognized in future period totaled \$0.4 million.

A summary of the activity for the Company's stock options, excluding granted shares of restricted Class A common stock, for the years ended December 31, 2004, 2003 and 2002, is as follows (amounts in thousands, except per share data):

	2004		2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	47,882	\$ 12.48	53,632	\$ 14.22	46,558	\$ 17.10
Granted	9,405	4.88	7,983	3.53	13,122	4.88
Exercised	(839)	2.02	(165)	3.96	—	—
Cancelled	(31,613)	15.16	(13,568)	14.10	(6,048)	16.32
	<u>24,835</u>	<u>\$ 6.57</u>	<u>47,882</u>	<u>\$ 12.48</u>	<u>53,632</u>	<u>\$ 14.22</u>
Weighted average remaining contractual life	<u>8 years</u>		<u>8 years</u>		<u>8 years</u>	
Options exercisable, end of period	<u>7,731</u>	<u>\$ 10.77</u>	<u>22,861</u>	<u>\$ 16.36</u>	<u>17,844</u>	<u>\$ 17.93</u>
Weighted average fair value of options granted	<u>\$ 3.71</u>		<u>\$ 2.71</u>		<u>\$ 2.89</u>	

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2004:

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Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable (in thousands)	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
\$ 1.11 — \$ 1.60	3,144	8 years	\$ 1.52	782	8 years	\$ 1.45
\$ 2.85 — \$ 4.56	7,408	8 years	3.45	2,080	8 years	3.28
\$ 5.06 — \$ 5.17	8,857	9 years	5.14	533	9 years	5.06
\$ 9.13 — \$ 13.68	2,264	7 years	11.08	1,481	7 years	11.28
\$13.96 — \$ 23.09	3,162	5 years	19.63	2,855	5 years	19.59

On January 1, 2003, the Company adopted the fair value measurement provisions of SFAS No. 123, under which the Company recognizes compensation expense of a stock-based award to an employee over the vesting period based on the fair value of the award on the grant date. Adoption of these provisions resulted in utilizing a preferable accounting method as the consolidated financial statements present the estimated fair value of stock-based compensation in expense consistently with other forms of compensation and other expense associated with goods and services received for equity instruments. In accordance with SFAS No. 123, the fair value method will be applied only to awards granted or modified after January 1, 2003, whereas awards granted prior to such date will continue to be accounted for under APB No. 25, unless they are modified or settled in cash. The ongoing effect on consolidated results of operations or financial condition will be dependent upon future stock based compensation awards granted. The Company recorded \$31 million of option compensation expense for the year ended December 31, 2004.

Prior to the adoption of SFAS No. 123, the Company used the intrinsic value method prescribed by APB No. 25, *Accounting for Stock Issued to Employees*, to account for the option plans. Option compensation expense of \$5 million for the year ended December 31, 2002, was recorded in the consolidated statements of operations since the exercise prices of certain options were less than the estimated fair values of the underlying membership interests on the date of grant.

In January 2004, the Company began an option exchange program in which the Company offered its employees the right to exchange all stock options (vested and unvested) under the 1999 Charter Communications Option Plan and 2001 Stock Incentive Plan that had an exercise price over \$10 per share for shares of restricted Charter Class A common stock or, in some instances, cash. Based on a sliding exchange ratio, which varied depending on the exercise price of an employees outstanding options, if an employee would have received more than 400 shares of restricted stock in exchange for tendered options, Charter issued that employee shares of restricted stock in the exchange. If, based on the exchange ratios, an employee would have received 400 or fewer shares of restricted stock in exchange for tendered options, Charter instead paid the employee cash in an amount equal to the number of shares the employee would have received multiplied by \$5.00. The offer applied to options (vested and unvested) to purchase a total of 22,929,573 shares of Class A common stock, or approximately 48% of the Company's 47,882,365 total options issued and outstanding as of December 31, 2003. Participation by employees was voluntary. Those members of the Company's board of directors who were not also employees of the Company or any of its subsidiaries were not eligible to participate in the exchange offer.

In the closing of the exchange offer on February 20, 2004, the Company accepted for cancellation eligible options to purchase approximately 18,137,664 shares of its Class A common stock. In exchange, the Company granted 1,966,686 shares of restricted stock, including 460,777 performance shares to eligible employees of the rank of senior vice president and above, and paid a total cash amount of approximately \$4 million (which amount includes applicable withholding taxes) to those employees who received cash rather than shares of restricted stock. The restricted stock was granted on February 25, 2004. Employees tendered approximately 79% of the options eligible to be exchanged under the program.

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The cost to the Company of the stock option exchange program was approximately \$10 million, with a 2004 cash compensation expense of approximately \$4 million and a non-cash compensation expense of approximately \$6 million to be expensed ratably over the three-year vesting period of the restricted stock in the exchange.

In January 2004, the Compensation Committee of the board of directors of Charter approved Charter's Long-Term Incentive Program ("LTIP"), which is a program administered under the 2001 Stock Incentive Plan. Under the LTIP, employees of Charter and its subsidiaries whose pay classifications exceed a certain level are eligible to receive stock options, and more senior level employees are eligible to receive stock options and performance shares. The stock options vest 25% on each of the first four anniversaries of the date of grant. The performance shares vest on the third anniversary of the grant date and shares of Charter Class A common stock are issued, conditional upon Charter's performance against financial performance measures established by Charter's management and approved by its board of directors as of the time of the award. Charter granted 6.9 million shares in January 2004 under this program and recognized expense of \$8 million in the first three quarters of 2004. However, in the fourth quarter of 2004, the Company reversed the entire \$8 million of expense based on the Company's assessment of the probability of achieving the financial performance measures established by Charter and required to be met for the performance shares to vest.

20. Special Charges

In the fourth quarter of 2002, the Company began a workforce reduction program and consolidation of its operations from three divisions and ten regions into five operating divisions, eliminating redundant practices and streamlining its management structure. The Company has recorded special charges as a result of reducing its workforce and consolidating administrative offices in 2003 and 2004. The activity associated with this initiative is summarized in the table below.

	<u>Severance /Leases</u>	<u>Litigation</u>	<u>Other</u>	<u>Total Special Charge</u>
Special Charges	\$ 31	\$ —	\$ 5	\$ 36
Balance at December 31, 2002	31			
Special Charges	26	\$ —	\$ (5)	\$ 21
Payments	(43)			
Balance at December 31, 2003	14			
Special Charges	12	\$ 92	\$ —	\$ 104
Payments	(20)			
Balance at December 31, 2004	<u>\$ 6</u>			

For the year ended December 31, 2002 special charges include \$4 million related to legal and other costs associated with the Company's ongoing grand jury investigation, shareholder lawsuits and SEC investigation and \$1 million associated with severance costs related to a 2001 restructuring plan. For the year ended December 31, 2003, the severance and lease costs were offset by a \$5 million settlement from the Internet service provider Excite@Home related to the conversion of high-speed data customers to Charter Pipeline service in 2001. For the year ended December 31, 2004, special charges include approximately \$85 million, representing the aggregate value of the Charter Class A common stock and warrants to purchase Charter Class A common stock contemplated to be issued as part of a settlement of consolidated federal and state class actions and federal derivative action lawsuits and approximately \$10 million of litigation costs related to the tentative settlement of a national class action suit, all of which are subject to final documentation and court approval (see Note 23). For the year ended December 31, 2004, special charges were offset by \$3 million received from a third party in settlement of a dispute.

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21. Income Taxes

All operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are not subject to income tax. However, certain of these subsidiaries are corporations and are subject to income tax. All of the taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to its members: Charter, Charter Investment, Inc. (“Charter Investment”) and Vulcan Cable III Inc. (“Vulcan Cable”). Charter is responsible for its share of taxable income or loss of Charter Holdco allocated to Charter in accordance with the Charter Holdco limited liability company agreement (“LLC Agreement”) and partnership tax rules and regulations.

The LLC Agreement provides for certain special allocations of net tax profits and net tax losses (such net tax profits and net tax losses being determined under the applicable federal income tax rules for determining capital accounts). Pursuant to the LLC Agreement, through the end of 2003, net tax losses of Charter Holdco that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common units were allocated instead to membership units held by Vulcan Cable and Charter Investment (the “Special Loss Allocations”) to the extent of their respective capital account balances. After 2003, pursuant to the LLC Agreement, net tax losses of Charter Holdco are to be allocated to Charter, Vulcan Cable and Charter Investment based generally on their respective percentage ownership of outstanding common units to the extent of their respective capital account balances. The LLC Agreement further provides that, beginning at the time Charter Holdco generates net tax profits, the net tax profits that would otherwise have been allocated to Charter based generally on its percentage ownership of outstanding common membership units will instead generally be allocated to Vulcan Cable and Charter Investment (the “Special Profit Allocations”). The Special Profit Allocations to Vulcan Cable and Charter Investment will generally continue until the cumulative amount of the Special Profit Allocations offsets the cumulative amount of the Special Loss Allocations. The amount and timing of the Special Profit Allocations are subject to the potential application of, and interaction with, the Curative Allocation Provisions described in the following paragraph. The LLC Agreement generally provides that any additional net tax profits are to be allocated among the members of Charter Holdco based generally on their respective percentage ownership of Charter Holdco common membership units.

Because the respective capital account balance of each of Vulcan Cable and Charter Investment was reduced to zero by December 31, 2002, certain net tax losses of Charter Holdco that were to be allocated for 2002, 2003, 2004 and possibly later years (subject to resolution of the issue described in Note 22) to Vulcan Cable and Charter Investment instead have been and will be allocated to Charter (the “Regulatory Allocations”). The LLC Agreement further provides that, to the extent possible, the effect of the Regulatory Allocations is to be offset over time pursuant to certain curative allocation provisions (the “Curative Allocation Provisions”) so that, after certain offsetting adjustments are made, each member’s capital account balance is equal to the capital account balance such member would have had if the Regulatory Allocations had not been part of the LLC Agreement. The cumulative amount of the actual tax losses allocated to Charter as a result of the Regulatory Allocations through the year ended December 31, 2004 is approximately \$4.0 billion.

As a result of the Special Loss Allocations and the Regulatory Allocations referred to above, the cumulative amount of losses of Charter Holdco allocated to Vulcan Cable and Charter Investment is in excess of the amount that would have been allocated to such entities if the losses of Charter Holdco had been allocated among its members in proportion to their respective percentage ownership of Charter Holdco common membership units. The cumulative amount of such excess losses was approximately \$2.1 billion through December 31, 2003 and \$1.0 billion through December 31, 2004.

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In certain situations, the Special Loss Allocations, Special Profit Allocations, Regulatory Allocations and Curative Allocation Provisions described above could result in Charter paying taxes in an amount that is more or less than if Charter Holdco had allocated net tax profits and net tax losses among its members based generally on the number of common membership units owned by such members. This could occur due to differences in (i) the character of the allocated income (e.g., ordinary versus capital), (ii) the allocated amount and timing of tax depreciation and tax amortization expense due to the application of section 704(c) under the Internal Revenue Code, (iii) the potential interaction between the Special Profit Allocations and the Curative Allocation Provisions, (iv) the amount and timing of alternative minimum taxes paid by Charter, if any, (v) the apportionment of the allocated income or loss among the states in which Charter Holdco does business, and (vi) future federal and state tax laws. Further, in the event of new capital contributions to Charter Holdco, it is possible that the tax effects of the Special Profit Allocations, Special Loss Allocations, Regulatory Allocations and Curative Allocation Provisions will change significantly pursuant to the provisions of the income tax regulations or the terms of a contribution agreement with respect to such contribution. Such change could defer the actual tax benefits to be derived by Charter with respect to the net tax losses allocated to it or accelerate the actual taxable income to Charter with respect to the net tax profits allocated to it. As a result, it is possible under certain circumstances, that Charter could receive future allocations of taxable income in excess of its currently allocated tax deductions and available tax loss carryforwards. The ability to utilize net operating loss carryforwards is potentially subject to certain limitations as discussed below.

In addition, under their exchange agreement with Charter, Vulcan Cable and Charter Investment may exchange some or all of their membership units in Charter Holdco for Charter's Class B common stock, be merged with Charter, or be acquired by Charter in a non-taxable reorganization. If such an exchange were to take place prior to the date that the Special Profit Allocation provisions had fully offset the Special Loss Allocations, Vulcan Cable and Charter Investment could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable and Charter Investment immediately prior to the consummation of the exchange. In the event Vulcan Cable and Charter Investment choose not to make such election or to the extent such allocations are not possible, Charter would then be allocated tax profits attributable to the membership units received in such exchange pursuant to the Special Profit Allocation provisions. Mr. Allen has generally agreed to reimburse Charter for any incremental income taxes that Charter would owe as a result of such an exchange and any resulting future Special Profit Allocations to Charter. The ability of Charter to utilize net operating loss carryforwards is potentially subject to certain limitations as discussed below. If Charter were to become subject to certain limitations (whether as a result of an exchange described above or otherwise), and as a result were to owe taxes resulting from the Special Profit Allocations, then Mr. Allen may not be obligated to reimburse Charter for such income taxes.

For the years ended December 31, 2004, 2003 and 2002, the Company recorded deferred income tax benefits as shown below. The income tax benefits were realized through reductions in the deferred tax liabilities related to Charter's investment in Charter Holdco, as well as the deferred tax liabilities of certain of Charter's indirect corporate subsidiaries. In 2003, Charter received tax loss allocations from Charter Holdco. Previously, the tax losses had been allocated to Vulcan Cable and Charter Investment in accordance with the Special Loss Allocations provided under the Charter Holdco amended and restated limited liability company agreement. The Company does not expect to recognize a similar benefit related to its investment in Charter Holdco after 2003 due to limitations on its ability to offset future tax benefits against the remaining deferred tax liabilities. However, the actual tax provision calculation in future periods will be the result of current and future temporary differences, as well as future operating results.

Current and deferred income tax expense (benefit) is as follows:

	December 31,		
	2004	2003	2002
Current expense:			
Federal income taxes	\$ 2	\$ 1	\$ —
State income taxes	4	1	2
Current income tax expense	<u>6</u>	<u>2</u>	<u>2</u>
Deferred benefit:			
Federal income taxes	(175)	(98)	(456)
State income taxes	(25)	(14)	(66)
Deferred income tax benefit:	<u>(200)</u>	<u>(112)</u>	<u>(522)</u>
Total income benefit	<u>\$ (194)</u>	<u>\$ (110)</u>	<u>\$ (520)</u>

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The Company recorded the portion of the income tax benefit associated with the adoption of EITF Topic D-108 and SFAS No. 142 as a \$91 million and a \$60 million reduction of the cumulative effect of accounting change on the accompanying statement of operations for the years ended December 31, 2004 and December 31, 2002, respectively.

The Company's effective tax rate differs from that derived by applying the applicable federal income tax rate of 35%, and average state income tax rate of 5% for the years ended December 31, 2004, 2003 and 2002 as follows:

	December 31,		
	2004	2003	2002
Statutory federal income taxes	\$ (1,288)	\$ (122)	\$ (969)
State income taxes, net of federal benefit	(184)	(17)	(138)
Valuation allowance provided	1,278	29	587
	(194)	(110)	(520)
Less: cumulative effect of accounting change	91	—	60
Income tax benefit	<u>\$ (103)</u>	<u>\$ (110)</u>	<u>\$ (460)</u>

The tax effects of these temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2004 and 2003 which are included in long-term liabilities are presented below.

	December 31,	
	2004	2003
Deferred tax assets:		
Net operating loss carryforward	\$ 3,533	\$ 1,723
Other	8	6
Total gross deferred tax assets	3,541	1,729
Less: valuation allowance	<u>(3,151)</u>	<u>(1,291)</u>
Net deferred tax assets	<u>\$ 390</u>	<u>\$ 438</u>
Deferred tax liabilities:		
Investment in Charter Holdco	\$ (365)	\$ (553)
Indirect Corporate Subsidiaries:		
Property, plant & equipment	(40)	(42)
Franchises	<u>(201)</u>	<u>(260)</u>
Gross deferred tax liabilities	<u>(606)</u>	<u>(855)</u>
Net deferred tax liabilities	<u>\$ (216)</u>	<u>\$ (417)</u>

As of December 31, 2004, the Company has deferred tax assets of \$3.5 billion, which primarily relate to financial and tax losses allocated to Charter from Charter Holdco. The deferred tax assets include \$2.1 billion of tax net operating loss carryforwards (generally expiring in years 2005 through 2024) of Charter and its indirect corporate subsidiaries. Valuation allowances of \$3.2 billion exist with respect to these deferred tax assets.

The change of approximately \$1.9 billion in valuation allowance between the years ended December 31, 2004 and 2003, presented above, includes the provision for valuation allowance, the impact of the decrease in deferred tax liabilities and the impact of additional losses resulting from the cumulative effect of accounting change.

Full realization of the Company's tax net operating losses is dependent on: (1) Charter and its indirect corporate subsidiaries' ability to generate future taxable income and (2) the absence of certain future "ownership changes" of Charter's common stock. An "ownership change" as defined in the applicable federal income tax rules, would place significant limitations, on an annual basis, on the use of such net operating losses to offset any future taxable income the Company may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate the Company's ability to use a substantial portion of its net operating losses to offset future taxable income. Future transactions and the timing of such transactions could cause an ownership change. Such transactions include additional issuances of common stock by the Company (including but not limited the

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anticipated issuances of 150 million shares of common stock under the share lending agreement in conjunction with the issuance of 5.875% convertible senior notes in November 2004 or upon future conversion of Charter's convertible senior notes), reacquisitions of the borrowed shares by Charter, or acquisitions or sales of shares by certain holders of Charter's shares, including persons who have held, currently hold, or accumulate in the future five percent or more of Charter's outstanding stock (including upon an exchange by Paul Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco into CCI common stock). Many of the foregoing transactions are beyond management's control.

The total valuation allowance for deferred tax assets as of December 31, 2004 and 2003 was \$3.2 billion and \$1.3 billion, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Because of the uncertainties in projecting future taxable income of Charter Holdco, valuation allowances have been established except for deferred benefits available to offset certain deferred tax liabilities.

The Company is currently under examination by the Internal Revenue Service for the tax years ending December 31, 1999 and 2000. Management does not expect the results of this examination to have a material adverse effect on the Company's consolidated financial condition or results of operation.

22. Related Party Transactions

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

Charter is a holding company and its principal assets are its equity interest in Charter Holdco and certain mirror notes payable by Charter Holdco to Charter and mirror preferred units held by Charter, which have the same principal amount and terms as those of Charter's convertible senior notes and Charter's outstanding preferred stock. In 2004, Charter Holdco paid to Charter \$49 million related to interest on the mirror notes, and Charter Holdco paid an additional \$4 million related to dividends on the mirror preferred membership units. Further, during 2004 Charter Holdco issued 7,252,818 common membership units to Charter in cancellation of \$30 million principal amount of mirror notes so as to mirror the issuance by Charter of Class A common stock in exchange for a like principal amount of its outstanding convertible notes.

Charter is a party to management arrangements with Charter Holdco and certain of its subsidiaries. Under these agreements, Charter provides management services for the cable systems owned or operated by its subsidiaries. The management services include such services as centralized customer billing services, data processing and related support, benefits administration and coordination of insurance coverage and self-insurance programs for medical, dental and workers' compensation claims. Costs associated with providing these services are billed and charged directly to the Company's operating subsidiaries and are included within operating costs in the accompanying consolidated statements of operations. Such costs totaled \$202 million, \$210 million and \$176 million for the years ended December 31, 2004, 2003 and 2002, respectively. All other costs incurred on the behalf of Charter's operating subsidiaries are considered a part of the management fee and are recorded as a component of selling, general and administrative expense, in the accompanying consolidated financial statements. For the years ended December 31, 2004, 2003 and 2002, the management fee charged to the Company's operating subsidiaries approximated the expenses incurred by Charter Holdco and Charter on behalf of the Company's operating subsidiaries. The credit facilities of the Company's operating subsidiaries prohibit payments of management fees in excess of 3.5% of revenues until repayment of the outstanding indebtedness. In the event any portion of the management fee due and payable is not paid, it is deferred by Charter and accrued as a liability of such subsidiaries. Any deferred amount of the management fee will bear interest at the rate of 10% per year, compounded annually, from the date it was due and payable until the date it is paid.

Mr. Allen, the controlling shareholder of Charter, and a number of his affiliates have interests in various entities that provide services or programming to Charter's subsidiaries. Given the diverse nature of Mr. Allen's investment activities and interests, and to avoid the possibility of future disputes as to potential business, Charter and Charter Holdco, under the terms of their respective organizational documents, may not, and may not allow their subsidiaries to engage in any business transaction outside the cable transmission business except for certain existing approved investments. Should Charter or Charter Holdco or any of their subsidiaries wish to pursue, or allow their subsidiaries to pursue, a business transaction outside of this scope, it must first offer Mr. Allen the opportunity to pursue the particular business transaction. If he decides not to pursue the business transaction and consents to Charter or its subsidiaries engaging in the business transaction, they will be able to do so. The cable transmission business means the business of transmitting video, audio, including telephony, and data over cable systems owned, operated or managed by Charter, Charter Holdco or any of their subsidiaries from time to time.

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Mr. Allen or his affiliates own or have owned equity interests or warrants to purchase equity interests in various entities with which the Company does business or which provides it with products, services or programming. Among these entities are TechTV L.L.C. (“TechTV”), Oxygen Media Corporation (“Oxygen Media”), Digeo, Inc., Click2learn, Inc., Trail Blazer Inc., Action Sports Cable Network (“Action Sports”) and Microsoft Corporation. In addition, Mr. Allen and William Savoy, a former Charter director, were directors of USA Networks, Inc. (“USA Networks”), who operates the USA Network, The Sci-Fi Channel, Trio, World News International and Home Shopping Network, owning approximately 5% and less than 1%, respectively, of the common stock of USA Networks. In 2002, Mr. Allen and Mr. Savoy sold their common stock and are no longer directors of the USA Network. In May 2004, TechTV was sold to an unrelated third party. Mr. Allen owns 100% of the equity of Vulcan Ventures Incorporated (“Vulcan Ventures”) and Vulcan Inc. and is the president of Vulcan Ventures. Ms. Jo Allen Patton is a director and the President and Chief Executive Officer of Vulcan Inc. and is a director and Vice President of Vulcan Ventures. Mr. Lance Conn is Executive Vice President of Vulcan Inc. and Vulcan Ventures. Mr. Savoy was a vice president and a director of Vulcan Ventures until his resignation in September 2003 and he resigned as a director of Charter in April 2004. The various cable, media, Internet and telephony companies in which Mr. Allen has invested may mutually benefit one another. The Company can give no assurance, nor should you expect, that any of these business relationships will be successful, that the Company will realize any benefits from these relationships or that the Company will enter into any business relationships in the future with Mr. Allen’s affiliated companies.

Mr. Allen and his affiliates have made, and in the future likely will make, numerous investments outside of the Company and its business. The Company cannot assure that, in the event that the Company or any of its subsidiaries enter into transactions in the future with any affiliate of Mr. Allen, such transactions will be on terms as favorable to the Company as terms it might have obtained from an unrelated third party. Also, conflicts could arise with respect to the allocation of corporate opportunities between the Company and Mr. Allen and his affiliates. The Company has not instituted any formal plan or arrangement to address potential conflicts of interest.

High Speed Access Corp. (“High Speed Access”) was a provider of high-speed Internet access services over cable modems. During the period from 1997 to 2000, certain Charter entities entered into Internet-access related service agreements, and both Vulcan Ventures, an entity owned by Mr. Allen, and Charter Holdco made equity investments in High Speed Access.

On February 28, 2002, Charter’s subsidiary, CC Systems, purchased from High Speed Access the contracts and associated assets, and assumed related liabilities, that served the Company’s customers, including a customer contact center, network operations center and provisioning software. Immediately prior to the asset purchase, Vulcan Ventures beneficially owned approximately 37%, and the Company beneficially owned approximately 13%, of the common stock of High Speed Access (including the shares of common stock which could be acquired upon conversion of the Series D preferred stock, and upon exercise of the warrants owned by Charter Holdco). Following the consummation of the asset purchase, neither the Company nor Vulcan Ventures beneficially owned any securities of, or were otherwise affiliated with, High Speed Access.

The Company receives or will receive programming for broadcast via its cable systems from TechTV (now G4), USA Networks, Oxygen Media, Trail Blazers Inc. and Action Sports. The Company pays a fee for the programming service generally based on the number of customers receiving the service. Such fees for the years ended December 31, 2004, 2003 and 2002 were each less than 1% of total operating expenses with the exception of USA Networks which was 2%, 2% and 2% of total operating expenses for the years ended December 31, 2004, 2003 and 2002, respectively. In addition, the Company receives commissions from USA Networks for home shopping sales generated by its customers. Such revenues for the years ended December 31, 2004, 2003 and 2002 were less than 1% of total revenues. On November 5, 2002, Action Sports announced that it was discontinuing its business. The Company believes that the failure of Action Sports will not materially affect the Company’s business or results of operations.

Tech TV. The Company receives from TechTV programming for distribution via its cable system pursuant to an affiliation agreement. The affiliation agreement provides, among other things, that TechTV must offer Charter

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certain terms and conditions that are no less favorable in the affiliation agreement than are given to any other distributor that serves the same number of or fewer TechTV viewing customers. Additionally, pursuant to the affiliation agreement, the Company was entitled to incentive payments for channel launches through December 31, 2003.

In March 2004, Charter Holdco entered into agreements with Vulcan Programming and TechTV, which provide for (i) Charter Holdco and TechTV to amend the affiliation agreement which, among other things, revises the description of the TechTV network content, provides for Charter Holdco to waive certain claims against TechTV relating to alleged breaches of the affiliation agreement and provides for TechTV to make payment of outstanding launch receivables due to Charter Holdco under the affiliation agreement, (ii) Vulcan Programming to pay approximately \$10 million and purchase over a 24-month period, at fair market rates, \$2 million of advertising time across various cable networks on Charter cable systems in consideration of the agreements, obligations, releases and waivers under the agreements and in settlement of the aforementioned claims and (iii) TechTV to be a provider of content relating to technology and video gaming for Charter's interactive television platforms through December 31, 2006 (exclusive for the first year). For the year ended December 31, 2004, the Company recognized approximately \$5 million of the Vulcan Programming payment as an offset to programming expense and paid approximately \$2 million to Tech TV under the affiliation agreement.

Oxygen. Concurrently with the execution of a carriage agreement, Charter Holdco entered into an equity issuance agreement pursuant to which Oxygen Media LLC's ("Oxygen") parent company, Oxygen Media Corporation ("Oxygen Media"), granted a subsidiary of Charter Holdco a warrant to purchase 2.4 million shares of common stock of Oxygen Media for an exercise price of \$22.00 per share. In February 2005, the warrant expired unexercised. Charter Holdco was also to receive unregistered shares of Oxygen Media common stock with a guaranteed fair market value on the date of issuance of \$34 million, on or prior to February 2, 2005 with the exact date to be determined by Oxygen Media, but this commitment was later revised as discussed below.

The Company recognizes the guaranteed value of the investment over the life of the carriage agreement as a reduction of programming expense. For the years ended December 31, 2004, 2003 and 2002, the Company recorded approximately \$13 million, \$9 million, and \$6 million, respectively, as a reduction of programming expense. The carrying value of the Company's investment in Oxygen was approximately \$32 million and \$19 million as of December 31, 2004 and 2003, respectively.

In August 2004, Charter Holdco and Oxygen entered into agreements that amended and renewed the carriage agreement. The amendment to the carriage agreement (a) revises the number of the Company's customers to which Oxygen programming must be carried and for which the Company must pay, (b) releases Charter Holdco from any claims related to the failure to achieve distribution benchmarks under the carriage agreement, (c) requires Oxygen to make payment on outstanding receivables for marketing support fees due to the Company under the affiliation agreement; and (d) requires that Oxygen provide its programming content to the Company on economic terms no less favorable than Oxygen provides to any other cable or satellite operator having fewer subscribers than the Company. The renewal of the carriage agreement (a) extends the period that the Company will carry Oxygen programming to its customers through January 31, 2008, and (b) requires license fees to be paid based on customers receiving Oxygen programming, rather than for specific customer benchmarks.

In August 2004, Charter Holdco and Oxygen also amended the equity issuance agreement to provide for the issuance of 1 million shares of Oxygen Preferred Stock with a liquidation preference of \$33.10 per share plus accrued dividends to Charter Holdco on February 1, 2005 in place of the \$34 million of unregistered shares of Oxygen Media common stock. Oxygen Media will deliver these shares in March 2005. The preferred stock is convertible into common stock after December 31, 2007 at a conversion ratio, the numerator of which is the liquidation preference and the denominator which is the fair market value per share of Oxygen Media common stock on the conversion date.

Digeo, Inc. In March 2001, Charter Ventures and Vulcan Ventures Incorporated formed DBroadband Holdings, LLC for the sole purpose of purchasing equity interests in Digeo. In connection with the execution of the broadband carriage agreement, DBroadband Holdings, LLC purchased an equity interest in Digeo funded by contributions from

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Vulcan Ventures Incorporated. The equity interest is subject to a priority return of capital to Vulcan Ventures up to the amount contributed by Vulcan Ventures on Charter Ventures' behalf. After Vulcan Ventures recovers its amount contributed and any cumulative loss allocations, Charter Ventures has a 100% profit interest in DBroadband Holdings, LLC. Charter Ventures is not required to make any capital contributions, including capital calls, and may require Vulcan Ventures, through January 24, 2004, to make certain additional contributions through DBroadband Holdings, LLC to acquire additional equity in Digeo as necessary to maintain Charter Ventures' pro rata interest in Digeo in the event of certain future Digeo equity financings by the founders of Digeo. These additional equity interests are also subject to a priority return of capital to Vulcan Ventures up to amounts contributed by Vulcan Ventures on Charter Ventures' behalf. DBroadband Holdings, LLC is therefore not included in the Company's consolidated financial statements. Pursuant to an amended version of this arrangement, in 2003, Vulcan Ventures contributed a total of \$29 million to Digeo, \$7 million of which was contributed on Charter Ventures' behalf, subject to Vulcan Ventures' aforementioned priority return. Since the formation of DBroadband Holdings, LLC, Vulcan Ventures has contributed approximately \$56 million on Charter Ventures' behalf.

On June 30, 2003, Charter Holdco entered into an agreement with Motorola, Inc. for the purchase of 100,000 digital video recorder ("DVR") units. The software for these DVR units is being supplied by Digeo Interactive, LLC under a license agreement entered into in April 2004. Under the license agreement Digeo Interactive granted to Charter Holdco the right to use Digeo's proprietary software for the number of DVR units that Charter deploys from a maximum of 10 headends through year-end 2004. This maximum number of headends was increased from 10 to 15 pursuant to a letter agreement executed on June 11, 2004 and the date for entering into license agreements for units deployed was extended to June 30, 2005. The number of headends was increased again from 15 to 20 pursuant to a letter agreement dated August 4, 2004, from 20 to 30 pursuant to a letter agreement dated September 28, 2004 and from 30 to 50 headends by a letter agreement in February 2005. The license granted for each unit deployed under the agreement is valid for five years. In addition, Charter will pay certain other fees including a per-headend license fee and maintenance fees. Maximum license and maintenance fees during the term of the agreement are expected to be approximately \$7 million. The agreement provides that Charter is entitled to receive contract terms, considered on the whole, and license fees, considered apart from other contract terms, no less favorable than those accorded to any other Digeo customer. Charter paid \$474,400 in license and maintenance fees in 2004.

In April 2004, the Company launched DVR service (using units containing the Digeo software) in its Rochester, Minnesota market using a broadband media center that is an integrated set-top terminal with a cable converter, DVR hard drive and connectivity to other consumer electronics devices (such as stereos, MP3 players, and digital cameras).

In May 2004, Charter Holdco entered into a binding term sheet with Digeo Interactive for the development, testing and purchase of 70,000 Digeo PowerKey DVR units. The term sheet provided that the parties would proceed in good faith to negotiate, prior to year-end 2004, definitive agreements for the development, testing and purchase of the DVR units and that the parties would enter into a license agreement for Digeo's proprietary software on terms substantially similar to the terms of the license agreement described above. In November 2004, Charter Holdco and Digeo Interactive executed the license agreement and in December 2004, the parties executed the purchase agreement, each on terms substantially similar to the binding term sheet. Product development and testing is continuing. Total purchase price and license and maintenance fees during the term of the definitive agreements are expected to be approximately \$41 million. The definitive agreements are terminable at no penalty to Charter in certain circumstances.

A wholly owned subsidiary of Digeo, Digeo Interactive, provides interactive channel (i-channel) service to Charter on a month-to-month basis. In the years ended December 31, 2004, 2003 and 2002, Charter paid Digeo Interactive \$3 million, \$4 million and \$3 million, respectively, for customized development of i-channels and an interactive "toolkit" to enable Charter to develop interactive local content.

On January 10, 2003, the Company signed an agreement to carry two around-the-clock, high-definition networks, HDNet and HDNet Movies. HDNet Movies delivers a commercial-free schedule of full-length feature films converted from 35mm to high-definition, including titles from an extensive library of Warner Bros. films. HDNet Movies will feature a mix of theatrical releases, made-for-TV movies, independent films and shorts. The HDNet

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channel features a variety of HDTV programming, including live sports, sitcoms, dramas, action series, documentaries, travel programs, music concerts and shows, special events, and news features including HDNet World Report. HDNet also offers a selection of classic and recent television series. The Company paid HDNet and HDNet Movies approximately \$0.6 million in 2004. The Company believes that entities controlled by Mr. Cuban owned approximately 81% of HDNet as of December 31, 2004. As of December 31, 2004, the Company believes that Mark Cuban, co-founder and president of HDNet, owned approximately 6.2% of the total common equity in Charter based on a Schedule 13G filed with the SEC on May 21, 2003.

Certain related parties, including members of the board of directors and officers, hold interests in the Company's senior convertible debt and senior notes and discount notes of the Company's subsidiary of approximately \$59.6 million of face value at December 31, 2004.

As part of the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, CC VIII, LLC, Charter's indirect limited liability company subsidiary, issued, after adjustments, 24,273,943 Class A preferred membership units (collectively, the "CC VIII interest") with a value and an initial capital account of approximately \$630 million to certain sellers affiliated with AT&T Broadband, subsequently owned by Comcast Corporation (the "Comcast sellers"). While held by the Comcast sellers, the CC VIII interest was entitled to a 2% priority return on its initial capital account and such priority return was entitled to preferential distributions from available cash and upon liquidation of CC VIII. While held by the Comcast sellers, the CC VIII interest generally did not share in the profits and losses of CC VIII. Mr. Allen granted the Comcast sellers the right to sell to him the CC VIII interest for approximately \$630 million plus 4.5% interest annually from February 2000 (the "Comcast put right"). In April 2002, the Comcast sellers exercised the Comcast put right in full, and this transaction was consummated on June 6, 2003. Accordingly, Mr. Allen has become the holder of the CC VIII interest, indirectly through an affiliate. Consequently, subject to the matters referenced in the next paragraph, Mr. Allen generally thereafter will be allocated his pro rata share (based on number of membership interests outstanding) of profits or losses of CC VIII. In the event of a liquidation of CC VIII, Mr. Allen would be entitled to a priority distribution with respect to the 2% priority return (which will continue to accrete). Any remaining distributions in liquidation would be distributed to CC V Holdings, LLC and Mr. Allen in proportion to CC V Holdings, LLC's capital account and Mr. Allen's capital account (which will equal the initial capital account of the Comcast sellers of approximately \$630 million, increased or decreased by Mr. Allen's pro rata share of CC VIII's profits or losses (as computed for capital account purposes) after June 6, 2003). The limited liability company agreement of CC VIII does not provide for a mandatory redemption of the CC VIII interest.

An issue has arisen as to whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII interest following consummation of the Comcast put right. Specifically, under the terms of the Bresnan transaction documents that were entered into in June 1999, the Comcast sellers originally would have received, after adjustments, 24,273,943 Charter Holdco membership units, but due to an FCC regulatory issue raised by the Comcast sellers shortly before closing, the Bresnan transaction was modified to provide that the Comcast sellers instead would receive the preferred equity interests in CC VIII represented by the CC VIII interest. As part of the last-minute changes to the Bresnan transaction documents, a draft amended version of the Charter Holdco limited liability company agreement was prepared, and contract provisions were drafted for that agreement that would have required an automatic exchange of the CC VIII interest for 24,273,943 Charter Holdco membership units if the Comcast sellers exercised the Comcast put right and sold the CC VIII interest to Mr. Allen or his affiliates. However, the provisions that would have required this automatic exchange did not appear in the final version of the Charter Holdco limited liability company agreement that was delivered and executed at the closing of the Bresnan transaction. The law firm that prepared the documents for the Bresnan transaction brought this matter to the attention of Charter and representatives of Mr. Allen in 2002.

Thereafter, the board of directors of Charter formed a Special Committee (currently comprised of Messrs. Merritt, Tory and Wangberg) to investigate the matter and take any other appropriate action on behalf of Charter with respect to this matter. After conducting an investigation of the relevant facts and circumstances, the Special Committee determined that a "scrivener's error" had occurred in February 2000 in connection with the preparation of the last-minute revisions to the Bresnan transaction documents and that, as a result, Charter should seek the reformation of the Charter Holdco limited liability company agreement, or alternative relief, in order to restore and

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ensure the obligation that the CC VIII interest be automatically exchanged for Charter Holdco units. The Special Committee further determined that, as part of such contract reformation or alternative relief, Mr. Allen should be required to contribute the CC VIII interest to Charter Holdco in exchange for 24,273,943 Charter Holdco membership units. The Special Committee also recommended to the board of directors of Charter that, to the extent the contract reformation is achieved, the board of directors should consider whether the CC VIII interest should ultimately be held by Charter Holdco or Charter Holdings or another entity owned directly or indirectly by them.

Mr. Allen disagrees with the Special Committee's determinations described above and has so notified the Special Committee. Mr. Allen contends that the transaction is accurately reflected in the transaction documentation and contemporaneous and subsequent company public disclosures.

The parties engaged in a process of non-binding mediation to seek to resolve this matter, without success. The Special Committee is evaluating what further actions or processes it may undertake to resolve this dispute. To accommodate further deliberation, each party has agreed to refrain from initiating legal proceedings over this matter until it has given at least ten days' prior notice to the other. In addition, the Special Committee and Mr. Allen have determined to utilize the Delaware Court of Chancery's program for mediation of complex business disputes in an effort to resolve the CC VIII interest dispute. If the Special Committee and Mr. Allen are unable to reach a resolution through that mediation process or to agree on an alternative dispute resolution process, the Special Committee intends to seek resolution of this dispute through judicial proceedings in an action that would be commenced, after appropriate notice, in the Delaware Court of Chancery against Mr. Allen and his affiliates seeking contract reformation, declaratory relief as to the respective rights of the parties regarding this dispute and alternative forms of legal and equitable relief. The ultimate resolution and financial impact of the dispute are not determinable at this time.

23. Commitments and Contingencies

Commitments

The following table summarizes the Company's payment obligations as of December 31, 2004 for its contractual obligations.

	<u>Total</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Thereafter</u>
Contractual Obligations							
Operating and Capital Lease Obligations (1)	\$ 88	\$ 23	\$ 17	\$ 13	\$ 10	\$ 7	\$ 18
Programming Minimum Commitments (2)	1,579	318	344	375	308	234	—
Other (3)	<u>272</u>	<u>62</u>	<u>50</u>	<u>47</u>	<u>25</u>	<u>21</u>	<u>67</u>
Total	<u>\$ 1,939</u>	<u>\$ 403</u>	<u>\$ 411</u>	<u>\$ 435</u>	<u>\$ 343</u>	<u>\$ 262</u>	<u>\$ 85</u>

- (1) The Company leases certain facilities and equipment under noncancellable operating leases. Leases and rental costs charged to expense for the years ended December 31, 2004, 2003 and 2002, were \$23 million, \$30 million and \$31 million, respectively.
- (2) The Company pays programming fees under multi-year contracts ranging from three to six years typically based on a flat fee per customer, which may be fixed for the term or may in some cases, escalate over the term. Programming costs included in the accompanying statement of operations were \$1.3 billion, \$1.2 billion and \$1.2 billion for the years ended December 31, 2004, 2003 and 2002, respectively. Certain of the Company's programming agreements are based on a flat fee per month or have guaranteed minimum payments. The table sets forth the aggregate guaranteed minimum commitments under the Company's programming contracts.
- (3) "Other" represents other guaranteed minimum commitments, which consist primarily of commitments to the Company's billing services vendors.

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The following items are not included in the contractual obligation table due to various factors discussed below. However, the Company incurs these costs as part of its operations:

- The Company also rents utility poles used in its operations. Generally, pole rentals are cancelable on short notice, but the Company anticipates that such rentals will recur. Rent expense incurred for pole rental attachments for the years ended December 31, 2004, 2003 and 2002, was \$43 million, \$40 million and \$41 million, respectively.
- The Company pays franchise fees under multi-year franchise agreements based on a percentage of revenues earned from video service per year. The Company also pays other franchise related costs, such as public education grants under multi-year agreements. Franchise fees and other franchise-related costs included in the accompanying statement of operations were \$164 million, \$162 million and \$160 million for the years ended December 31, 2004, 2003 and 2002, respectively.
- The Company also has \$166 million in letters of credit, primarily to its various worker's compensation, property casualty and general liability carriers as collateral for reimbursement of claims. These letters of credit reduce the amount the Company may borrow under its credit facilities.

Litigation

Fourteen putative federal class action lawsuits (the "Federal Class Actions") were filed against Charter and certain of its former and present officers and directors in various jurisdictions allegedly on behalf of all purchasers of Charter's securities during the period from either November 8 or November 9, 1999 through July 17 or July 18, 2002. Unspecified damages were sought by the plaintiffs. In general, the lawsuits alleged that Charter utilized misleading accounting practices and failed to disclose these accounting practices and/or issued false and misleading financial statements and press releases concerning Charter's operations and prospects. The Federal Class Actions were specifically and individually identified in public filings made by Charter prior to the date of this annual report.

In October 2002, Charter filed a motion with the Judicial Panel on Multidistrict Litigation (the "Panel") to transfer the Federal Class Actions to the Eastern District of Missouri. On March 12, 2003, the Panel transferred the six Federal Class Actions not filed in the Eastern District of Missouri to that district for coordinated or consolidated pretrial proceedings with the eight Federal Class Actions already pending there. The Panel's transfer order assigned the Federal Class Actions to Judge Charles A. Shaw. By virtue of a prior court order, StoneRidge Investment Partners LLC became lead plaintiff upon entry of the Panel's transfer order. StoneRidge subsequently filed a Consolidated Amended Complaint. The Court subsequently consolidated the Federal Class Actions into a single action (the "Consolidated Federal Class Action") for pretrial purposes. On June 19, 2003, following a status and scheduling conference with the parties, the Court issued a Case Management Order setting forth a schedule for the pretrial phase of the Consolidated Class Action. Motions to dismiss the Consolidated Amended Complaint were filed. On February 10, 2004, in response to a joint motion made by StoneRidge and defendants, Charter, Vogel and Allen, the court entered an order providing, among other things, that: (1) the parties who filed such motion engage in a mediation within ninety (90) days; and (2) all proceedings in the Consolidated Federal Class Actions were stayed until May 10, 2004. On May 11, 2004, the Court extended the stay in the Consolidated Federal Class Action for an additional sixty (60) days. On July 12, 2004, the parties submitted a joint motion to again extend the stay, this time until September 10, 2004. The Court granted that extension on July 20, 2004. On August 5, 2004, Stoneridge, Charter and the individual defendants who were the subject of the suit entered into a Memorandum of Understanding setting forth agreements in principle to settle the Consolidated Federal Class Action. These parties subsequently entered into Stipulations of Settlement dated as of January 24, 2005 (described more fully below) which incorporate the terms of the August 5, 2004 Memorandum of Understanding.

On September 12, 2002, a shareholders derivative suit (the "State Derivative Action") was filed in the Circuit Court of the City of St. Louis, State of Missouri (the "Missouri State Court") against Charter and its then current directors, as well as its former auditors. A substantively identical derivative action was later filed and consolidated into the State Derivative Action. The plaintiffs allege that the individual defendants breached their fiduciary duties by

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failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter's behalf, were sought by the plaintiffs.

On March 12, 2004, an action substantively identical to the State Derivative Action was filed in the Missouri State Court, against Charter and certain of its current and former directors, as well as its former auditors. The plaintiffs in that case alleged that the individual defendants breached their fiduciary duties by failing to establish and maintain adequate internal controls and procedures. Unspecified damages, allegedly on Charter's behalf, were sought by plaintiffs. On July 14, 2004, the Court consolidated this case with the State Derivative Action.

Separately, on February 12, 2003, a shareholders derivative suit (the "Federal Derivative Action") was filed against Charter and its then current directors in the United States District Court for the Eastern District of Missouri. The plaintiff in that suit alleged that the individual defendants breached their fiduciary duties and grossly mismanaged Charter by failing to establish and maintain adequate internal controls and procedures.

As noted above, Charter entered into Memoranda of Understanding on August 5, 2004 setting forth agreements in principle regarding settlement of the Consolidated Federal Class Action, the State Derivative Action(s) and the Federal Derivative Action (the "Actions"). Charter and various other defendants in those actions subsequently entered into Stipulations of Settlement dated as of January 24, 2005, setting forth a settlement of the Actions in a manner consistent with the terms of the Memorandum of Understanding. The Stipulations of Settlement, along with the various supporting documentation, were filed with the Court on February 2, 2005. The Settlements provide that, in exchange for a release of all claims by plaintiffs against Charter and its former and present officers and directors named in the Actions, Charter will pay to the plaintiffs a combination of cash and equity collectively valued at \$144 million, which will include the fees and expenses of plaintiffs' counsel. Of this amount, \$64 million will be paid in cash (by Charter's insurance carriers) and the balance will be paid in shares of Charter Class A common stock having an aggregate value of \$40 million and ten-year warrants to purchase shares of Charter Class A common stock having an aggregate warrant value of \$40 million. The warrants would have an exercise price equal to 150% of the fair market value (as defined) of Charter Class A common stock as of the date of the entry of the order of final judgment approving the settlement. In addition, Charter expects to issue additional shares of its Class A common stock to its insurance carrier having an aggregate value of \$5 million. As a result, in the second quarter of 2004, the Company recorded a \$149 million litigation liability within other long-term liabilities and a \$64 million insurance receivable as part of other non-current assets on its consolidated balance sheet and an \$85 million special charge on its consolidated statement of operations. Additionally, as part of the settlements, Charter will also commit to a variety of corporate governance changes, internal practices and public disclosures, some of which have already been undertaken and none of which are inconsistent with measures Charter is taking in connection with the recent conclusion of the SEC investigation described below. Documents related to the settlement of the Actions have now been executed and filed. On February 15, 2005, the United States District Court for the Eastern District of Missouri gave preliminary approval to the settlement of the Actions. The settlement of each of the lawsuits remains conditioned upon, among other things, final judicial approval of the settlements following notice to the class, and dismissal, with prejudice, of the consolidated derivative actions now pending in Missouri State Court, which are related to the Federal Derivative Action.

In addition to the Federal Class Actions, the State Derivative Action (s), the new Missouri State Court derivative action and the Federal Derivative Action, six putative class action lawsuits have been filed against Charter and certain of its then current directors and officers in the Court of Chancery of the State of Delaware (the "Delaware Class Actions"). The lawsuits were filed after the filing of a 13D amendment by Mr. Allen indicating that he was exploring a number of possible alternatives with respect to restructuring or expanding his ownership interest in Charter. Charter believes the plaintiffs speculated that Mr. Allen might have been contemplating an unfair bid for shares of Charter or some other sort of going private transaction on unfair terms and generally alleged that the defendants breached their fiduciary duties by participating in or acquiescing to such a transaction. The lawsuits, which are substantively identical, were brought on behalf of Charter's securities holders as of July 29, 2002, and sought unspecified damages and possible injunctive relief. However, no such transaction by Mr. Allen has been presented. On April 30, 2004, orders of dismissal without prejudice were entered in each of the Delaware Class Actions.

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In August 2002, Charter became aware of a grand jury investigation being conducted by the U.S. Attorney's Office for the Eastern District of Missouri into certain of its accounting and reporting practices, focusing on how Charter reported customer numbers and its reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney's Office has publicly stated that Charter is not a target of the investigation. Charter was also advised by the U.S. Attorney's Office that no current officer or member of its board of directors is a target of the investigation. On July 24, 2003, a federal grand jury charged four former officers of Charter with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. Trial was set for February 7, 2005. Subsequently, each of the indicted former officers pled guilty to single conspiracy counts related to the original mail and wire fraud charges and are awaiting sentencing. The Company is fully cooperating with the investigation.

On November 4, 2002, Charter received an informal, non-public inquiry from the staff of the Securities and Exchange Commission ("SEC"). The SEC issued a formal order of investigation dated January 23, 2003, and subsequently served document and testimony subpoenas on Charter and a number of its former employees. The investigation and subpoenas generally concerned Charter's prior reports with respect to its determination of the number of customers, and various of its accounting policies and practices including its capitalization of certain expenses and dealings with certain vendors, including programmers and digital set-top terminal suppliers. On July 27, 2004, the SEC and Charter reached a final agreement to settle the investigation. In the Settlement Agreement and Cease and Desist Order, Charter agreed to entry of an administrative order prohibiting any future violation of United States securities laws and requiring certain other remedial internal practices and public disclosures. Charter neither admitted nor denied any wrongdoing, and the SEC assessed no fine against Charter.

Charter is generally required to indemnify each of the named individual defendants in connection with the matters described above pursuant to the terms of its bylaws and (where applicable) such individual defendants' employment agreements. In accordance with these documents, in connection with the pending grand jury investigation, the now settled SEC investigation and the above described lawsuits, some of Charter's current and former directors and current and former officers have been advanced certain costs and expenses incurred in connection with their defense. On February 22, 2005, Charter filed suit against four of its former officers who were indicted in the course of the grand jury investigation. These suits seek to recover the legal fees and other related expenses advanced to these individuals by Charter for the grand jury investigation, SEC investigation and class action and related lawsuits.

In October 2001, two customers, Nikki Nicholls and Geraldine M. Barber, filed a class action suit against Charter Holdco in South Carolina Court of Common Pleas (the "South Carolina Class Action"), purportedly on behalf of a class of Charter Holdco's customers, alleging that Charter Holdco improperly charged them a wire maintenance fee without request or permission. They also claimed that Charter Holdco improperly required them to rent analog and/or digital set-top terminals even though their television sets were "cable ready." A substantively identical case was filed in the Superior Court of Athens — Clarke County, Georgia by Emma S. Tobar on March 26, 2002 (the "Georgia Class Action"), alleging a nationwide class for these claims. Charter Holdco removed the South Carolina Class Action to the United States District Court for the District of South Carolina in November 2001, and moved to dismiss the suit in December 2001. The federal judge remanded the case to the South Carolina Court of Common Pleas in August 2002 without ruling on the motion to dismiss. The plaintiffs subsequently moved for a default judgment, arguing that upon return to state court, Charter Holdco should have, but did not file a new motion to dismiss. The state court judge granted the plaintiff's motion over Charter Holdco's objection in September 2002. Charter Holdco immediately appealed that decision to the South Carolina Court of Appeals and the South Carolina Supreme Court, but those courts ruled that until a final judgment was entered against Charter Holdco, they lacked jurisdiction to hear the appeal.

In January 2003, the Court of Common Pleas granted the plaintiffs' motion for class certification. In October and November 2003, Charter Holdco filed motions (a) asking that court to set aside the default judgment, and (b) seeking dismissal of plaintiffs' suit for failure to state a claim. In January 2004, the Court of Common Pleas granted in part and denied in part Charter Holdco's motion to dismiss for failure to state a claim. It also took under advisement Charter Holdco's motion to set aside the default judgment. In April 2004, the parties to both the Georgia and South Carolina Class Actions participated in a mediation. The mediator made a proposal to the parties to settle the lawsuits. In May 2004, the parties accepted the mediator's proposal and reached a tentative settlement.

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subject to final documentation and court approval. As a result of the tentative settlement, we recorded a special charge of \$9 million in our consolidated statement of operations in the first quarter of 2004. On July 8, 2004, the Superior Court of Athens — Clarke County, Georgia granted a motion to amend the Tobar complaint to add Nicholls, Barber and April Jones as plaintiffs in the Georgia Class Action and to add any potential class members in South Carolina. The court also granted preliminary approval of the proposed settlement on that date. On August 2, 2004, the parties submitted a joint request to the South Carolina Court of Common Pleas to stay the South Carolina Class Action pending final approval of the settlement and on August 17, 2004, that court granted the parties' request. On November 10, 2004, the court granted final approval of the settlement, rejecting positions advanced by two objectors to the settlement. On December 13, 2004 the court entered a written order formally approving that settlement. On January 11, 2005, certain class members appealed the order entered by the Georgia court. That appeal was dismissed on or about February 3, 2005. Additionally, one of the objectors to this settlement recently filed a similar, but not identical, lawsuit.

Furthermore, Charter is also party to, other lawsuits and claims that arose in the ordinary course of conducting its business. In the opinion of management, after taking into account recorded liabilities, the outcome of these other lawsuits and claims are not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or its liquidity.

Regulation in the Cable Industry

The operation of a cable system is extensively regulated by the Federal Communications Commission ("FCC"), some state governments and most local governments. The FCC has the authority to enforce its regulations through the imposition of substantial fines, the issuance of cease and desist orders and/or the imposition of other administrative sanctions, such as the revocation of FCC licenses needed to operate certain transmission facilities used in connection with cable operations. The 1996 Telecom Act altered the regulatory structure governing the nation's communications providers. It removed barriers to competition in both the cable television market and the local telephone market. Among other things, it reduced the scope of cable rate regulation and encouraged additional competition in the video programming industry by allowing local telephone companies to provide video programming in their own telephone service areas.

The 1996 Telecom Act required the FCC to undertake a number of implementing rulemakings. Moreover, Congress and the FCC have frequently revisited the subject of cable regulation. Future legislative and regulatory changes could adversely affect the Company's operations.

24. Employee Benefit Plan

The Company's employees may participate in the Charter Communications, Inc. 401(k) Plan. Employees that qualify for participation can contribute up to 50% of their salary, on a pre-tax basis, subject to a maximum contribution limit as determined by the Internal Revenue Service. The Company matches 50% of the first 5% of participant contributions. The Company made contributions to the 401(k) plan totaling \$7 million, \$7 million and \$8 million for the years ended December 31, 2004, 2003 and 2002, respectively.

25. Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued the revised SFAS No. 123, *Share — Based Payment*, which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. This statement will be effective for the Company beginning July 1, 2005. Because Charter adopted the fair value recognition provisions of SFAS No. 123 on January 1, 2003, the Company does not expect this revised standard to have a material impact on its financial statements.

Charter does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the Company's accompanying financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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26. Parent Company Only Financial Statements

As the result of limitations on, and prohibitions of, distributions, substantially all of the net assets of the consolidated subsidiaries are restricted from distribution to Charter, the parent company. The following condensed parent-only financial statements of Charter account for the investment in Charter Holdco under the equity method of accounting. The financial statements should be read in conjunction with the consolidated financial statements of the Company and notes thereto.

Charter Communications, Inc. (Parent Company Only)
Condensed Balance Sheet

	December 31,	
	2004	2003
ASSETS		
Cash and cash equivalents	\$ —	\$ 1
Receivable from related party	20	9
Investment in Charter Holdco	—	—
Notes receivable from Charter Holdco	1,073	828
	<u>\$ 1,093</u>	<u>\$ 838</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities	\$ 20	\$ 10
Convertible notes	990	774
Deferred income taxes	6	149
Losses in excess of investment	4,406	25
Other long term liabilities	22	—
Preferred stock — redeemable	55	55
Shareholders' deficit	(4,406)	(175)
Total liabilities and shareholders' deficit	<u>\$ 1,093</u>	<u>\$ 838</u>

Condensed Statement of Operations

	Year Ended December 31,		
	2004	2003	2002
REVENUES			
Interest income	\$ 52	\$ 69	\$ 76
Management fees	15	11	9
Total revenues	<u>67</u>	<u>80</u>	<u>85</u>
EXPENSES			
Equity in losses of Charter Holdco	(4,488)	(359)	(2,922)
General and administrative expenses	(14)	(11)	(9)
Interest expense	(49)	(65)	(73)
Total expenses	<u>(4,551)</u>	<u>(435)</u>	<u>(3,004)</u>
Net loss before income taxes	(4,484)	(355)	(2,919)
Income taxes	143	117	405

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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	Year Ended December 31,		
	2004	2003	2002
Net loss	(4,341)	(238)	(2,514)
Dividend on preferred equity	(4)	(4)	(3)
Net loss after preferred dividends	\$ (4,345)	\$ (242)	\$ (2,517)

Condensed Statements of Cash Flows

	Year Ended December 31,		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss after preferred dividends	\$ (4,345)	\$ (242)	\$ (2,517)
Equity in losses of Charter Holdco	4,488	359	2,922
Changes in operating assets and liabilities	(1)	(9)	10
Deferred income taxes	(143)	(117)	(405)
Net cash flows from operating activities	(1)	(9)	10
CASH FLOWS FROM INVESTING ACTIVITIES:			
Receivables from Charter Holdco	(863)	—	—
Payments from Charter Holdco	588	—	—
Investment in Charter Holdco	(2)	—	—
Net cash flows from investing activities	(277)	—	—
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of convertible notes	863	—	—
Paydown of convertible notes	(588)	—	—
Net proceeds from issuance of common stock	2	—	—
Net cash flows from financing activities	277	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1)	(9)	10
CASH AND CASH EQUIVALENTS, beginning of year	1	10	—
CASH AND CASH EQUIVALENTS, end of year	\$ —	\$ 1	\$ 10

27. Unaudited Quarterly Financial Data

The following table presents quarterly data for the periods presented on the consolidated statement of operations:

	Year Ended December 31, 2004			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 1,214	\$ 1,239	\$ 1,248	\$ 1,276
Income (loss) from operations	175	15	(2,344)	108
Loss before minority interest and income taxes	(235)	(366)	(2,776)	(321)
Net loss applicable to common stock	(294)	(416)	(3,295)	(340)
Basic and diluted loss per common share	(1.00)	(1.39)	(10.89)	(1.12)
Weighted-average shares outstanding, basic and diluted	295,106,077	300,522,815	302,604,978	302,934,348

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
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	Year Ended December 31, 2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 1,178	\$ 1,217	\$ 1,207	\$ 1,217
Income from operations	77	112	117	210
Income (loss) before minority interest and income taxes	(301)	(286)	23	(161)
Net income (loss) applicable to common stock	(182)	(38)	36	(58)
Basic income (loss) per common share	(0.62)	(0.13)	0.12	(0.20)
Diluted income (loss) per common share	(0.62)	(0.13)	0.07	(0.20)
Weighted-average shares outstanding, basic	294,466,137	294,474,596	294,566,878	294,875,504
Weighted-average shares outstanding, diluted	294,466,137	294,474,596	637,822,843	294,875,504

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf of All Others
Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL ALLEN, JERALD
L. KENT, CARL E. VOGEL, KENT KALKWARF, DAVID G.
BARFORD, PAUL E. MARTIN, DAVID L. McCALL, BILL
SHREFFLER, CHRIS FENGER, JAMES H. SMITH, III,
SCIENTIFIC-ATLANTA, INC., MOTOROLA, INC. and
ARTHUR ANDERSEN, LLP,

Defendants.

STIPULATION OF SETTLEMENT
WITH DEFENDANT CHARTER COMMUNICATIONS, INC. AND RELATED
INDIVIDUAL DEFENDANTS

This Stipulation of Settlement (the "Stipulation"), dated as of January 24, 2005, is made and entered into by and among the following parties to the above-entitled action, by and through their respective counsel of record: (1) the Class Action Plaintiff (as defined below), on behalf of itself and each of the Settlement Class Members (as defined below); and (2) the Settling Class Action Defendants (as defined below), by and through their respective counsel of record in the Class Action. The Settlement set forth in this Stipulation (the "Settlement") is intended by the Settling Class Action Parties (as defined below) to fully, finally and forever resolve, discharge and settle the Released Claims (as defined below), upon and subject to the terms and conditions hereof.

I. THE CLASS ACTION AND RELATED LITIGATION

a. BACKGROUND

Charter Communications, Inc. ("Charter" or the "Company," as defined below) is a broadband communications company. The Company provides analog video, digital video, cable modem, and telephony services to more than 6 million customers residing in 37 different states. Charter is headquartered in St. Louis, Missouri. Arthur Andersen LLP (as defined below, "Andersen") served as Charter's outside auditor for fiscal years 1999-2001.

On July 18, 2002, a Merrill Lynch analyst issued a report that questioned several of Charter's accounting practices, including the capitalization of certain customer service representative costs. The following day, the price of Charter's common stock declined from \$4.06 per share to \$3.50 per share.

On August 16, 2002, Charter announced that the U.S. Attorney's Office for the Eastern District of Missouri had initiated a grand jury investigation into certain of Charter's operations. The day after this announcement, the price of Charter's common stock declined from \$2.71 per share to \$2.53 per share.

On April 1, 2003, Charter announced that it was restating its financial reports for 2000 and 2001, and the first three quarters of 2002.

On July 24, 2003, a Grand Jury indicted Settling Class Action Defendants David G. Barford, Kent Kalkwarf, David L. McCall, and James H. Smith, III for a conspiracy allegedly carried out from May 2001 through March 2002 to inflate Charter's subscriber numbers and subscriber growth numbers. It further charged Settling Class Action Defendants Barford and Kalkwarf with causing Charter to enter into allegedly sham agreements with Scientific-Atlanta, Inc. ("Scientific-Atlanta") and Motorola, Inc. ("Motorola") in the Fall of 2000. Settling Class Action Defendants McCall, Barford, Smith, and Kalkwarf have pled guilty to one count of conspiracy to commit wire fraud to inflate Charter's subscriber numbers.

On July 27, 2004, the Securities and Exchange Commission ("SEC") filed an Order Instituting Cease-And-Desist Proceedings, Making Findings, And Imposing A Cease-And-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (the "SEC Order") on the consent of Charter, which neither admitted nor denied the allegations therein, regarding certain subscriber count practices and the accounting for certain agreements with Scientific-Atlanta and Motorola. The SEC Order did not allege any wrongdoing regarding Charter's accounting, except with respect to the agreements with Motorola and Scientific-Atlanta.

b. THE CLASS ACTIONS

On and after July 31, 2002, fourteen federal securities class action complaints, including StoneRidge Investment Partners LLC v. Charter Communications, Inc., No. 4:02-CV-1186 CAS, were filed against Charter and various other defendants, including Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, Scientific-Atlanta,

Motorola, and Andersen. These complaints were consolidated, pursuant to order of the Multi-District Litigation Panel, in the U.S. District Court for the Eastern District of Missouri, and captioned In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action").

By Order dated April 16, 2003, the Court appointed StoneRidge Investment Partners, LLC as lead plaintiff (hereinafter "Class Action Plaintiff"), and appointed Pomerantz Haudek Block Grossman & Gross LLP as lead counsel (hereinafter "Class Action Plaintiff's Counsel").

Class Action Plaintiff's Counsel, aided by private investigators and forensic accountants, conducted a thorough investigation of the claims prior to filing an Amended Consolidated Class Action Complaint (the "Amended Complaint") on August 5, 2003. The Amended Complaint asserted claims against Charter, the Individual Defendants, Andersen, Scientific Atlanta and Motorola for alleged violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, and sections 11, 12 and 15 of the Securities Act of 1933. The Amended Complaint sought recovery for purchasers of Charter common stock during the period of November 8, 1999 through July 17, 2002, and damages through August 16, 2002. Class Action Plaintiff subsequently amended the Amended Complaint to include a class from July 17, 2002 to August 16, 2002, when the grand jury investigation was first announced (the "Second Amended Complaint").

The Amended Complaint and the Second Amended Complaint alleged that during the Settlement Class Period (as defined below), Charter issued false and misleading statements that materially inflated the Company's reported operating cash flow growth rate, by among other things, improperly accounting for costs associated with customer service representatives, acquisitions of new customers, and other matters. Class Action Plaintiff asserted that these manipulations boosted Charter's operating cash flow by over \$400 million during the Settlement Class Period. In addition, the Amended Complaint and the Second Amended Complaint alleged that Charter artificially inflated its reported growth rate for new customers by improperly delaying the termination of a significant number of subscribers who had either requested such termination or were significantly delinquent in payments. Finally, Class Action Plaintiff alleged that Charter engaged in a kick-back scheme with Motorola and Scientific Atlanta, whereby Charter paid these suppliers \$20 more for certain equipment (digital set top boxes) in return for an equivalent amount of advertising spending by the suppliers. Accounting manipulation for these transactions allegedly enabled Charter to boost its income for fourth quarter 2000 by \$17 million.

On August 26, 2003, Charter filed a Motion to Dismiss the Class Action, which Class Action Plaintiff opposed. Other defendants in the Class Action filed Motions to Dismiss between September 8, 2003 and October 17, 2003, which the Class Action Plaintiff also opposed. Charter, along with various other defendants, asserted that some of the statements alleged to be misleading were in fact not misleading, and that the alleged inflation of customers, operating cash flow, and revenues was immaterial as a matter of law relative to the total number of Charter customers and the Company's total cash flow and revenues. Charter also asserted that the decline in its stock price was due to general cable industry related matters, including intense competition from satellite TV providers, and not any revelation of alleged wrongdoing. Charter also asserted that the SEC had previously

approved of its accounting for matters challenged in the Amended Complaint, and had subsequently changed its interpretation of Generally Accepted Accounting Principles ("GAAP") applicable to cable companies, thereby prompting a significant portion of the restatement. Many of the Individual Defendants also asserted that the Amended Complaint failed to adequately allege any direct participation or knowledge of the alleged wrongdoing.

The hearing on the Motions to Dismiss of the Settling Class Action Defendants has been taken off-calendar in light of the Settlement.

c. THE SHAREHOLDER DERIVATIVE ACTIONS

On or after September 12, 2002, three derivative actions were filed in the Circuit Court for the City of St. Louis (the "State Court"), entitled Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 044-0858 (the "State Court Shareholder Derivative Actions"). On December 17, 2002, the Court granted Stacey and Cane's motion to: (1) consolidate the State Court Derivative Actions; and (2) appoint Schiffrin & Barroway, LLP, as Lead Counsel in the State Court Derivative Actions.

On February 12, 2003, a derivative action was filed in the United States District Court for the Eastern District of Missouri, entitled Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW (the "Federal Court Shareholder Derivative Action") (together with the State Court Shareholder Derivative Actions, the "Shareholder Derivative Actions").

The Complaints in the Shareholder Derivative Actions name as defendants the following officers and members of Charter's Board of Directors: Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg. Andersen was named as a defendant in the State Court Derivative Actions.

The Shareholder Derivative Complaints alleged that the Charter Board of Directors breached the fiduciary duties it owed to Charter and its shareholders by, among other things, causing or allowing the Company to disseminate to the market materially misleading or inaccurate information through public statements, placing their own personal interests above the Company's, and failing to prevent the Company and its officers and directors from committing acts which would, and did, injure the Company, and failing to establish and maintain adequate internal accounting controls at the Company.

All proceedings in the Shareholder Derivative Actions were stayed pending resolution of the Motions to Dismiss in the Class Action.

d. SETTLEMENT NEGOTIATIONS AND MEDIATION

On March 22 and 23, 2004, April 13 and 14, 2004, May 7, 2004, June 16, 2004, and August 2, 2004, the Settling Class Action Parties, through their respective counsel, participated in lengthy mediation sessions with Hon. Edward A. Infante (Ret.). In addition to negotiations prior to and discussions during the mediation sessions, the settling parties to the Derivative Actions and their insurers, through their respective counsel, participated in the August 2, 2004 mediation session. During these meetings, which followed extensive briefing of Judge Infante, the participants discussed with Judge Infante, among other things, the Settling Class Action Parties' respective claims and defenses, expert damages analyses, legal analyses, the discovery and motion practice conducted and expected to be conducted in the Class Action, the evidence expected to be offered by the parties at trial, and other important factual and legal issues and matters relating to the merits of the Class Action.

On August 5, 2004, the Settling Class Action Parties agreed to a Memorandum of Understanding regarding settlement of the Class Action. The terms of the Memorandum are reflected in and superseded by this Stipulation.

Also on August 5, 2004, the parties to the Shareholder Derivative Actions, with the exception of Andersen, agreed to a Memorandum of Understanding regarding the settlement of those actions. Concurrently with the submission of this Stipulation, the parties to the Shareholder Derivative Actions will submit a Stipulation Re: Settlement of Derivative Claims to the Court. The Shareholder Derivative Actions Settlement is conditioned, among other things, upon the Settlement being approved by the Court, a judgment thereon being entered, that judgment becoming Final, and the dismissal with prejudice of the State Court Shareholder Derivative Actions.

By Memorandum Decision dated October 12, 2004, the Honorable Charles A. Shaw denied the Motion to Dismiss by Andersen, but granted the Motion to Dismiss by Scientific-Atlantic and Motorola. Class Action Plaintiff filed a Motion for Reconsideration on October 26, 2004, which was denied on December 20, 2004. Class Action Plaintiff has appealed this decision.

Subsequent to the October 12, 2004 decision, negotiations took place between the Class Action Plaintiff and Andersen that resulted in an agreement whereby all claims in the Class Action and the Derivative Actions against Andersen will be settled.

e. DISCOVERY, INVESTIGATION, AND RESEARCH CONDUCTED BY PLAINTIFF

Class Action Plaintiff's Counsel has conducted discovery and investigation during the prosecution of the Class Action. This discovery and investigation has included: (1) inspection of documents produced by Settling Class Action Defendants pursuant to agreement during the Mediation and in the Memorandum of Understanding; (2) interviews with various current and former Charter employees; (3) consultations with experts; (4) review of Charter's public filings, annual reports, and other public statements; and (5) research of the applicable law with respect to the claims asserted in the Class Action and the potential defenses thereto.

II. CLAIMS OF THE CLASS ACTION PLAINTIFF AND BENEFITS OF SETTLEMENT

The Class Action Plaintiff believes that the claims asserted in the Class Action have merit and that the evidence developed to date in the Class Action supports the claims asserted. The Class Action Plaintiff asserts and believes it would present supporting evidence at trial, that defendants caused the price of Charter common stock to be artificially inflated during the Settlement Class Period by the issuance of materially false statements and by omitting to state material information concerning Charter and that as a result, Class Action Plaintiff and Settlement Class Members were injured.

However, Class Action Plaintiff's Counsel recognizes and acknowledges the expense and length of continued proceedings, trial, and appeals. Class Action Plaintiff's Counsel also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Class Action. Class Action Plaintiff's Counsel is also mindful of the inherent problems of proof under and possible defenses to the federal securities law violations asserted in the Class Action, including the defenses asserted by defendants during the litigation, in motions on the pleadings, settlement negotiations and in the mediation proceedings.

In light of the foregoing, Class Action Plaintiff's Counsel believes that the Settlement confers substantial benefits upon the Settlement Class (as defined below) and Settlement Class Members. Based on its evaluation, Class Action Plaintiff's Counsel has determined that the Settlement is in the best interests of the Class Action Plaintiff and the Settlement Class.

III. SETTLING CLASS ACTION DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

The Settling Class Action Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Class Action Plaintiff on behalf of the Settlement Class. The Settling Class Action Defendants also have denied and continue to deny, inter alia, the allegations that the prices of Charter stock were artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Class Action Plaintiff or the Settlement Class were harmed by the conduct alleged in the Class Action. Settling Class Action Defendants believe that throughout the Settlement Class Period (as defined below) they fully and adequately disclosed all material facts regarding Charter and made no misrepresentations of material facts regarding Charter.

Nonetheless, the Settling Class Action Defendants have concluded that further conduct of the Class Action would be protracted and expensive, and that it is desirable that the Class Action be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation in order to limit further expense, inconvenience and distraction, to dispose of the burden of protracted litigation, and to permit the operation of the Company's business without further distraction and diversion of the Company's executive personnel with respect to matters at issue in the Class Action. The Settling Class Action Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this litigation.

The Settling Class Action Defendants have, therefore, determined that it is desirable and beneficial to them that the Class Action be settled in the manner and upon the terms and conditions set forth in this Stipulation. The Settling Class Action Defendants enter into this Stipulation and Settlement without in any way acknowledging any fault, liability, or wrongdoing of any kind. There has been no adverse determination by any court against any of the Settling Class Action Defendants on the merits of the claims asserted by the Class Action Plaintiff. Neither this Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by any of the Settling Class Action Defendants of the merit or truth of any of the allegations or wrongdoing of any kind on the part of any of the Settling Class Action Defendants. The Settling Class Action Defendants enter into this Stipulation and Settlement based upon, among other things, the Settling Class Action Parties' agreement herein that, to the fullest extent permitted by law, neither this Stipulation nor any of the terms or provisions, nor any of the negotiations or proceedings connected therewith, shall be offered as evidence in the Class Action or in any pending or future civil, criminal, or administrative action or other proceeding to establish any liability or admission by any of the Settling Class Action Defendants or any other matter adverse to any of the Settling Class Action Defendants or any of their respective related entities, except as expressly set forth herein.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Class Action Plaintiff (for itself and the Settlement Class Members), and the Settling Class Action Defendants, by and through their respective counsel of record, that, subject to the approval of the Court, the Class Action and the Released Claims shall be finally and fully compromised, settled, and released, and the Class Action shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as follows:

a. DEFINITIONS

As used in the Stipulation the following terms have the meanings specified below:

1.1 "Andersen" shall mean Defendant Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, and all of their past and present member firms, and all of their respective current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such persons or entities.

1.2 "Authorized Claimant" shall mean any Settlement Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

1.3 "Charter" or "Company" shall mean defendant Charter Communications, Inc., a Delaware corporation, and all of its predecessors, successors, present and former parents, subsidiaries, divisions, and related or affiliated entities.

1.4 "Charter's Insurance Carriers" shall mean Liberty International, Inc. ("Liberty") and Certain Underwriters of Lloyds' of London ("Underwriters").

1.5 "Claimant" shall mean any Settlement Class Member who files a Proof of Claim in such form and manner, and within such time, as the Court shall prescribe.

1.6 "Claims Administrator" shall mean Berdon Claims Administration LLC, the firm appointed by the Court to administer this Settlement.

1.7 "Class Action Defendants" shall mean Charter, Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, Scientific-Atlanta, Inc, Motorola, Inc., and Andersen.

1.8 "Effective Date" shall mean the first date by which all of the events and conditions specified in Section IV, 10.2(i)-(xi) of the Stipulation have been met and have occurred.

1.9 "Escrow Agents" shall mean Charter, on the one hand, and Class Action Plaintiff's Counsel and/or the Claims Administrator, on the other hand, until such time as the Judgment is entered, at which time Charter shall resign as Escrow Agent and shall have no further supervisory responsibilities or obligations with respect to the Escrow Account.

1.10 "Escrow Account" shall mean the interest-bearing escrow account to which the Settlement Cash will be transferred no later than five (5) business days after preliminary approval of the Settlement of the Class Action to be controlled by the Escrow Agents, and to which the Settlement Securities will be transferred after entry of Judgment.

1.11 "Final" shall mean, with respect to the Judgment or the judgment(s) entered dismissing the Shareholder Derivative Actions with prejudice in accordance with the terms of the Stipulation of Settlement in the Derivative Actions (the "Derivative Judgment"), that one of the following events has occurred: (1) the time for appealing the Judgment or the Derivative Judgment (as the case may be) has expired; (2) following a final affirmance on appeal of the Judgment or the Derivative Judgment (as the case may be), the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the Judgment or Derivative Judgment (as the case may be) is finally affirmed on discretionary review; or (3) following a final dismissal of an appeal from the Judgment or the Derivative Judgment (as the case may be), the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the dismissal being challenged is itself finally affirmed on discretionary review. Any proceeding or order, or any appeal or appeal for a writ of certiorari pertaining solely to any plan of allocation and/or application for attorneys' fees, costs or expenses, shall not in any way delay or preclude the Judgment or the Derivative Judgment from becoming Final.

1.12 "Final Valuation Date" shall mean the date of entry of the Judgment or the date of entry of an Order approving the award of fees and costs to Class Action Plaintiff's Counsel, whichever is later.

1.13 "Individual Defendants" shall mean Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, and James H. Smith III.

1.14 "Judgment" shall mean the judgment to be rendered by the Court dismissing the Class Action with prejudice, substantially in the form and content attached hereto as Exhibit A.

1.15 "Judgment Valuation Formula" shall mean the weighted average of the closing price of Charter's common stock for the thirty (30) calendar days prior to the Final Valuation Date.

1.16 "Non-Settling Class Action Defendants" shall mean Scientific-Atlanta, Inc, and Motorola, Inc.

1.17 "Parties" shall mean, collectively, each of the Class Action Defendants and the Class Action Plaintiff on behalf of itself and the Members of the Settlement Class.

1.18 "Payment to Underwriters" shall mean Charter's issuance to the Law Firm of Hanson Peters Nye, for the benefit of Underwriters, shares of Charter Class A common stock having an aggregate value of \$5 million, in accordance with the Underwriters Agreement. These shares shall be issued pursuant to section 3(a)(10) of the Securities Act of 1933 and shall not constitute "restricted securities."

1.19 "Person" shall mean an individual, corporation (including all divisions and subsidiaries), partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, and assigns.

1.20 "Plan of Allocation" shall mean a plan or formula of allocation of the Net Settlement Fund which shall be described in the "Notice of Pendency and Proposed Settlement of Class Action" to be sent to Settlement Class Members in connection with the Settlement whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, any taxes, penalties or interest or tax preparation fees owed by the Escrow Account or the Settlement Fund, such attorneys' fees, costs, expenses and interest as may be awarded by the Court, and any compensatory award awarded by the Court to Class Action Plaintiff, as described in 5.1 below. Any Plan of Allocation is not part of the Stipulation.

1.21 "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined in 1.33 below) demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in this or any other forum or proceeding, including, without limitation, claims for negligence,

gross negligence, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, by or on behalf of the Class Action Plaintiff, the Settlement Class, or any Settlement Class Member against the Released Class Action Parties (as defined in 1.22 below) which are in any way based upon or related to (a) the purchase of, acquisition of, or investment in Charter common stock by any Settlement Class Member during the Settlement Class Period (whether on the open market or otherwise), (b) the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act and/or to supervise Charter officers or employees which were or could have been alleged in the Class Action or the Shareholder Derivative Actions, (c) the facts which were alleged in any papers filed in the Class Action or in the Shareholder Derivative Actions, and/or (d) the administration of the Escrow Account, Settlement Fund, Net Settlement Fund or Plan of Allocation.

1.22 "Released Class Action Parties" shall mean each and every one of the following: the Settling Class Action Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families. However, Released Class Action Parties does not include defendants Motorola, Inc., or Scientific Atlanta, Inc. Released Class Action Parties shall include Andersen to the extent the Court approves the Stipulation of Settlement with Andersen dated January 13, 2005 (the "Andersen Settlement"), and the Andersen Settlement becomes Final pursuant to its terms.

1.23 "Settlement Class" shall mean all persons or entities that purchased or otherwise acquired Charter common stock during the period of November 8, 1999 through and including August 16, 2002. Excluded from the Class shall be the Class Action Defendants and their corporate affiliates; any officers or directors of Charter; or members of their immediate families, and their heirs, successors and assigns; and any entities controlled directly or indirectly by Paul G. Allen.

1.24 "Settlement Class Member" or "Member of the Settlement Class" shall mean a Person who falls within the definition of the Settlement Class as set forth in 1.23, above.

1.25 "Settlement Class Period" shall mean the period from November 8, 1999 through and including August 16, 2002.

1.26 "Settlement Cash" shall mean the principal amount of \$64 million in cash, for and on behalf of the Settling Class Action Defendants, less the cost of notice, plus interest earned or accrued thereon.

1.27 "Settlement Fund" shall mean the Settlement Cash and Settlement Securities.

1.28 "Settlement Securities" shall mean the \$40 million in common stock (subject to the adjustments set forth in 2.8 below) and \$40 million in warrants to purchase common stock, to be issued by Charter pursuant to 2.9, 2.10, and 2.11 below.

1.29 "Settling Class Action Parties" shall mean Class Action Plaintiff, each Settlement Class Member, and Settling Class Action Defendants.

1.30 "Settling Class Action Defendants" shall mean Charter, Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, and James H. Smith III and Andersen (to the extent the Court approves the Andersen Settlement and the Andersen Settlement becomes Final pursuant to its terms).

1.31 "Underwriters Agreement" shall mean the Settlement Agreement and Mutual Release executed by Charter and Underwriters, dated as of January 14, 2005, and attached hereto as Exhibit B.

1.32 "Shareholder Derivative Actions" shall mean the derivative actions filed in the Circuit Court for the City of St. Louis, entitled Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, Thomas Schimmel, Derivatively on behalf of Nominal Defendant Charter Communications v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 044-0858, and consolidated as In re Charter Communications, Inc. Shareholder Derivative Litigation, Index No. 022-10625; and the derivative action filed in the United States District Court for the Eastern District of Missouri, entitled Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW.

1.33 "Unknown Claims" shall mean any Released Claims which the Class Action Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Class Action Parties which, if known by him, her or it, might have affect his, her or its settlement with and release of the Released Class Action Parties, or might have affected his, her or its decision not to object to, or opt out of, this Settlement. With respect to any and all Released Claims, the Settling Class Action Parties stipulate and agree that, upon the Effective Date, the Class Action Plaintiff expressly waives and relinquishes, and the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Class Action Plaintiff expressly waives and the Settlement Class Members shall be deemed to have waived, and upon the Effective Date and by operation of the Judgment shall have waived any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Class Action Plaintiff and the Settlement Class Members may hereafter discover facts in

addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Class Action Plaintiff does settle and release, and each Settlement Class Member shall be deemed to have, and upon the Effective Date and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, all Released Claims that are in any way based on or related to conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Class Action Parties acknowledge that the foregoing waiver was bargained for and a key element of the Settlement of which this release is a part.

b. THE SETTLEMENT CONSIDERATION

2.1. In full and final settlement of all claims asserted or referred to in the Class Action, and all claims that have been and could be asserted by Class Action Plaintiff and the Settlement Class against the Settling Class Action Defendants in the Class Action, the Settling Class Action Defendants agree to the following consideration (the "Settlement Consideration").

i. SETTLEMENT CASH

2.2. Within five (5) business days after preliminary approval of the Settlement of the Class Action as provided in 5.1 below (the "Settlement Cash Funding Date"), Charter shall cause Charter's Insurance Carriers to wire transfer \$64 million to the Escrow Account.

2.3. The reasonable and necessary costs of administration, notice to Class Members and taxes shall be paid out of the Settlement Cash, as set forth in 8.2 below, without further order of the Court.

2.4. In the event that the Stipulation of Settlement does not become effective, or the Settlement does not become Final, as that term is defined in 1.11 above, all monies held in the Escrow Account (less amount necessary to pay costs, as documented in 2.3 above) shall be returned to Charter's Insurance Carriers within seven (7) business days. Class Action Plaintiff, the Settlement Class Members, the Settlement Administrator, and the Class Action Plaintiff's Counsel shall have no responsibility for any costs as described in 2.3 above.

2.5. On or after the Effective Date, but under no circumstances before the Effective Date, the Settlement Cash shall be released for the benefit of the Settlement Class Members.

2.6. Settling Class Action Parties agree that, in consideration for the Settlement of the Shareholder Derivative Actions and their contribution to the corporate governance reforms identified in Exhibit C hereto, an amount up to but no greater than \$2.25 million shall be paid from the Settlement Cash to the counsel for plaintiffs in the Shareholder Derivative Actions, subject to Court approval and the settlement of the Shareholder

Derivative Actions becoming final and effective pursuant to its terms. The Class Action Plaintiff and Class Action Plaintiff's Counsel agree that any sums to be paid in settlement of the Shareholder Derivative Actions, shall be paid out of the proceeds described in 2.2 to 2.11, without further contribution by any of the Settling Class Action Defendants, the Released Class Action Parties, Charter's Insurance Carriers or any of the defendants in the Shareholder Derivative Actions.

2.7. Under no circumstances shall any portion of the Settlement Cash revert to Charter or Charter's Insurance Carriers unless the Settlement is terminated pursuant to 10.1-10.9 below.

ii. SETTLEMENT SECURITIES

2.8. Five (5) business days after the Final Valuation Date, Charter shall cause the following securities to be issued and transferred to the Escrow Account for the benefit of the Class Members and their counsel: (a) Charter common stock having an aggregate value of \$40 million to be determined pursuant to 2.10 below; and (b) warrants to purchase Charter common stock having an aggregate value of \$40 million to be determined pursuant to 2.11 below. The Settlement Securities shall be issued pursuant to section 3(a)(10) of the Securities Act and shall not constitute "restricted securities." All costs associated with the issuance of the Settlement Securities shall be borne by Charter.

2.9 On or after the Effective Date, but under no circumstances before the Effective Date, the Settlement Securities shall be released for the benefit of the Settlement Class Members.

2.10 Charter common stock having an aggregate value of \$40 million shall be determined as follows: The number of shares to be issued shall be determined by dividing \$40 million by the weighted average of the closing price of Charter's common stock for thirty (30) calendar days prior to August 5, 2004. This number (the "Original Number of Shares") will be subject to the following adjustments:

(a) Downside protection. In the event that as of the date the Judgment is entered by the Court the aggregate value of the Original Number of Shares, based on the Judgment Valuation Formula, is less than \$40 million, Charter shall contribute sufficient shares to create \$40 million of value based on the Judgment Valuation Formula. Provided, however, in the event that the shares of Charter common stock as reflected in the Judgment Valuation Formula is less than \$2.25 per share, then Charter may in its sole discretion terminate the Settlement.

(b) Upside allocation. In the event that the aggregate value of the Original Number of Shares exceeds \$44 million on the Final Valuation Date based on the Judgment Valuation Formula, the number of shares of common stock that Charter shall issue to satisfy its obligations pursuant to the Settlement shall be reduced so that the aggregate value is \$44 million, plus 50% of the excess of \$44 million, up to and including an aggregate value of \$54 million based on the Judgment Valuation Formula. By way of example, if on the Final Valuation Date, the aggregate value of the Original Number of Shares based on the Judgment Valuation Formula is \$48 million, then Charter shall issue shares with an

aggregate value of \$46 million. In no event, however, shall the aggregate value of the shares of common stock that Charter shall issue to satisfy its obligations pursuant to the Settlement exceed \$54 million, based on the Judgment Valuation Formula.

(i) In the event that the counsel for plaintiffs in the Shareholder Derivative Actions are awarded attorneys' fees and costs in excess of \$2 million (but in no event greater than \$2.25 million), then the Settlement Class Members shall be entitled to the benefit of the appreciation of the Original Number of Shares in excess of \$4 million above \$40 million, based on the Judgment Valuation Formula, on a ratio of two dollars for every dollar of fees and costs awarded by the Court, up to \$500,000. By way of example, in the event that the Court awards counsel for plaintiffs in the Shareholder Derivative Actions \$2.25 million in fees and costs, and the aggregate value of the Original Number of Shares based on the Judgment Valuation Formula on the Final Valuation Date is: (A) \$44.5 million, then all Original Number of Shares shall be transferred to the Escrow Account; or (B) \$46 million, then shares with an aggregate value of \$45.5 million as computed by the formula for determining the Judgment Valuation Formula shall be transferred to the Escrow Account.

2.11. Warrants to purchase Class A common stock having an aggregate value of \$40 million, the terms of which are described in Exhibit D, shall be determined as follows: (i) the exercise price per share of Class A common stock under each warrant shall equal 150% of the volume weighted average price of the Charter Class A common stock during the thirty day period ending on the Final Valuation Date, as determined by the Bloomberg VAP function, and (ii) the number of warrants to be issued, shall be determined by dividing \$40 million by the Black-Scholes Warrant Value of each warrant as of the Final Valuation Date. The "Black-Scholes Warrant Value" shall be calculated by using the following inputs on the Bloomberg page titled CHTR EQUITY OV (Exotic Option Type 4): 10 year maturity; volatility of 50%; strike price equal to the price indicated in (i) above. Charter shall use its best efforts to cause the warrants to be listed on a national exchange of its choice, such as NASDAQ, consistent with the rules of such exchange, and will use reasonable efforts to obtain market makers for the warrants.

iii. NON-MONETARY CONSIDERATION

2.12 In joint consideration for the Settlement of the Class Action and the Shareholder Derivative Actions, Charter will take steps reasonably required to implement the corporate governance provisions set forth in Exhibit C.

c. ADMINISTRATION OF THE SETTLEMENT CONSIDERATION

i. THE ESCROW AGENTS

3.1 The Escrow Agents shall invest the Settlement Fund in instruments backed by the full faith and credit of the United States Government or fully insured by the United States Government or an agency thereof and shall reinvest the proceeds of these instruments as they mature in similar instruments at the current market rates.

3.2 The Escrow Agents shall not disburse the Settlement Fund except as provided in the Stipulation, or by an order of the Court, (provided said order is consistent with the

terms of the Stipulation) or with the written agreement of counsel for the Settling Class Action Defendants and Class Action Plaintiff's Counsel.

3.3 Subject to such further order and direction by the Court as may be necessary, the Escrow Agents are authorized to execute such transactions on behalf of the Settlement Class Members as are consistent with the terms of the Stipulation.

3.4 All funds held by the Escrow Agents shall be deemed and considered to be in custodia legis of the Court, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the Court consistent with the terms of the Stipulation.

3.5 All costs and expenses associated with the Settlement, the Settlement Fund, including but not limited to any taxes, administrative costs, and costs of providing notice of the proposed Settlement to the Settlement Class, shall be paid from the Settlement Cash, and in no event shall any of the Settling Class Action Defendants, Class Action Plaintiff, Settlement Class Members, or their counsel bear any responsibility for any such costs or expenses, except that Charter shall bear all costs associated with the issuance of the securities portion of the Settlement Fund.

3.6 On or after the Effective Date, but under no circumstances before the Effective Date, upon the advice and consent of Class Action Plaintiff and Class Action Plaintiff's Counsel, and to the extent practicable, the Escrow Agents may sell portions of, or the entirety of, the Settlement Securities prior to distribution to the Authorized Claimants. With respect to the Charter stock, the shares may be sold at a price equal to or greater than the closing price of Charter Common Stock as quoted on the NASDAQ on the Final Valuation Date. The warrants may be sold only at a price that is equal to or greater than a price per warrant determined by the total number of warrants issued divided by \$40,000,000. No Person, including any Settlement Class Member, shall have any claim against anyone (including but not limited to the Escrow Agents, Charter, Class Action Plaintiff, or Class Action Plaintiff's Counsel) arising out of or relating to the sale of or failure to sell any of the Settlement Securities. All cash generated from such sales will be contributed to the Escrow Account.

ii. TAXES

3.7 (a) The Settling Class Action Parties and the Escrow Agents agree to treat the Settlement Fund as being at all times a "qualified settlement fund" within the meaning of Treas. Reg. Section 1.468B-1. In addition, the Escrow Agents and, as required, Charter and Charter's Insurance Carriers contributing any settlement consideration shall jointly and timely make the "relation-back election" (as defined in Treas. Reg. Section 1.468B-1) back to the earliest permitted date. Such election shall be made in compliance with the procedures and requirements contained in such regulations. It shall be the responsibility of the Escrow Agents to timely and properly prepare, and deliver the necessary documentation for signature by all necessary parties, and thereafter to cause the appropriate filing to occur.

(b) For the purposes of Section 468B of the Internal Revenue Code of 1986, and Treas. Reg. Section 1.468B, the "administrator" shall be the Escrow Agents. The Escrow Agents shall timely and properly file all informational and other tax returns necessary or advisable with respect to the Settlement Fund (including, without limitation, the returns described in Treas. Reg. Section 1.468B-2(1)). Such returns (as well as the election described in 3.7(a)) shall be consistent with this 3.7 and in all events shall reflect that all taxes (including any estimated taxes, interest or penalties) on the income earned by the Settlement Fund shall be paid out of the Settlement Fund as provided in 3.7(c) hereof.

(c) All (i) taxes (including any estimated taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund ("Taxes"), and (ii) expenses and costs incurred in connection with the operation and implementation of this 3.7 (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) the returns described in this 3.7) ("Tax Expenses"), shall be paid out of the Settlement Cash; in all events the Released Class Action Parties shall not have any liability or responsibility for the Taxes, the Tax Expenses, or the filing of any tax returns or other documents with the Internal Revenue Service or any other state or local taxing authority. The Escrow Agents shall indemnify and hold the Released Class Action Parties harmless for Taxes and Tax Expenses (including, without limitation, Taxes payable by reason of any such indemnification). Further, Taxes and Tax Expenses shall be treated as, and considered to be, a cost of administration of the Settlement and shall be timely paid by the Escrow Agents out of the Settlement Fund without prior order from the Court, and the Escrow Agents shall be obligated (notwithstanding anything herein to the contrary) to withhold from distribution to Authorized Claimants any funds necessary to pay such amounts (as well as any amounts that may be required to be withheld under Treas. Reg. Section 1.468B-2(1)(2)); the Released Class Action Parties are not responsible and shall have no liability therefor, or for any reporting requirements that may relate thereto. The Settling Class Action Parties hereto agree to cooperate with the Escrow Agents, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions of this 3.7.

d. CERTIFICATION OF THE SETTLEMENT CLASS.

4.1 For the sole purpose of implementation, approval and consummation of the Settlement, the Settling Class Action Parties stipulate and agree that the Court may enter an order certifying the Settlement Class, and appointing the Class Action Plaintiff as the representative of the Settlement Class.

4.2 Certification of the Settlement Class and appointment of Settlement Counsel by the Court, as set forth herein, shall be binding only with respect to the Settlement set forth in the Stipulation. In the event that this Stipulation is terminated or cancelled or that the Effective Date does not occur for any reason, the stipulated certification of the Settlement Class shall be vacated and the Class Action shall proceed as though the Settlement Class had never been certified. Except to effectuate the Settlement, neither the Settling Class Action Parties, their respective counsel, nor any member of the Settlement Class shall cite, present as evidence or legal precedent, rely upon, make reference to or otherwise make any use whatsoever of this stipulated certification of the Settlement Class, in this Class Action or in any other proceeding.

e. NOTICE ORDER AND SETTLEMENT HEARING

5.1. Promptly after execution of the Stipulation, but in no event later than ten (10) days after the Stipulation is signed (unless such time is extended by the written agreement of Class Action Plaintiff's Counsel and counsel for Charter), the Settling Class Action Parties shall submit the Stipulation together with its Exhibits to the Court, along with the Stipulation of Settlement between Class Action Plaintiff and Andersen, and shall jointly apply for entry of an order (the "Notice Order"), substantially in the form and content of Exhibit E hereto, requesting certification of the Settlement Class, preliminary approval of the Settlement, and approval for the mailing and publication of a Notice of Pendency and Proposed Settlement of Class Action (substantially in the form and content of Exhibit E-1 hereto), which shall include the general terms of the Settlement set forth in the Stipulation, the proposed Plan of Allocation, the general terms of the Fee and Expense Application (as defined in 9.1), the request for Class Action Plaintiff's Compensatory Award for time and expenses relating to the representation of the Class pursuant to Section 27(2)(B)(4) of the Private Securities Litigation Reform Act of 1995, and the date of the Settlement Hearing (as defined below in 5.2).

5.2. The Settling Class Action Parties shall request that, after notice is given, the Court hold a Hearing (the "Settlement Hearing") and finally approve this Settlement as set forth herein. At or after the Settlement Hearing, Class Action Plaintiff's Counsel also will request that the Court approve the proposed Plan of Allocation, the Fee and Expense Application, and the Class Action Plaintiff's Compensatory Award.

f. ENTRY OF JUDGMENT AND DISCHARGE OF ALL CONTRIBUTION CLAIMS

6.1. The Settling Class Action Parties agree to the entry of Judgment substantially in the form and content of Exhibit A (which to the extent practicable shall be consistent with the Judgment entered for the Stipulation of Settlement with Andersen).

6.2. The Judgment proposed to the Court shall include a bar order stating the following:

(a) In accordance with 15 U.S.C. Section 78u-4(f)(7)(A), any and all claims for contribution arising out of any Released Claim, including, but not limited to, any claims that are based upon, arise out of or relate to the Class Action, and/or any claims that were alleged or could have been alleged in the Amended Complaint or Second Amended Complaint (i) by any Person against a Settling Class Action Defendant, and (ii) by any Settling Class Action Defendant against any Person other than as set out in 15 U.S.C. Section 78u-4(f)(7)(A)(ii) are hereby permanently barred, extinguished, discharged, satisfied, and unenforceable. Accordingly, without limitation to any of the above, any Person, including, without limitation Andersen and each and every Non-Settling Class Action Defendant (and all Persons purporting to act on his, its, or their behalf, and all Persons purporting to claim by or through him, it, or them, whether under a subrogation theory or otherwise), are hereby permanently enjoined from commencing, prosecuting, or asserting against any of the Settling Class Action Defendants any such claim for contribution, and each and every Settling Class Action Defendant is hereby permanently enjoined from commencing, prosecuting, or asserting against any Person, including without limitation, Andersen or any Non-Settling Class Action Defendant, any such claim for contribution. In accordance with

15 U.S.C. Section 78u-4(f)(7)(B), any final verdict or judgment that may be obtained by or on behalf of the Settlement Class or a Settlement Class Member against a Non-Settling Class Action Defendant shall be reduced by the greater of (x) an amount that corresponds to the percentage of responsibility of the Settling Class Action Defendants for the loss to the Settlement Class or a Settlement Class Member, or (y) the amount paid by or on behalf of the Settling Class Action Defendants to the Settlement Class in connection with the Settlement.

(b) The Court finds that the Stipulation represents a good faith settlement of all Released Claims of all Settlement Class Members sufficient to discharge Settling Defendants and the Released Class Action Parties of all Released Claims of all Settlement Class Members. In order to effectuate such settlement, the Court hereby enters the following bar:

(i) Any and all Non-Settling Class Action Defendants and Andersen are permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim against any Released Class Action Party (other than Andersen), however styled, whether legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued, whether arising under state, federal, or common law, whether for indemnification or contribution or otherwise denominated, including, without limitation, any claim for breach of contract or misrepresentation, where the claim is based upon, arises out of, or relates to the Class Action or the Shareholder Derivative Actions (including any matters that were alleged or could have been alleged in the Class Action or Shareholder Derivative Actions) including, without limitation, any claim in which a Non-Settling Class Action Defendant or Andersen seeks to recover from any of the Released Class Action Parties (1) any amounts that a Non-Settling Class Action Defendant or Andersen has paid, become liable to pay, or may become liable to pay (whether in cash or any other form of consideration) in the Class Action, the Shareholder Derivative Actions or any action in which one or more Settlement Class Members who validly and timely excluded themselves from the Settlement Class seek a recovery on account of any matters that were alleged or that could have been alleged in the Class Action (the "Opt-out Actions"), and/or (2) any costs, expenses, or attorneys' fees that a Non-Settling Class Action Defendant or Andersen has incurred or may incur in defending against any claim in the Class Action, the Shareholder Derivative Actions or the Opt-out Actions. All such claims are hereby extinguished, discharged, satisfied and unenforceable (hereinafter "Barred Claims");

(ii) Any and all Released Class Action Parties (other than Andersen) are permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim against any Non-Settling Class Action Defendants or Andersen, however styled, whether legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued, whether arising under state, federal, or common law, whether for indemnification or contribution or otherwise denominated, including, without limitation, any claim for breach of contract or misrepresentation, where such claim is based upon, arises out of, or relates to the Class Action or the Shareholder Derivative Actions (including any matters that were alleged or could have been alleged in the Class Action or the Shareholder Derivative Actions), including, without limitation, any claim in which a Released Class Action Party seeks to recover from any of the Non-Settling Class Action

Defendants or Andersen (1) any amounts such Released Class Action Party has paid, become liable to pay, or may become liable to pay (whether in cash or any other form of consideration) in the Class Action, the Shareholder Derivative Actions or the Opt-out actions, and/or (2) any costs, expenses, or attorneys' fees that the Released Class Action Parties have incurred or may incur in defending against any claim in the Class Action, the Shareholder Derivative Actions, or the Opt-out Actions. All such claims are hereby extinguished, discharged, satisfied and unenforceable hereinafter;

(iii) Because the Non-Settling Class Action Defendants are barred from asserting any Barred Claims against the Settling Class Action Defendants, any judgments entered against the Non-Settling Class Action Defendants by the Settlement Class or any Settlement Class Members shall be reduced by an amount equal to the value as determined by the Court of such Barred Claims (provided, however, that to the extent such Barred Claims constitute claims for contribution within the meaning of 15 U.S.C. Section 78u-4(f)(7)(A), the reduction provisions set forth in 15 U.S.C. Section 78u-4(f)(7)(B) shall apply);

(iv) If the Settlement Class or any Settlement Class Member brings a claim against any Person that is based upon, arises out of, or relates to the Class Action or any matters that were alleged or could have been alleged in the Class Action (the "Underlying Action"), and notwithstanding 6.2(a) and 6.2(b)(i), that Person obtains a recovery against a Released Class Action Party that is based, in whole or in part, on (1) any amounts that such Person has become liable to pay or may become liable to pay in the Underlying Action, and/or (2) any costs, expenses or attorneys' fees that such Person has incurred or may incur in the Underlying Action (amounts (1) and (2) being collectively the "Reduction Amount"), the Settlement Class and the Settlement Class Members agree that they will reduce or credit any judgment or settlement with such Person (up to the amount of such judgment or settlement) by the Reduction Amount, which amount shall then also be credited to the Released Class Action Party.

(c) Provided, however, that nothing in this Judgment shall release, bar, enjoin, or otherwise restrain any claim between Charter and any current or former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses.

g. RELEASES

7.1. Upon the Effective Date, the Class Action Plaintiff shall release, relinquish and discharge, and each of the Settlement Class Members (other than those Settlement Class Members who validly and timely request exclusion from this Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of the Released Class Action Parties (which does not include defendants Motorola, Inc., or Scientific Atlanta, Inc.) from all Released Claims (including "Unknown Claims"), and from all claims (including "Unknown Claims"), arising out of, relating to, or in connection with the defense, or resolution of the Class Action or the Released Claims, whether or not such Settlement Class Member executes and delivers the Proof of Claim and Release. Claims for violation of this Stipulation (including any exhibits) are preserved.

7.2. Upon the Effective Date, each of the Settling Class Action Defendants shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Class Action Plaintiff, the Settlement Class Members (other than those Settlement Class Members who validly and timely request exclusion from this Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto), Class Action Plaintiff's Counsel, and counsel for all other plaintiffs in the Class Action from any claims (including "Unknown Claims") arising out of, relating to, or in connection with the commencement, prosecution, assertion or resolution of the Class Action or the Released Claims. Claims for violation of this Stipulation (including any exhibits) are preserved.

7.3. Except as otherwise expressly provided for in this Stipulation, the Settling Class Action Parties shall each bear their own respective attorneys' fees, expenses and costs incurred in connection with the conduct and settlement of the Class Action, and the preparation, implementation and performance of the terms of this Stipulation.

7.4. Only those Settlement Class Members filing valid and timely Proofs of Claim and Release shall be entitled to participate in the Settlement and receive any distributions from the Settlement Fund. The Proofs of Claim and Release to be executed by the Settlement Class Members shall release all Released Claims against the Released Class Action Parties, and shall be substantially in the form and content of Exhibit E-3 hereto. All Settlement Class Members shall be bound by the releases set forth herein and therein whether or not they submit a valid and timely Proof of Claim and Release.

h. ADMINISTRATION AND CALCULATION OF CLAIMS, FINAL AWARDS AND SUPERVISION AND DISTRIBUTION OF SETTLEMENT FUND

8.1. Class Action Plaintiff's Counsel, or its authorized agents, acting on behalf of the Settlement Class shall formulate a Plan of Allocation of the Settlement Fund to the Settlement Class Members, subject to the approval of the Court. The Claims Administrator, subject to the supervision, direction and approval of the Court, shall administer and calculate the claims submitted by Settlement Class Members, and shall oversee distribution of that portion of the Settlement Fund that is finally awarded by the Court to Authorized Claimants. The Settling Class Action Parties expressly agree that any change, modification, or alteration to the Plan of Allocation by the Court shall not be grounds for termination of the Settlement.

8.2. The Settlement Fund shall be applied as follows:

i. To pay 96.6% of all unpaid costs and expenses reasonably and actually incurred in connection with providing notice to the Settlement Class Members and to current shareholders of Charter including, locating Settlement Class Members and current shareholders of Charter, soliciting Settlement Class claims, assisting with the filing of claims, administering and distributing the Settlement Fund to the Settlement Class, processing Proofs of Claim and Release and paying escrow fees and costs, if any;

ii. To pay, following the Effective Date, unpaid costs and expenses incurred in soliciting Settlement Class claims, assisting with the filing of such claims,

administering and distributing the Net Settlement Fund (as defined below) to the Settlement Class, processing Proofs of Claim and Release, and paying escrow fees and costs, if any;

iii. To pay, pursuant to 9.2 below, 96.6% of Class Action Plaintiff's Counsel's attorneys' fees, expenses and costs, with interest thereon, and any fees and expenses awarded to counsel in the Shareholder Derivative Actions (which in no event shall exceed \$2.25 million), if and to the extent allowed by the Court;

iv. To pay, following the Effective Date, any Compensatory Award granted Class Action Plaintiff by the Court, as described in 5.1; and

v. To distribute, following the Effective Date, the balance of the Settlement Fund (the "Net Settlement Fund") to Authorized Claimants as allowed by the Stipulation, the Plan of Allocation or the Court.

8.3 After the Effective Date and subject to such further approval and further order(s) of the Court as may be required, the Net Settlement Fund shall be distributed to Authorized Claimants, subject to and in accordance with the following:

(a) Within ninety (90) days after the mailing of the Notice or such other time as may be set by the Court, each Person claiming to be an Authorized Claimant shall be required to submit to the Claims Administrator a separate completed Proof of Claim and Release as attached to the Notice and substantially in the form and content of Exhibit E-3 hereto, signed under penalty of perjury and supported by such documents as specified in the Proof of Claim and Release and as are reasonably available to the Authorized Claimant.

(b) Except as otherwise ordered by the Court, all Settlement Class Members who fail to timely submit a valid Proof of Claim and Release within such period, or such other period as may be ordered by the Court, or who have not already done so, shall be forever barred from receiving any payments of money or stock pursuant to the Stipulation and the Settlement set forth herein, but will in all other respects be subject to and bound by the provisions of the Stipulation, the Settlement and releases contained herein, and the Judgment.

(c) The Net Settlement Fund shall be distributed to the Authorized Claimants in accordance with and subject to the Plan of Allocation to be described in the Notice mailed to Settlement Class Members. The proposed Plan of Allocation shall not be a part of the Stipulation.

8.4 The Released Class Action Parties shall have no responsibility for, interest in, or liability whatsoever with respect to: (a) the investment or distribution of the Settlement Fund; (b) the Plan of Allocation or any other act described in this 8 or any of its subparagraphs; (c) the determination or administration of taxes; or (d) any losses incurred in connection with (a), (b) or (c). No Person shall have any claim of any kind against the Released Class Action Parties with respect to the matters set forth in this 8 or any of its subparagraphs.

8.5 No Person shall have any claim against the Class Action Plaintiff or Class Action Plaintiff's Counsel, or any Claims Administrator, or other agent designated by Class

Action Plaintiff's Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlement contained herein, the Plan of Allocation or further orders of the Court.

8.6 It is understood and agreed by the Settling Class Action Parties that any proposed Plan of Allocation of the Net Settlement Fund, including, without limitation, any adjustments to an Authorized Claimant's claim set forth therein, is not a material part of the Stipulation and is to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement set forth in the Stipulation, and any order or proceedings relating to the Plan of Allocation shall not operate to terminate or cancel the Stipulation or affect the finality of the Court's Judgment approving the Stipulation and the Settlement set forth herein, including, but not limited to, the release, discharge, and relinquishment of the Released Claims against the Released Class Action Parties, or any other orders entered pursuant to the Stipulation.

i. CLASS ACTION PLAINTIFF'S COUNSEL'S ATTORNEYS' FEES AND REIMBURSEMENT OF EXPENSES

9.1. The Class Action Plaintiff or its counsel may submit an application or applications for an order (the "Fee and Expense Application") for distributions to them from the Settlement Cash and Securities for: (i) an award of attorneys' fees plus (ii) reimbursement of all expenses and costs, including the fees of any experts or consultants, incurred in connection with prosecuting the Class Action, (iii) interest on such attorneys' fees, costs and expenses at the same rate and for the same periods as earned by the Settlement Fund (until paid), as may be awarded by the Court, and (iv) grant of a Compensatory Award to Class Action Plaintiff by the Court (as described in 5.1).

9.2. Within five (5) business days after the Court executes an order awarding attorneys' fees, expenses and costs, including the fees of experts and consultants, (the "Fee and Expense Award"), 96.6% of that Award allocable to the Settlement Cash (i.e., \$64 million plus interest divided by \$144 million plus interest) shall be transferred to Class Action Plaintiff's Counsel from the Settlement Cash. In the event that the Stipulation and the Settlement set forth herein does not become Final for any reason, or the Judgment or the Order making the Fee and Expense Award is reversed or modified on appeal, and in the event that the Fee and Expense Award has been paid to any extent, then Class Action Plaintiff's Counsel shall within five (5) business days from the event which precludes the Effective Date from occurring or such reversal or modification, refund to the Settlement Cash the fees, expenses, costs and interest previously paid to it from the Settlement Cash, including accrued interest on any such amount at the average rate earned on the Settlement Cash from the time of withdrawal until the date of refund. The Class Action Plaintiff's Counsel, as a condition of receiving such fees and expenses, on behalf of itself and each partner and/or shareholder of it, agrees that the law firm and its partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing this 9.2 of the Stipulation. Without limitation, Class Action Plaintiff's Counsel's law firm and its partners and/or shareholders agree that the Court may, upon application of Settling Class Action Defendants, on notice to Class Action Plaintiff's Counsel, summarily issue orders, including, but not limited to, judgments and attachment orders, and may make appropriate

findings of or sanctions for contempt, against it should Class Action Plaintiff's Counsel fail timely to repay fees and expenses pursuant to this 9.2 of the Stipulation.

9.3. The Released Class Action Parties shall have no responsibility for, and no liability whatsoever with respect to, any fee and expense award to Class Action Plaintiff's Counsel, or to any other Person who may assert some claim thereto, except as provided herein.

9.4. The procedure for and the allowance or disallowance by the Court of the Fee and Expense Application are not part of the Settlement set forth in the Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement set forth in the Stipulation. Any order or proceedings relating to the Fee and Expense Application, or any appeal from any order relating thereto, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Stipulation and the Settlement of the Class Action set forth herein.

9.5. Class Action Plaintiff's Counsel shall be authorized by the Court to allocate the attorney's fees among all counsel representing Class Action Plaintiff and the Class for any work performed by such counsel that was authorized by Class Action Plaintiff's Counsel and contributed to the effective litigation of the Class Action.

9.6. Any fees and expenses awarded to counsel in the Shareholder Derivative Actions shall be paid from the Settlement Cash, but in no event shall exceed \$2.25 million, and shall be transferred to counsel in the Shareholder Derivative Actions within five (5) business days after the Court executes an order awarding such fees and expenses.

j. CONDITIONS OF SETTLEMENT, EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION

10.1 This Settlement shall be terminated in the event that any of the following occurs: (1) any of the conditions set forth in 10.2 below are not satisfied; (2) Charter exercises its right to terminate the Settlement pursuant to 2.10(a) or 10.4; (4) the Settlement does not become Final for any reason; (5) failure on the part of any of the Settling Class Action Parties to abide, in any material respect, with the terms of the Stipulation.

10.2 Unless otherwise agreed by Class Action Plaintiff's Counsel and counsel for Settling Class Action Defendants in writing, this Stipulation shall be terminated in the event that any of the following conditions is not met:

i. The transfer into the Escrow Account of the Settlement Cash following entry of an order giving preliminary settlement approval, no later than five (5) business days following entry of such order;

ii. The issuance of the Settlement Securities no later than five (5) business days after the Final Valuation Date, as required by 2.8-2.11, above;

iii. The Court has entered the Notice Order and certified the Settlement Class, as required by 4.1 and 5.1, above;

iv. Preliminary and final approval of this Stipulation, independent of the Court's determination of any award of attorneys' fees and expenses to the Class Action Plaintiff's Counsel;

v. Entry of Judgment, substantially in the form and content of Exhibit A, by the U.S. District Court for the Eastern District of Missouri dismissing all Released Claims with prejudice and without costs to any party;

vi. Judgment has become Final;

vii. Entry of the Derivative Judgment;

viii. The Derivative Judgment has become Final;

ix. The Settlement Securities are issued pursuant to section 3(a)(10) of the Securities Act and do not constitute "restricted securities";

x. Court approval of the Underwriters Agreement, including a determination that the terms and conditions of the Underwriters Agreement (including the Payment to Underwriters of Charter common stock issued pursuant to section 3(a)(10) of the Securities Act and not constituting "restricted securities") are fair to all parties, including Underwriters; and

xi. That the Settlement is not otherwise terminated pursuant to the terms set forth in this Stipulation.

10.3 It shall not be a condition of effectiveness of this Settlement that the Court approve the Andersen Settlement. If the Andersen Settlement is not approved, or does not become Final pursuant to its terms, the terms of the Release in the Judgment shall be modified to expressly exclude Andersen from the definition of Released Class Action Parties.

10.4 If prior to the Settlement Hearing, Persons who otherwise would be Members of the Settlement Class have filed with the Court valid and timely requests for exclusion ("Requests for Exclusion") from the Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto, and such Persons have in the aggregate Potential Claims that equal or exceed the sum specified in a separate Supplemental Agreement between the Parties (the "Supplemental Agreement"), Charter shall have the option to terminate this Stipulation in accordance with the procedures set forth in the Supplemental Agreement. The Supplemental Agreement will not be filed with the Court unless and until a dispute among the Settling Class Action Parties concerning its interpretation or application arises, but the Settling Class Action Parties will file a statement identifying the existence of the Supplemental Agreement pursuant to Federal Rule of Civil Procedure 23(e)(1)(c)(2), and reference the Supplemental Agreement in the Notice. Copies of all Requests for Exclusion received, together with copies of all written revocations of

Requests for Exclusion, shall be delivered to counsel for Settling Class Action Defendants within two (2) days of receipt thereof.

10.5 Unless otherwise ordered by the Court, in the event the Stipulation shall terminate, or be canceled, or shall not become effective for any reason, within ten (10) business days after written notification of such event is sent by counsel for Settling Class Action Defendants or Plaintiff's Settlement Counsel to the Escrow Agents: (1) the Settlement Fund (including accrued interest), less expenses and any costs which have been disbursed from or are chargeable to the Settlement Fund, and less any Taxes and Tax Expenses paid or incurred pursuant to 3.7, shall be refunded by the Escrow Agents to Charter and to Charter's Insurance Carriers; (2) Charter's obligation to cause securities to be issued pursuant to 2.8, 2.9, 2.10, and 2.11 shall be extinguished; and (3) the undertaking to institute the Non-monetary Consideration pursuant to 2.12 shall be void nunc pro tunc. In such event, any tax refund owing to the Settlement Fund shall also be refunded and paid to Charter and Charter's Insurance Carriers. At the request of Charter, the Escrow Agents or their designee shall apply for any such refund and pay the proceeds, less the cost of obtaining the tax refund, to Charter.

10.6 In the event that the Stipulation is not approved by the Court or the Settlement set forth in the Stipulation is terminated or fails to become effective in accordance with its terms, this Stipulation and all negotiations and proceedings relating hereto shall be without prejudice to any or all Settling Class Action Parties who shall be restored to their respective positions in the Class Action as of August 4, 2004. In such event, the terms and provisions of the Stipulation, with the exception of 1.1-1.33, 3.2, 3.4, 3.5, 3.6, 4.2, 8.4, 8.5, 9.2, 9.3, 10.1-10.9, 11.3, 11.4, and 11.8 herein, shall have no further force and effect with respect to the Settling Class Action Parties and shall not be used in the Class Action or in any other proceeding for any purpose and any Judgment or Order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, nunc pro tunc.

10.7 In the event this Stipulation shall be cancelled as set forth in 10.1 above, the Settling Class Action Parties shall, within two weeks of such cancellation, jointly request a status conference with the Court to be held on the Court's first available date. At such status conference, the Settling Class Action Parties shall ask the Court's assistance in scheduling continued proceedings in the Class Action as between the Settling Class Action Parties. Pending such status conference or the expiration of sixty (60) days from the Settling Class Action Parties' joint request for a status conference, whichever occurs first, none of the Settling Class Action Parties shall file or serve any further motions or discovery requests on any of the other Settling Class Action Parties in connection with this Class Action nor shall any response be due by any Settling Class Action Party to any outstanding discovery or pleading by any other Settling Class Action Party.

10.8 If a case is commenced in respect to Charter or any of Charter's Insurance Carriers under Title 11 of the United States Code (Bankruptcy), or a trustee, receiver or conservator is appointed under any similar law, and in the event of the entry of a final order of a court of competent jurisdiction determining the transfer of the Settlement Cash, or any portion thereof, by or on behalf of Charter or any of Charter's Insurance Carriers to be a preference, voidable transfer, fraudulent conveyance or similar transaction, then at Class

Action Plaintiff's option, this Settlement, and the releases given and Judgment entered in favor of all Settling Defendants pursuant to this Stipulation, shall be null and void.

10.9 Neither a modification nor a reversal on appeal of (a) any Plan of Allocation, (b) any amount of attorneys' fees, costs, expenses and interest to Class Action Plaintiff's Counsel, or (c) any Compensatory Award to Class Action Plaintiff, as described in 5.1, shall constitute a condition to the Effective Date or grounds for cancellation and termination of the Stipulation.

K. MISCELLANEOUS PROVISIONS

11.1. The Settling Class Action Parties (a) acknowledge that it is their intent to consummate this Settlement and Stipulation; and (b) agree to cooperate to the extent necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

11.2. Settling Class Action Defendants agree to reasonable cooperation with the Class Action Plaintiff in connection with any continuing litigation of the Class Action after final approval of the Settlement. Such cooperation shall consist of (i) making witnesses within the control of Charter, subject to all applicable privileges or rights that may be asserted by such witnesses, available to testify pursuant to the Federal Rules of Civil Procedure at reasonable times and upon reasonable notice; and (ii) Charter making relevant documents available, subject to all applicable privileges, upon reasonable request and notice pursuant to the Federal Rules of Civil Procedure.

11.3. The Settling Class Action Defendants have denied, and continue to deny, any and all allegations contained in the Class Action, and they are entering into the Settlement in order to eliminate the burden, expense, and uncertainties of further litigation. The Settlement and the provisions contained in this Stipulation and the Memorandum of Understanding shall not be deemed, or offered or received in evidence as a presumption, a concession, or an admission of any fault, liability, or wrongdoing by any party, and except as required to enforce the Settlement, they shall not be offered or received in evidence or otherwise used by any person in these or any other actions or proceedings, whether civil, criminal, or administrative.

11.4. No press announcement, press release, or other public statement concerning the Settlement may be made by any of the Settling Class Action Parties without approval from the other Settlement Class Action Parties, except as required by law.

11.5. All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

11.6. The Stipulation may be amended or modified, as is necessary to effect the terms of the Settlement, only by a written instrument signed by or on behalf of all Parties or their successors-in-interest.

11.7. The Stipulation, the Exhibits attached hereto and the Supplemental Agreement constitute the entire agreement among the Parties hereto; in particular, it is

understood and agreed that there are no collateral or oral agreements between the parties that are not expressed in this Stipulation, the Exhibits or the Supplemental Agreement. The Class Action Plaintiff and the Settling Class Action Defendants expressly warrant that, in entering into this Stipulation, they relied solely upon their own knowledge and investigation, and not upon any promise, representation, warranty, or other statement by any party or any person representing any party to this Stipulation, not expressly contained in this Stipulation, its Exhibits, or the Supplemental Agreement. Except as otherwise provided herein, each party shall bear its own costs.

11.8. Class Action Plaintiff's Counsel, on behalf of the Settlement Class, is expressly authorized by the Class Action Plaintiff to take all appropriate action required or permitted to be taken by the Settlement Class pursuant to the Stipulation to effectuate its terms and also are expressly authorized to enter into any modifications or amendments to the Stipulation on behalf of the Settlement Class which they deem appropriate.

11.9. Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such person has the full authority to do so. All orders and agreements entered during the course of the Class Action relative to the confidentiality of information shall survive this Stipulation.

11.10. The Stipulation may be executed by facsimile and in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. Counsel for the Parties to the Stipulation shall exchange among themselves original signed counterparts and a complete set of original executed counterparts shall be filed with the Court.

11.11. The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Class Action Parties hereto.

11.12. The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all Parties hereto and their counsel submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

11.13. The Stipulation and the Exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of Missouri, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the laws of the State of Missouri without giving effect to that state's choice of law principles.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, as of January 24, 2005.

DATED: 2/1/05

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GROSSMAN LLP

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DATED: _____

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DATED: 2/1/05

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DATED: 2/1/2005

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DATED: 1/26/05

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DATED: 1/28/05

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DATED:

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Attorneys for Defendant David L. McCall

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf
of All Others Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E. VOGEL,
KENT KALKWARF, DAVID G. BARFORD,
PAUL E. MARTIN, DAVID L. McCALL, BILL
SHREFFLER, CHRIS FENGER, JAMES H.
SMITH, III, SCIENTIFIC-ATLANTA, INC.,
MOTOROLA, INC. and ARTHUR ANDERSEN,
LLP,

Defendants.

[PROPOSED] JUDGMENT AND ORDER OF DISMISSAL
WITH RESPECT TO CHARTER COMMUNICATIONS, INC. AND THE
INDIVIDUAL DEFENDANTS

EXHIBIT A

This matter came on for hearing on _____, 2005, upon the application of the Class Action Plaintiff, defendant Charter Communications, Inc. and the Individual Defendants ("Settling Class Action Defendants") for approval of the Settlement set forth in the Stipulation of Settlement (the "Stipulation") dated as of January 24, 2005. Due adequate notice having been given to the Settlement Class, and the Court having considered the Stipulation, all papers filed and proceedings had herein and all oral and written comments received regarding the proposed Settlement, and having reviewed the entire record in the Class Action, and good cause appearing,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. The Court, for purposes of this Judgment and Order of Dismissal (the "Judgment"), adopts all defined terms as set forth in the Stipulation.
2. The Court has jurisdiction over the subject matter of the Class Action, the Class Action Plaintiff, the other Members of the Settlement Class, and the Class Action Defendants.
3. This Court has certified, for settlement purposes only, a Settlement Class of all persons (except Class Action Defendants, and their corporate affiliates; any officers or directors of Charter; or members of their immediate families, and their heirs, successors and assigns; and any entities controlled directly or indirectly by Paul G. Allen) who purchased or otherwise acquired Charter common stock during the period of November 8, 1999 through and including August 16, 2002.
4. The Court finds that the distribution of the Notice of Pendency and Proposed Settlement of Class Action, Proof of Claim and Release, and publication of the Summary Notice of Proposed Settlement (as provided for in the Order Preliminarily Approving Settlement and Approving the Form and Manner of Notice) constituted the best notice practicable under the circumstances to apprise all Settlement Class Members of the pendency of the Class Action, the terms of the proposed Settlement of the Class Action and their rights with respect to the foregoing, and afforded Settlement Class Members with an opportunity to present their objections, if any, to the Stipulation. The Court finds that the provision of notice to Settlement Class Members fully met the requirements of Rule 23 of the Federal Rules of Civil Procedure, federal law, due process, the United States Constitution, and any other applicable law.
5. The Court finds that all Settlement Class Members have been adequately provided with an opportunity to remove themselves from the Settlement Class by executing and returning a "request for exclusion" in conformance with the terms of the Stipulation

and its exhibits. The Court further finds that those persons (identified in Exhibit 1 hereto) have timely and validly requested exclusion from the Settlement Class.

6. With respect to the Settlement Class, this Court finds and concludes that: (a) the Members of the Settlement Class are so numerous that joinder of all Settlement Class Members in the Class Action is impracticable; (b) there are questions of law and fact common to the Settlement Class which predominate over any individual questions; (c) the claims of the Class Action Plaintiff are typical of the claims of the Settlement Class; (d) the Class Action Plaintiff and Class Action Plaintiff's Counsel have, at all times, fairly and adequately represented and protected the interests of the Settlement Class Members; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy, considering: (i) the interests of the members of the Settlement Class in individually controlling the prosecution of the separate actions; (ii) the extent and nature of any litigation concerning the controversy already commenced by members of the Settlement Class; (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the Class Action.
7. The Court approves the Settlement of the above-captioned action, as set forth in the Stipulation, including the releases contained therein, the relative contributions of the Settling Class Action Defendants, and all other terms, as fair, just, reasonable, and adequate to all Members of the Settlement Class. The Court also approves the Underwriters Agreement as fair, just, reasonable, and adequate as to the signatories thereto. The Settling Class Action Parties are directed to perform in accordance with the terms set forth in the Stipulation.
8. The Settlement Securities and the securities issued pursuant to the Underwriters Agreement are issued pursuant to section 3(a)(10) of the Securities Act and do not constitute "restricted securities."
9. Except as to any individual claim of those Persons (identified in Exhibit 1 hereto) who have validly and timely requested exclusion from the Settlement Class, the Class Action and all claims contained therein, as well as all of the Released Claims are dismissed with prejudice as to the Class Action Plaintiff and the other Members of the Settlement Class, and as against the Released Class Action Parties. The Settling Class Action Parties are to bear their own costs, except as otherwise provided in the Stipulation. By operation of the Judgment and under the terms of

the Stipulation and the releases therein, this Judgment is intended to preclude, and shall preclude, the Class Action Plaintiff and all other Settlement Class Members who have not validly and timely requested exclusion from the Settlement Class from filing or pursuing any Released Claims under any federal, state or other law.

10. Upon the Effective Date, the Class Action Plaintiff shall release, relinquish and discharge, and each of the Settlement Class Members (other than those Settlement Class Members who validly and timely request exclusion from this Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto) shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of the Released Class Action Parties (which does not include defendants Motorola, Inc., or Scientific Atlanta, Inc.) from all Released Claims (including "Unknown Claims"), and from all claims (including "Unknown Claims"), arising out of, relating to, or in connection with the defense, or resolution of the Class Action or the Released Claims, whether or not such Settlement Class Member executes and delivers the Proof of Claim and Release.

For purposes of this Judgment, Unknown Claims means any Released Claims which the Class Action Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Class Action Parties which, if known by his, her or it, might have affect his, her or its settlement with and release of the Released Class Action Parties, or might have affected his, her or its decision not to object to, or opt out of, this Settlement. With respect to any and all Released Claims, the Settling Class Action Parties stipulate and agree that, upon the Effective Date, the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Class Action Plaintiff expressly waives and the Settlement Class Members shall be deemed to have waived, and upon the Effective Date and by operation of the Judgment shall have waived any and all provisions, rights and benefits conferred

by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Class Action Plaintiff and the Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Class Action Plaintiff does settle and release, and each Settlement Class Member shall be deemed to have, upon the Effective Date and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, all Released Claims that are in any way based on or related to conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Class Action Parties acknowledge that the foregoing waiver was bargained for and a key element of the Settlement of which this release is a part.

11. The Court permanently bars and enjoins (a) all Settlement Class Members who have not validly and timely requested exclusion from the Settlement Class (and their heirs, executors and administrators, predecessors, successors, affiliates, and assigns) from filing, commencing, prosecuting, intervening in, participating in (as class members or otherwise), or receiving any benefits from, any other lawsuit, arbitration, or other proceeding or order in any jurisdiction that is based upon, arises out of or relates to any Released Claims, including, but not limited to, any claim that is based upon, arises out of or relates to the Class Action or the transactions and occurrences referred to in the Amended Complaint or Second Amended Complaint, and (b) all persons or entities from organizing any Settlement Class Members for purposes of pursuing as a purported class action (including by seeking to amend a pending complaint to include class allegations, or by seeking class certification in a pending action) any lawsuit that is based upon, arises out of, or relates to any Released Claims, including, but not limited to, any claim that is based upon, arises out of or relates to the Class Action or the transactions and occurrences referred to in the Amended Complaint or Second Amended Complaint.

12. Upon the Effective Date, each of the Settling Class Action Defendants shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished and discharged the Class Action Plaintiff, the Settlement Class Members (other than those Settlement Class Members who validly and timely request exclusion from this Settlement Class in accordance with the provisions of the Notice Order and the Notice given pursuant thereto), Class Action Plaintiff's Counsel, and counsel for all other plaintiffs in the Class Action from any claims (including "Unknown Claims") arising out of, relating to, or in connection with the commencement, prosecution, assertion or resolution of the Class Action or the Released Claims. Claims for violation of the Stipulation (including any exhibits) are preserved.
13. Only those Settlement Class Members filing valid and timely Proofs of Claim and Release shall be entitled to participate in the Settlement and receive a distribution from the Settlement Fund. The Proof of Claim and Release to be executed by the Settlement Class Members shall further release all Released Claims against the Released Class Action Parties. All Settlement Class Members shall, as of the Effective Date, be bound by the releases set forth herein whether or not they submit a valid and timely Proof of Claim and Release.
14. In accordance with 15 U.S.C. Section 78u-4(f)(7)(A), any and all claims for contribution arising out of any Released Claim, including, but not limited to, any claims that are based upon, arise out of or relate to the Class Action, and/or any claims that were alleged or could have been alleged in the Amended Complaint or Second Amended Complaint (a) by any Person against a Settling Class Action Defendant, and (b) by any Settling Class Action Defendant against any Person other than as set out in 15 U.S.C. Section 78u-4(f)(7)(A)(ii) are hereby permanently barred, extinguished, discharged, satisfied, and unenforceable. Accordingly, without limitation to any of the above, any Person, including, without limitation Andersen and each and every Non-Settling Class Action Defendant (and all Persons purporting to act on his, its, or their behalf, and all Persons purporting to claim by or through him, it, or them, whether under a subrogation theory or otherwise), are hereby permanently enjoined from commencing, prosecuting, or asserting against any of the Settling Class Action Defendants any such claim for contribution, and each and every Settling Class Action Defendant is hereby permanently enjoined from commencing, prosecuting, or asserting against any Person, including without limitation, Andersen or any Non-Settling Class Action Defendant, any such claim for contribution. In accordance with 15 U.S.C. Section 78u-4(f)(7)(B), any

final verdict or judgment that may be obtained by or on behalf of the Settlement Class or a Settlement Class Member against a Non-Settling Class Action Defendant shall be reduced by the greater of (a) an amount that corresponds to the percentage of responsibility of the Settling Class Action Defendants for the loss to the Settlement Class or a Settlement Class Member, or (b) the amount paid by or on behalf of the Settling Class Action Defendants to the Settlement Class in connection with the Settlement.

15. The Court finds that the Stipulation represents a good faith settlement of all Released Claims of all Settlement Class Members sufficient to discharge Settling Defendants and the Released Class Action Parties of all Released Claims of all Settlement Class Members. In order to effectuate such settlement, the Court hereby enters the following bar:

(a) Any and all Non-Settling Class Action Defendants and Andersen are permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim against any Released Class Action Party (other than Andersen), however styled, whether legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued, whether arising under state, federal, or common law, whether for indemnification or contribution or otherwise denominated, including, without limitation, any claim for breach of contract or misrepresentation, where the claim is based upon, arises out of, or relates to the Class Action or the Shareholder Derivative Actions (including any matters that were alleged or could have been alleged in the Class Action or Shareholder Derivative Actions) including, without limitation, any claim in which a Non-Settling Class Action Defendant or Andersen seeks to recover from any of the Released Class Action Parties (1) any amounts that a Non-Settling Class Action Defendant or Andersen has paid, become liable to pay, or may become liable to pay (whether in cash or any other form of consideration) in the Class Action, the Shareholder Derivative Actions or any action in which one or more Settlement Class Members who validly and timely excluded themselves from the Settlement Class seek a recovery on account of any matters that were alleged or that could have been alleged in the Class Action (the "Opt-out Actions"), and/or (2) any costs, expenses, or attorneys' fees that a Non-Settling Class Action Defendant or Andersen has incurred or may incur in defending against any claim in the Class Action, the Shareholder Derivative Actions or the Opt-out Actions. All such claims are hereby extinguished, discharged, satisfied and unenforceable (hereinafter "Barred Claims");

(b) Any and all Released Class Action Parties (other than Andersen) are permanently barred, enjoined and restrained from commencing, prosecuting or asserting any claim against any Non-Settling Class Action Defendants or Andersen, however styled, whether legal or equitable, known or unknown, foreseen or unforeseen, matured or unmatured, accrued or unaccrued, whether arising under state, federal, or common law, whether for indemnification or contribution or otherwise denominated, including, without limitation, any claim for breach of contract or misrepresentation, where such claim is based upon, arises out of, or relates to the Class Action or the

Shareholder Derivative Actions (including any matters that were alleged or could have been alleged in the Class Action or the Shareholder Derivative Actions), including, without limitation, any claim in which a Released Class Action Party seeks to recover from any of the Non-Settling Class Action Defendants or Andersen (1) any amounts such Released Class Action Party has paid, become liable to pay, or may become liable to pay (whether in cash or any other form of consideration) in the Class Action, the Shareholder Derivative Actions or the Opt-out actions, and/or (2) any costs, expenses, or attorneys' fees that the Released Class Action Parties have incurred or may incur in defending against any claim in the Class Action, the Shareholder Derivative Actions, or the Opt-out Actions. All such claims are hereby extinguished, discharged, satisfied and unenforceable hereinafter;

(c) Because the Non-Settling Class Action Defendants are barred from asserting any Barred Claims against the Settling Class Action Defendants, any judgments entered against the Non-Settling Class Action Defendants by the Settlement Class or any Settlement Class Members shall be reduced by an amount equal to the value as determined by the Court of such Barred Claims (provided, however, that to the extent such Barred Claims constitute claims for contribution within the meaning of 15 U.S.C. Section. 78u-4(f)(7)(A), the reduction provisions set forth in 15 U.S.C. Section. 78u-4(f)(7)(B) shall apply);

(d) If the Settlement Class or any Settlement Class Member brings a claim against any Person that is based upon, arises out of, or relates to the Class Action or any matters that were alleged or could have been alleged in the Class Action (the "Underlying Action"), and notwithstanding 13 and 14(a) above, that Person obtains a recovery against a Released Class Action Party that is based, in whole or in part, on (1) any amounts that such Person has become liable to pay or may become liable to pay in the Underlying Action, and/or (2) any costs, expenses or attorneys' fees that such Person has incurred or may incur in the Underlying Action (amounts (1) and (2) being collectively the "Reduction Amount"), the Settlement Class and the Settlement Class Members agree that they will reduce or credit any judgment or settlement with such Person (up to the amount of such judgment or settlement) by the Reduction Amount, which amount shall then also be credited to the Released Class Action Party.

(e) Provided, however, that nothing in this Judgment shall release, bar, enjoin, or otherwise restrain any claim between Charter and any former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses.

16. Nothing in this Judgment shall preclude any action to enforce the terms of the Stipulation.
17. Neither the Stipulation nor the Settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Settling Class Action Defendants; (ii) is or may be

deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Settling Class Action Defendants in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal; or (iii) shall be offered in evidence by any person or entity for any purpose except as provided in this paragraph 16. Released Class Action Parties may file the Stipulation and/or the Judgment from this Class Action in any other action that may be brought against them in order to support a defense or counterclaim based on principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction in support of any theory of claim preclusion or issue preclusion or similar defense or counterclaim. The Settling Class Action Parties, their respective counsel or any other Member of the Settlement Class may file the Stipulation in any proceeding brought to enforce any of its terms or provisions.

18. The Court finds that the Amended Complaint and Second Amended Complaint were filed as to the Settling Class Action Defendants on a good faith basis, that the Amended Complaint and Second Amended Complaint were filed in accordance with the Private Securities Litigation Reform Act of 1995 and Rule 11 of the Federal Rules of Civil Procedure based on all publicly available information. The Court finds that the Settling Class Action Parties and their counsel have complied with Rule 11 of the Federal Rules of Civil Procedure as to all proceedings herein.
19. The Plan of Allocation set forth in the Notice is hereby approved as fair, reasonable and equitable.
20. Class Action Plaintiffs' Counsel are hereby awarded ____% of the Settlement Fund in fees for services rendered in connection prosecution of this litigation, and \$_____ as reimbursement for expenses.
21. Pursuant to Par. 27A(2)(b)(4) of the Private Securities Litigation Class Action Reform Act of 1995, Class Action Plaintiff is hereby granted a Compensatory Award of \$_____.
22. The Court reserves exclusive and continuing jurisdiction over the Class Action, the Class Action Plaintiff, the Settlement Class and the Released Class Action Parties for the purposes of supervising the distribution of the Settlement Fund and any other matters.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE CHARLES A. SHAW
UNITED STATES DISTRICT JUDGE

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"CORPORATE GOVERNANCE" TERM SHEET

- I. Formal Prohibition on Deliberate Inflation of Subscriber Numbers and Related Matters
- A. Charter will adopt a "zero tolerance policy" on holding disconnects for the purpose of causing a deliberate inflation of subscriber numbers, consistent with the terms of the SEC's Release No. 50098 (July 27, 2004).
1. This policy will be reflected in a formal, written policy governing the disconnection of late paying subscribers which shall state, inter alia, that Charter shall not keep any "delinquent paying subscribers," as that term shall be defined, on its subscriber rolls for the purpose of increasing reported subscriber numbers.
 2. The policy shall require that Charter shall undertake to disconnect customers who request termination of service in a timely fashion and in a manner consistent with state laws, to the extent applicable.
 3. Charter typically shall disconnect non-paying customer after 60 to 75 days, and shall write off or refer for collection any non-paying customers at 90 to 120 days. The implementation of this practice shall be consistent with the Undertakings reflected in the SEC's Release No. 50098 at paragraph E.
 4. Charter's CEO shall announce this policy through a company-wide publication, broadcast, or email, and shall issue quarterly written reminders to all employees regarding Charter's "zero tolerance policy" for holding or "managing disconnects" in order to deliberately inflate subscriber numbers in accordance with paragraph D of the SEC's Release No. 50098.
- B. Charter's Corporate Director, Credit and Collections shall monitor the implementation of this policy.
1. The Corporate Director, Credit and Collections shall develop reports that monitor bad debt on a monthly basis, at a company wide and division level.
 2. These reports shall be provided to the Company's Chief Operating Officer and to the Legal Department.
- C. Charter shall institute an employee bonus program in which subscriber growth is not a factor in bonus consideration.
- D. Charter shall include a disclosure in its quarterly and annual filings with the SEC as to the number of active subscribers whose accounts are more than 60 days, 90 days, and 120 days overdue.

- E. Charter shall instruct its internal auditors to review compliance with Charter's formal disconnect procedures on a quarterly basis and report the findings to its public auditors in connection with its annual audit.
- F. In connection with its budgeting process, Charter shall institute a bottom-up budget process that eliminates industry analysts' projections as a component of setting Charter's budget goals.

II. Corporate Compliance Program

- A. Charter will provide a copy of its Code of Conduct to all its employees, who shall be instructed to review its contents and to sign a form acknowledging their responsibilities to read and comply with the policies set forth in the Code of Conduct.
- B. All Corporate-level employees who are given new employee training or orientation shall be given ethics training, in which they shall be given a copy of the Code of Conduct.
- C. The Code of Conduct will reflect the Company's "zero tolerance policy" on holding disconnects, consistent with the policy undertakings set forth in Section I above.
- D. The Code of Conduct will require that employees report violations of the Code or other behavior that they believe might be unethical or illegal.
- E. Charter will establish a secure website and toll-free number for employees to report suspected violations of the Code of Conduct.
 - 1. The website and toll-free number will be accessible to any Charter employee seven days per week.
 - 2. The website and toll-free number will be managed by an outside company.
 - 3. Reports will be kept anonymous or open, depending on the reporter's preference.
 - 4. The Chief Compliance Officer shall have overall responsibility for the website and toll-free number.
- F. The Corporate Compliance Committee
 - 1. Charter will institute a Corporate Compliance Committee to oversee the Corporate Compliance Program.
 - 2. The Committee will meet on a quarterly basis.

3. The Committee will evaluate complaints, conduct investigations with the assistance of outside counsel, and when necessary make disciplinary recommendations.
4. The Committee will be chaired by the Chief Compliance Officer, who shall be the Company's General Counsel or another senior officer, as selected by the Chief Executive Officer.
5. Other members of the Committee may include a Deputy Compliance Officer appointed by the Chief Compliance Officer, the head of Charter's Human Resources Department, some selected divisional vice presidents in charge of Human Resources, and the head of Corporate Audit Services.
6. The Chief Compliance Officer will report quarterly on the activities of the Compliance Committee to the Board of Directors' Audit Committee and, as necessary, to the Disclosure Committee.

III. Disclosure Committee

- A. Charter will institute and maintain a Disclosure Committee to better ensure that the Company's SEC filings are materially correct and in material compliance with SEC regulations.
 1. The Company's Chief Financial Officer or some other senior executive to be selected by the CEO will be the Chairman of the Disclosure Committee.
 2. The Chairman will select the other members of the Committee, who shall have access to individuals representing the operations, legal, financial, financial reporting, internal audit, and government relations functions. As needed, the Chairman may seek assistance from outside counsel.
 3. The Chairman of the Disclosure Committee shall appoint monitors who shall interview key executives with respect to their areas of responsibility with a view to its disclosure requirements, including without limitation, identification of known trends and uncertainties in the Company's business that are reasonably likely to have a material effect on its financial condition and results of operations.
- B. The Disclosure Committee will meet at least on a quarterly basis to review the Company's periodic filings with the SEC. The Disclosure Committee should also meet in connection with any registration statements filed under the Securities Act of 1933 by the Company (other than those on Form S-8 or other similar filings).

IV. Audit Committee

A. Committee Membership

1. The Audit Committee shall consist of no fewer than three members of the Board of Directors. Requirements for membership on the Audit Committee shall be as follows: (a) each member shall satisfy applicable SEC, regulatory, and statutory independence, non-affiliation, maximum stock ownership and financial literacy requirements and shall not have a relationship with the Company which would impair his or her independence; and (b) if required by NASDAQ rules, at least one member shall satisfy the financial expert requirements. When appointing the members of the Audit Committee, the Board shall make an affirmative determination as to satisfaction of these requirements.
2. The Board shall appoint the members of the Audit Committee annually and shall designate the Chairman of the Audit Committee. The members of the Audit Committee shall serve until their successors are appointed and qualified. The Board shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in it, subject to such new member(s) satisfying the requirements for Audit Committee membership.

B. Administrative Matters

1. Audit Committee members may not receive, directly or indirectly, any consulting, advisory or other compensatory fees (as proscribed by applicable SEC or NASDAQ rules) from the Company or any subsidiary thereof, other than for Board or Board committee service.
2. The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee shall meet in executive session separately with management and a representative of the Company's internal audit at least annually, and with the registered public accountants at least quarterly. The Audit Committee may request that any officer or employee of the Company or the Company's outside counsel or registered public accountants attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall make regular reports to the Board.
3. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall periodically review the Audit Committee's own performance, but in no event less frequently than required by any applicable NASDAQ rules.

4. The Audit Committee shall have the authority, at the Company's expense, and to the extent it deems necessary or appropriate, to retain and determine funding for special legal, accounting or other consultants to advise the Audit Committee with respect to its duties and obligations and to conduct or authorize investigations into any matters within its scope of responsibilities.
5. The Audit Committee shall prepare the audit committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
6. The Audit Committee shall receive 4 hours of training related to corporate governance issues each year.

C. Committee Authority And Responsibilities

1. The Audit Committee shall have the sole authority to appoint, retain, compensate and oversee the registered public accountants (subject, if applicable, to Board and/or shareholder ratification), and shall approve in advance all fees and terms for both the audit engagement and all non-audit engagements with registered public accountants, provided that any such non-audit services shall not be prohibited by Section 10A of the Securities Exchange Act of 1934, as amended. Pre-approvals of non-audit services may be delegated to a single member of the Audit Committee provided that any pre-approvals made by the Audit Committee's designee shall be presented at the Audit Committee's next regularly scheduled meeting. The Audit Committee shall consult with management but shall not delegate these responsibilities to management.
2. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the oversight of the work of the registered public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and the registered public accounting firm shall report directly to the Audit Committee.
3. In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee:
 - (a) Periodic Reports and the Disclosure Process. On a quarterly basis, review and discuss with management, internal audit and the registered public accountants: the Company's annual

audited financial statements; the registered public accountants' reviews of the quarterly financial statements; disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations;" the matters required to be discussed pursuant to Statement on Auditing Standards No. 61; significant deficiencies and material weaknesses in the design or operation of internal controls and procedures for financial reporting, any changes made or proposed to such controls and procedures, and any fraud by any person involved therewith; and any reports of the registered independent accountants and disclosures concerning internal controls and procedures for financial reporting and disclosure controls and procedures and offer certifications required by SEC rules and the underlying matters related to such disclosures.

- (b) Review of Accounting Matters. Review and discuss with management and the registered public accountants, as applicable: (1) major issues regarding accounting principles, alternative accounting treatments, accounting estimates and financial statement presentations and disclosures; (2) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (3) any material written communications between the registered public accounting firm and management; (4) any problems, difficulties or differences (including adjustments) encountered in the course of the audit work and management's response.
- (c) Financial Risk Exposure. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- (d) Internal Audit Review. With respect to the Company's internal auditing and controls, on an annual basis, the Audit Committee shall review: (1) the composition of the Company's internal audit staff; (2) the risk assessment process, scopes and procedures to determine whether they are adequate to attain the internal audit objectives, as determined by management; (3) the internal audit plan developed by the Company and explanations of deviations therefrom and proposed changes thereto; (4) significant fraud or regulatory non-compliance; and (5) any difficulties encountered by internal audit in the course of their audits.
- (e) Tax Matters. Review tax compliance and issues with internal tax staff and external advisors, as needed.

- (f) Relationship With Registered Independent Accountants. Evaluate the qualifications, performance and independence of the registered public accountants. The Audit Committee shall establish procedures for the engagement of the registered public accountants to provide non-audit services.
- (g) Related Party Transactions. Review and approve all related party transactions, unless otherwise approved by the Board of Directors or a committee thereof in accordance with applicable law and NASDAQ rules.

V. Other Provisions

- A. Charter will be required to implement and maintain these reforms for a period of three years following approval of the settlement.
- B. In the event the Company determines, in the exercise of its fiduciary duties, that maintaining any of the foregoing undertakings is having or could have a negative impact on the Company, it shall be empowered to modify or eliminate such reform, provided, however, that any modification shall be approved by a majority of the independent members of the Board of Directors or a committee thereof, which shall propose, within 30 days following the Board's determination, a good faith alternative to the reform that has been modified or eliminated, should the circumstances dictate that such maintenance is inappropriate.

CONFIDENTIAL

WARRANT AGREEMENT

THIS WARRANT AGREEMENT (this "Agreement") is entered into as of _____, 2005, by and between Charter Communications, Inc., a Delaware corporation (the "Company"), and _____, a _____, as Warrant Agent (together with any successors and assigns, the "Warrant Agent").

RECITALS

A. WHEREAS, the Company is a defendant in a class-action lawsuit pending in the United States District Court for the Eastern District of Missouri (the "Court"), entitled In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Action");

B. WHEREAS, in connection with the Action and as part of the transactions to be consummated pursuant to the Stipulation of Settlement dated the date hereof (the "Stipulation"), the Company has agreed to issue Warrants for the purchase of _____ (_____) shares of Class A common stock, par value \$0.001 per share, of the Company (each, a "Warrant");

C. WHEREAS, the Stipulation contemplates that the Company will enter into certain agreements, including, without limitation, this Agreement;

D. WHEREAS, the Company desires to issue the Warrants, each of which entitles the holder thereof to purchase one share of its Class A Common Stock (each of said shares of Class A Common Stock deliverable upon exercise of the Warrants, a "Warrant Share"); and

E. WHEREAS, the Company wishes the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, division, transfer, exchange and exercise of Warrants.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, to implement the terms of the Stipulation, and for the purpose of defining the terms and provisions of the Warrants and the respective rights and obligations thereunder of the Company and the registered owners of the Warrants and any security into which they may be exchanged (the "Holders"), the parties hereto covenant and agree as follows:

1. DEFINITIONS

In this Agreement, the following terms have the meanings specified or referred to in this Section 1 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

1.1. "Black Scholes Warrant Value", as of any date, shall mean the value of one Warrant to purchase one Warrant Share as of that using the Black Scholes method to determine such value with the following inputs on the Bloomberg page titled CHTR EQUITY OV (Exotic Option Type 4) (or any subsequent page that hereafter replaces such page), and utilizing a term equal to the duration of the then remaining Exercise Period, a strike price equal to the then Exercise Price, and a volatility of 50. In the event that the Company's (or any successor's) common stock ceases to be traded on any national exchange or on Nasdaq National Market (or such calculation is not available via the Bloomberg page for any other reason), the Black Scholes Warrant Value shall be calculated using assumptions determined in good faith by the Company's Board of Directors.

1.2. "Business Day" shall mean a day other than (a) a Saturday or Sunday, (b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or by local proclamation to close or (c) any day on which the New York Stock Exchange is closed.

1.3. "Class A Common Stock" shall mean the shares of the Company's Class A common stock, par value \$0.001 per share.

1.4. "Class B Common Stock" shall mean the shares of the Company's Class B common stock, par value \$0.001 per share.

1.5. "Commercially Reasonable Best Efforts," when used with respect to any obligation to be performed or term or provision to be observed hereunder, shall mean such efforts as a prudent Person seeking the benefits of such performance or action would make, use, apply or exercise to preserve, protect or advance its rights or interests; provided that such efforts do not require the Person whose performance or observance is required hereunder to incur a material financial cost or a substantial risk of material liability unless such cost or liability (i) is specifically contained in this Agreement or the Stipulation; (ii) would customarily be incurred in the course of performance or observance of the relevant obligation, term or provision, (iii) is caused by or results from the wrongful act or negligence of the Person whose performance or observance is required hereunder; or (iv) is not excessive or unreasonable in view of the rights or interests to be preserved, protected or advanced. Such efforts may include, without limitation, the expenditure of such funds and retention by such Person of such accountants, attorneys or other experts or advisors as may be necessary or appropriate to effect the relevant action; the undertaking of any special audit or internal investigation that may be necessary or appropriate to effect the relevant action; and the commencement, termination or settlement of any action, suit or proceeding involving the Person whose performance or observance is required hereunder to the extent necessary or appropriate to effect the relevant action.

1.6. "Common Stock" shall mean the Class A Common Stock and/or the Class B Common Stock of the Company, as the context requires.

1.7. "Exercise Period" shall mean the period commencing on the later of (x) one year after the date the Warrants are issued to the initial Holders and (y) the Effective Date and ending at 5:00 p.m., New York City time, on the 10th anniversary of the date such Warrants are issued to the initial Holders.

1.8. "Exercise Price" shall mean the purchase price for the Warrant Shares shall be \$_____ per share, as adjusted from time to time pursuant to Sections 9.1 and 9.2 hereof.

1.9. "Market" shall mean the Nasdaq National Market, or if the Class A Common Stock is no longer authorized for quotation on such market, such national securities exchange upon which the Class A Common Stock is listed, or if the Class A Common Stock is not authorized for quotation on the Nasdaq National Market or listed on any national securities exchange, the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System, or if not so quoted, as reported by National Quotation Bureau, Incorporated or a similar organization.

1.10. "NASD" shall mean the National Association of Securities Dealers.

1.11. "Person" shall mean a natural person, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, limited liability partnership, government or any agency or political subdivision thereof or any other entity or organization.

1.12. "Qualifying Prospectus" shall mean a prospectus contained in a Registration Statement that satisfies all legal requirements.

1.13. "Registration Statement" shall mean a registration statement relating to the issuance of the Warrant Shares.

1.14. "SEC" shall mean the United States Securities and Exchange Commission, or any successor governmental agency or authority thereto.

1.15. "Securities Act" shall mean the Securities Act of 1933, as amended.

1.16. "Trading Price," as of any date, shall mean the dollar weighted average trading price per share for all round lot transactions in the Class A Common Stock on the Market for the twenty (20) trading days ending two (2) days prior to that date.

1.17. "Warrant Agent" shall mean _____ and any successor hereunder.

2. FORM OF WARRANT; EXECUTION; REGISTRATION

2.1. Form of Warrant; Execution of Warrants. The certificates evidencing the Warrants (the "Warrant Certificates") shall be in a form satisfying the requirements of the Market. The Warrant Certificates shall be signed on behalf of the Company by its Chief Executive Officer, Chief Operating Officer, President or one of its Vice Presidents. The

signature of any such officer on the Warrant Certificates may be manual or by facsimile. Any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate. Each Warrant Certificate shall be dated the date it is countersigned by the Warrant Agent pursuant to Section 2.3 hereof

2.2. Registration. The Warrant Certificates shall be numbered and shall be registered on the books of the Company maintained at the principal office of the Warrant Agent initially in _____ (or such other place in the continental United States as the Warrant Agent shall from time to time notify the Company and the Holders in writing) (the "Warrant Register") as they are issued. The Company and the Warrant Agent shall be entitled to treat the registered owner of any Warrant as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person.

2.3. Countersignature of Warrants. The Warrant Certificates shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. Warrant Certificates may be countersigned, however, by the Warrant Agent and may be delivered by the Warrant Agent notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature, issuance or delivery. The Warrant Agent shall, upon written instructions of the Chief Executive Officer, the Chief Operating Officer, the President, any Vice President, the Treasurer or the Secretary of the Company, countersign, issue and deliver Warrant Certificates entitling the Holders thereof to purchase not more than an aggregate of _____ Warrant Shares (subject to adjustment pursuant to Section 9 hereof) and shall countersign, issue and deliver Warrant Certificates as otherwise provided in this Agreement.

3. TRANSFER AND EXCHANGE OF WARRANTS

Subject to the terms hereof, the Warrant Agent shall initially countersign, register in the Warrant Register and deliver Warrants hereunder in accordance with the written instructions of the Company. Subject to the terms hereof and the receipt of such documentation as the Warrant Agent may reasonably require, the Warrant Agent shall thereafter from time to time register the transfer of any outstanding Warrants upon the Warrant Register upon surrender of the Warrant Certificate or Certificates evidencing such Warrants duly endorsed or accompanied (if so required by it) by a written instrument or instruments of transfer in form reasonably satisfactory to the Warrant Agent, duly executed by the registered Holder or Holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney. Subject to the terms of this Agreement, each Warrant Certificate may be exchanged for another Warrant Certificate or Certificates entitling the Holder thereof to purchase a like aggregate number of Warrant Shares as the Warrant Certificate or Certificates surrendered then entitles such Holder to purchase. Any Holder desiring to exchange a Warrant Certificate or Certificates shall make such request in writing delivered to the Warrant Agent, and shall surrender, duly endorsed or accompanied (if so required by the Warrant Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Warrant Agent, the Warrant Certificate or Certificates to be so exchanged. Upon registration of transfer, the Company shall issue and the Warrant

Agent shall countersign and deliver by certified mail a new Warrant Certificate or Certificates to the persons entitled thereto.

No service charge shall be made for any exchange or registration of transfer of a Warrant Certificate or of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any stamp tax or other tax or other governmental charge that is imposed in connection with any such exchange or registration of transfer pursuant to Section 5 hereof.

By accepting the initial delivery, transfer or exchange of Warrants, each Holder shall be deemed to agree to the terms of this Agreement as it may be in effect from time to time, including any amendments or supplements duly adopted in accordance with Section 15.3 hereof. A copy of this Agreement may be obtained by a Holder without cost upon written request to the Company at its principal office or the Warrant Agent.

4. TERM OF WARRANTS; EXERCISE OF WARRANTS; REGISTRATION OF WARRANT SHARES

4.1. Term of Warrants. Subject to the terms of this Agreement, each Holder shall have the right, which may be exercised on any Business Day during the Exercise Period, to receive from the Company the number of Warrant Shares which the Holder may at the time be entitled to receive upon exercise of such Warrants and payment of the Exercise Price then in effect for such Warrant Shares, and the Warrant Shares issued to a Holder upon exercise of its Warrants shall be duly authorized, validly issued, fully paid, non-assessable and shall not have been issued in violation of or subject to any preemptive rights. Each Warrant not exercised prior to the expiration of the Exercise Period shall become void, and all rights thereunder and all rights in respect thereof under this Agreement shall cease as of the expiration of the Exercise Period, provided, however, that if the Exercise Period ends during a suspension pursuant to Section 4.3 hereof, the Exercise Period shall be extended for an additional period of time equal to the longer of the period of such suspension during the Exercise Period and twenty (20) Business Days after the date on which the Warrant Agent sends notice to the Holders of the expiration of such suspension period. As used herein, the term "Effective Date" means the first date on which the Company's Registration Statement is declared effective by the SEC.

4.2. Exercise of Warrants. During the Exercise Period, except as such may be suspended from time to time as set forth in Section 4.3 hereof, each Holder may, subject to the terms of this Agreement, exercise from time to time some or all of the warrants evidenced by its Warrant Certificate(s) by (i) surrendering to the Company at the principal office of the Warrant Agent such Warrant Certificate(s) with the form of notice attached thereto duly filled in and signed, which signature shall be guaranteed by an eligible guarantor institution (a bank, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934, and (ii) paying to the Warrant Agent for the account of the Company the aggregate Exercise Price for the number of Warrant Shares in respect of which such Warrants are exercised. Warrants shall be deemed exercised on the date such Warrant Certificate(s) are surrendered to the Warrant Agent and tender of payment of the aggregate Exercise Price is made. Payment of the aggregate Exercise Price shall be made by wire

transfer of immediately available funds to the Warrant Agent for the account of the Company or by certified or official bank check or checks to the order of the Company, or by any combination thereof or by such other form or method of payment acceptable to the Warrant Agent. All payments required to be made hereunder shall be made in lawful money of the United States of America.

Upon the exercise of any Warrants in accordance with this Agreement, the Company shall cause the Warrant Agent, on the Company's behalf, to issue and deliver with all reasonable dispatch, to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares issuable upon the exercise of such Warrants and shall take such other actions or cause the Warrant Agent to take such other actions at the Company's sole expense as are necessary to complete the exercise of the Warrants (including, without limitation, payment of any cash with respect to fractional interests required under Section 10 hereof). The certificate or certificates representing such Warrant Shares shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date the Warrants are exercised hereunder. Each Warrant Share, when issued upon exercise of the Warrants, shall be duly authorized, validly issued, fully paid and non-assessable and will not have been issued in violation of or subject to any preemptive rights.

In the event that less than all of the Warrants evidenced by a Warrant Certificate are exercised, the Holder thereof shall be entitled to receive a new Warrant Certificate or Certificates as specified by such Holder evidencing the remaining Warrant or Warrants, and the Warrant Agent is hereby irrevocably authorized by the Company to countersign, issue and deliver the required new Warrant Certificate or Certificates evidencing such remaining Warrant or Warrants pursuant to the provisions of this Section 4.2 and of Section 3 hereof. The Company, whenever requested by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

Upon delivery of the Warrant Shares issuable upon exercise of a Warrant in accordance herewith and of any required new Warrant Certificates, the Company shall direct the Warrant Agent by written order to cancel the Warrant Certificates surrendered upon exercise. Such canceled Warrant Certificates shall then be disposed of by the Warrant Agent in a manner permitted by applicable laws and satisfactory to the Company in accordance with its written instructions to the Warrant Agent. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all amounts received by the Warrant Agent upon exercise of such Warrants.

The Warrant Agent shall keep copies of this Agreement and any notices given or received hereunder available for inspection by the Holders during normal business hours at its office. The Company shall at its sole expense supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may reasonably request.

4.3. Registration of Warrant Shares; Suspension of Exercise Period.

4.3.1. The Company shall use its Commercially Reasonable Best Efforts to file, and to keep effective at all times during the Exercise Period, a Registration Statement under the Securities Act, and will make such number of Qualifying Prospectuses available to Holders as they shall reasonably request; provided, however, that no shares of Class A Common Stock shall be issued, and the right to exercise all Warrants shall be suspended, for all periods during which there is not an effective a Registration Statement and/or there is not a Qualifying Prospectus available to Holders. The Company shall promptly notify the Warrant Agent of any such suspension, and the Warrant Agent shall have no duty, responsibility or liability in respect of any shares of Class A Common Stock issued or delivered prior to its receipt of such notice. The Company shall promptly notify the Warrant Agent of the termination of any such suspension and the Company shall cause the Warrant Agent to notify the Holders of the termination of such suspension within twenty (20) business days following notice to the Warrant Agent by the Company. The Company represents and warrants that (a) the issuance of the Warrants is exempt from registration pursuant to Section 3(a)(10) of the Securities Act and (b) the Warrants are therefore transferable without registration under the Securities Act or state "Blue Sky" laws.

4.3.2. Notwithstanding the foregoing, the Company shall have the right, exercisable by giving written notice of the exercise of such right to the Warrant Agent, at any time and from time to time, to suspend the Exercise Period or delay filing for a period not in excess of 120 days beginning on the date on which such notice is given, or such shorter period of time as may be specified in such notice or in a subsequent notice delivered by the Company to such effect, if (i) the Company is, in its good faith judgment, in possession of material nonpublic information concerning the Company, its subsidiaries, or its or their current or prospective business, financial condition, results of operations or prospects ("Material Information"), (ii) such Material Information would, in the judgment of the Company's board of directors (after consultation with counsel), need to be disclosed so as to permit the Warrant Shares to be sold in compliance with law, and (iii) disclosure of such Material Information would, in the good faith judgment of the Company (after consultation with counsel), be adverse to its interests.

5. PAYMENT OF TAXES

The Company will pay all documentary stamp and other like taxes, if any, attributable to the initial issuance and delivery of the Warrants and the initial issuance and delivery of the Warrant Shares upon the exercise of Warrants; provided that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer of the Warrants or involved in the issuance or delivery of any Warrant Shares in a name other than that of the Holder of the Warrants being exercised, and the Warrant Agent shall not register any such transfer or issue or deliver any Warrant Certificate(s) or Warrant Shares unless or until the persons requesting the registration or issuance shall have paid to the Warrant Agent for the account of the Company the amount of such tax, if any, or shall have established to the reasonable satisfaction of the Company that such tax, if any, has been paid.

6. MUTILATED OR MISSING WARRANT CERTIFICATES

In the event that any Warrant Certificate shall be mutilated, lost, stolen or destroyed, the Company shall issue, and at the direction of the Company by written order the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and an indemnity or bond, if requested by the Company or the Warrant Agent, also reasonably satisfactory to them. An applicant for such a substitute Warrant Certificate shall also comply with such other reasonable procedures as the Company or the Warrant Agent may reasonably require.

7. RESERVATION OF WARRANT SHARES

There have been reserved, and the Company shall at all times keep reserved, out of its authorized Class A Common Stock, free of all preemptive rights, a number of shares of Class A Common Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants. The transfer agent for the Class A Common Stock and every subsequent or other transfer agent for any shares of the Company's capital stock issuable upon the exercise of the Warrants (each, a "Transfer Agent") will be and are hereby irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with each Transfer Agent. The Warrant Agent is hereby irrevocably authorized to requisition from time to time from the Company or a Transfer Agent, as the case may be, the certificate for Warrant Shares required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement. The Company will supply its Transfer Agent with duly executed stock certificates for such purposes and will itself provide or otherwise make available any cash which may be payable as provided in Section 10 hereof. The Company will furnish to its Transfer Agent a copy of all notices of adjustments and certificates related thereto, transmitted to each Holder pursuant to Section 9.3 hereof. The Company will give the Warrant Agent prompt notice of any change in any Transfer Agent or any change of address of any Transfer Agent.

Before taking any action which would cause an adjustment pursuant to Section 9 reducing the Exercise Price, the Company will take any and all corporate action which may be necessary in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares at the Exercise Price as so adjusted.

8. STOCK EXCHANGE LISTINGS

The Company shall use its Commercially Reasonable Efforts (including requests for waivers) to have the Warrants listed for quotation on the Market, and shall use its Commercially Reasonable Efforts to maintain such listing or inclusion. In the event the Warrants do not qualify for such listing or inclusion, the Company will use its Commercially Reasonable Efforts (including requests for waivers) to effect such inclusion or listing whenever the Warrants qualify therefor. Any such listing and inclusion shall be at the

Company's sole expense. In connection with any such listing or inclusion, the Company shall cause a CUSIP number to be provided for the Warrants.

9. ADJUSTMENT OF EXERCISE PRICE: NUMBER OF WARRANT SHARES AND SHARES OF CAPITAL STOCK INTO WHICH WARRANTS ARE EXERCISABLE

The number and kind of securities purchasable upon the exercise of each Warrant, and the Exercise Price, shall be subject to adjustment from time to time upon the happening of certain events, as hereinafter described.

9.1. Mechanical Adjustments. The number of Warrant Shares purchasable upon the exercise of each Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Adjustment for Change in Capital Stock. Subject to paragraph (b) below, in case the Company shall (i) pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution of shares of Common Stock on its outstanding shares of Common Stock, (ii) make a distribution on its outstanding shares of Common Stock in shares of its capital stock other than Common Stock, (iii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iv) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (v) issue, by reclassification of its shares of Common Stock, other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving entity), then the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior thereto shall be adjusted so that the Holder of each Warrant shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which such Holder would have owned or have been entitled to receive upon the happening of any of the events described above had such Warrant been exercised in full immediately prior to the happening of such event or any record date with respect thereto. If a Holder is entitled to receive shares of two or more classes of capital stock of the Company pursuant to the foregoing upon exercise of Warrants, the allocation of the adjusted Exercise Price between such classes of capital stock shall be determined reasonably and in good faith by the Board of Directors of the Company. After such allocation, the exercise privilege and the Exercise Price with respect to each class of capital stock shall thereafter be subject to adjustment on terms substantially identical to those applicable to Common Stock in this Section 9. An adjustment made pursuant to this paragraph (a) shall become effective immediately after the record date for such event or, if none, immediately after the effective date of such event. Such adjustment shall be made successively whenever such an event occurs.

(b) Minimum Adjustment. No adjustment in the number of Warrant Shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Warrant Shares purchasable upon the exercise of each Warrant; provided that any adjustments which by reason of this paragraph (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-thousandth of a Warrant Share and the nearest cent.

(c) Adjustment in Exercise Price. Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant is adjusted as herein provided, the Exercise Price payable upon exercise of each Warrant immediately prior to such adjustment shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which shall be the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to such adjustment and the denominator of which shall be the number of Warrant Shares purchasable immediately thereafter.

(d) Shares of Common Stock. For all purposes of this Agreement, the term "shares of Common Stock" shall mean (i) the Class A Common Stock and Class B Common Stock of the Company at the date of this Agreement or (ii) any other class of stock resulting from successive changes or reclassification of such shares consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to this Section 9.1, the Holders shall become entitled to purchase any securities of the Company other than shares of Class A Common Stock, thereafter the number of such other shares so purchasable upon exercise of each Warrant and the Exercise Price of such shares shall be subject to adjustment from time to time in a manner and on terms substantially identical to the provisions with respect to the Warrant Shares contained in paragraphs (a) through (d) above, and the provisions of this Agreement with respect to the Warrant Shares shall apply on like terms to any such other securities.

9.2. Voluntary Adjustment by the Company. The Company may, at its option and at any time during the term of the Warrants, reduce the then current Exercise Price to any amount deemed appropriate by the Board of Directors of the Company.

9.3. Notice of Adjustment. Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant or the Exercise Price of Warrant Shares is adjusted as herein provided, the Company shall cause the Warrant Agent promptly to mail to each Holder, at the sole expense of the Company by first class mail, postage prepaid, notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of an officer of the Company setting forth the number of Warrant Shares purchasable upon the exercise of each Warrant and the Exercise Price of Warrant Shares after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth in reasonable detail the computations by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same, from time to time, to any Holder requesting an inspection thereof during reasonable business hours. The Warrant Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist which may require any adjustment of the Exercise Price or the number of Warrant Shares or other stock or property purchasable on exercise of Warrants, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making such adjustment.

9.4. Merger or Consolidation. In case of any consolidation of the Company with or merger of the Company into another entity or any sale of all or substantially all assets of the Company (collectively, a "Reorganization"), the Company or such successor entity shall

on or before the date of consummation of the Reorganization (the "Closing Date"), at its option, either:

(i) deliver to the Warrant Agent a notice of redemption (the "Redemption Notice"), which shall be binding on the Company and on all Holders, stating the Company's intent to redeem all Warrants at a price per Warrant equal to the Black Scholes Warrant Value for each such Warrant measured as of the date immediately prior to the Closing Date; or

(ii) execute and deliver to the Warrant Agent an agreement, which shall be binding on the Holders, that each Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such action (after giving effect to any applicable adjustments under Section 9.1 hereof) to purchase upon exercise of each Warrant the kind and amount of shares and other securities and property (including cash) which such Holder would have owned or have been entitled to receive after the happening of such consolidation or merger had such Warrant been exercised immediately prior to such action. The Company shall at its sole expense mail by first class mail, postage prepaid, to each Holder notice of the execution of any such agreement. Such agreement shall provide for adjustments, which shall be substantially identical to the adjustments provided for in this Section 9.

In the event the Company delivers a Redemption Notice, any right to exercise a Warrant shall terminate at 5:00 PM on the Closing Date. On and after the Closing Date, the Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Redemption Price, without interest.

In addition, the Company shall not merge or consolidate with or into any other entity, unless the successor entity (if not the Company) shall expressly assume, by supplemental agreement reasonably satisfactory in form and substance to the Warrant Agent in its sole judgment and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Agreement to be performed and observed by the Company. The provisions of this Section 9.4 shall similarly apply to successive consolidations or mergers.

9.5. Statement on Warrants. Irrespective of any adjustments in the Exercise Price or the number or kind of shares purchasable upon the exercise of the Warrants, Warrants theretofore or thereafter issued may continue to express the same Exercise Price and number and kind of Warrant Shares as are stated in the Warrants initially issuable pursuant to this Agreement.

9.6. No Impairment. The Company shall not, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms and provisions of this Agreement, amend its Certificate of Incorporation or engage in any reclassification, reorganization, consolidation, merger, dissolution, liquidation, issue, sale or exchange of securities or any other voluntary action, but will at all times in good faith assist in the implementation of all such terms and provisions and in the taking of all such actions as may

be necessary or appropriate in order to enable the Holders to realize the benefits of this Agreement and the Warrant Certificate.

10. FRACTIONAL INTERESTS

Neither the Company nor the Warrant Agent shall be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be exercised at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of Warrants so exercised. If any fraction of a Warrant Share would, except for the provisions of this Section 10, be issuable on the exercise of any Warrant, the Company shall pay an amount in cash equal to the Trading Price for one share of Class A Common Stock on the date the Warrant Certificate is presented for exercise, multiplied by such fraction.

11. NO RIGHTS AS STOCKHOLDERS, NOTICES TO HOLDERS

Nothing contained in this Agreement or in any of the Warrants shall be construed as conferring upon the Holders or their transferees the right to vote or to receive dividends or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or any rights whatsoever as stockholders of the Company.

In case

(a) the Company shall authorize the issuance to all holders of shares of Common Stock of rights, options or warrants to subscribe for or purchase shares of Common Stock or of any other subscription rights or warrants; or

(b) the Company shall authorize the distribution to all holders of shares of Common Stock of securities or assets (other than cash dividends); or

(c) of any consolidation or merger to which the Company is a party and for which approval of any stockholders of the Company is required, or of the conveyance or transfer of a substantial portion of the assets of the Company for which approval of any stockholders of the Company is required, or of any reclassification or change of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or a tender offer or exchange offer for shares of Common Stock; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with the Warrant Agent and shall cause to be given to each Holder at its address appearing on the Warrant Register, at least twenty (20) days prior to the applicable record date hereinafter specified, or promptly in the case of events for which there is no record date, by first class mail, postage prepaid, a written notice stating (i) the date as of which the Holders of record of shares of Common Stock entitled to receive any such rights, options, warrants or distribution are to be determined, (ii) the initial expiration date set forth in any tender offer or exchange offer for shares of Common Stock,

or (iii) the date on which any such reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up is expected to become effective or consummated, as well as the date as of which it is expected that Holders of record of shares of Common Stock shall be entitled to exchange such shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation, or winding up. The failure to give the notice required by this Section 11 or any defect therein shall not affect the legality or validity of any distribution, right, option, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation, winding up or action, or the vote upon any of the foregoing.

12. MERGER OR CONSOLIDATION OR CHANGE OF NAME OF WARRANT AGENT

Any corporation into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, or any corporation succeeding to the corporation trust business of the Warrant Agent, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Warrant Agent under the provisions of Section 14 hereof. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrant Certificates shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrant Certificates either in the name of the predecessor Warrant Agent or in the name of the successor Warrant Agent; and in all such cases such Warrant Certificates shall be fully valid and effective as provided therein and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrant Certificates so countersigned; and in case at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name; and in all such cases such Warrant Certificates shall be fully valid and effective as provided therein and in this Agreement.

13. APPOINTMENT OF WARRANT AGENT

The Company hereby appoints the Warrant Agent to act as agent for the Company hereunder and in accordance with the terms and conditions hereof, and the Warrant Agent hereby accepts such appointment.

The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the Holders, by their acceptance of the Warrant Certificates, shall be bound:

13.1. Correctness of Statements. The statements contained herein and in the Warrant Certificates shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as described the Warrant Agent or action taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrant Certificates or Warrants except as herein otherwise provided.

13.2. Breach of Covenants. The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrants to be complied with by the Company.

13.3. Performance of Duties. The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents and shall not be responsible for the misconduct or negligence of any attorney or agent (which shall not include an employee of the Warrant Agent) appointed with due care.

13.4. Reliance on Counsel. The Warrant Agent may consult at any time with legal counsel satisfactory to it (who may be counsel for the Company), and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

13.5. Proof of Action Taken. Whenever in the performance of its duties under this Agreement the Warrant Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed conclusively to be proved and established by a certificate signed by the Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Company and delivered to the Warrant Agent; and such certificate shall be full authorization to the Warrant Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

13.6. Compensation. The Company agrees to pay the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the performance of its duties under this Agreement, to reimburse the Warrant Agent for all reasonable expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent in the performance of its duties under this Agreement (including but not limited to legal fees and expenses), and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and counsel fees, for anything done or omitted by the Warrant Agent or any of its agents in the performance of its duties under this Agreement, except as a result of the Warrant Agent's gross negligence or willful misconduct as determined in a final judgment of a court of competent jurisdiction and authority. The Company's obligations under this Section 13.6 and any claim arising hereunder shall survive the resignation or removal of the Warrant Agent and the termination or discharge of the Company's obligations under this Agreement.

13.7. Legal Proceeding. The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or any one or more Holders shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred or any liabilities which may arise, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action of any Holder under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrant Certificates or the production thereof at any trial or other proceeding relative thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the Holders, as their respective rights or interests may appear.

13.8. Other Transactions in Securities of the Company. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or any other securities of the Company or acquire a pecuniary interest in any transaction in which the Company may be interested or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other Person.

13.9. Liability of Warrant Agent. The Warrant Agent shall act hereunder solely as agent, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own gross negligence or bad faith.

13.10. Reliance on Documents. The Warrant Agent will not incur any liability or responsibility to the Company or to any Holder for any action taken in reliance on any notice, resolution, waiver, consent, order, certificate or other paper, document or instrument reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

13.11. Validity of Agreement. The Warrant Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Warrant Agent) or in respect of the validity or execution of any Warrant Certificate (except its countersignature thereto) or any Warrant; nor shall the Warrant Agent by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Warrant Shares (or other securities) to be issued pursuant to this Agreement or any Warrant, or as to whether any Warrant Shares (or other securities) will, when issued, be validly issued, fully paid and non-assessable, or as to the Exercise Price or the number or amount of Warrant Shares or other securities or any assets or other property issuable upon exercise of any Warrant.

13.12. Instructions from Company. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Company, and to apply to such officers for advice or instructions in connection with its duties, and shall not be liable for any action taken or suffered to be taken by it in good faith

in accordance with instructions of any such officer or officers, provided such instructions are not in contravention of this Agreement.

14. CHANGE OF WARRANT AGENT

The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company thirty (30) days' notice in writing. The Company may remove the Warrant Agent if: (1) the Warrant Agent fails to comply with the terms of this Agreement; (2) the Warrant Agent is adjudged bankrupt or insolvent or an order for relief is entered with respect to the Warrant Agent under any bankruptcy law; (3) a custodian or public officer takes charge of the Warrant Agent or its property; or (4) the Warrant Agent becomes incapable of acting. The Warrant Agent may be removed by like notice to the Warrant Agent and the Holders from the Company, such notice to specify the date when removal shall become effective. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after such removal or notification in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or by any Holder (who shall with such notice submit his Warrant Certificate or Certificates for inspection by the Company), then any Holder may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or such a court, shall be a bank or trust Company, in good standing, incorporated under the laws of the United States of America or any state thereof and having at the time of its appointment as Warrant Agent a combined capital and surplus of at least \$100,000,000. After appointment and acceptance of such appointment in writing, the successor Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent shall deliver and transfer to the successor Warrant Agent any property at the time held by it hereunder, and shall execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to file any notice provided for in this Section 14, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be. In the event of such resignation or removal, the successor Warrant Agent shall mail, by first class mail, postage prepaid, to each Holder, written notice of such removal or resignation and the name and address of such successor Warrant Agent.

15. MISCELLANEOUS

15.1. Notices. Any notice pursuant to this Agreement by the Company or by any Holder to the Warrant Agent, or by the Warrant Agent or by any Holder to the Company, shall be in writing and shall be delivered in person or by facsimile transmission, or mailed first class, postage prepaid, (a) to the Company, at its offices at 12405 Powerscourt Drive, St. Louis, MO 63131, Attention: Curtis S. Shaw, General Counsel, No.: (314) ____-____. Each party hereto may from time to time change the address to which notices to it are to be delivered or mailed hereunder by notice to the other party.

Any notice mailed pursuant to this Agreement by the Company or the Warrant Agent to the Holders shall be in writing and shall be mailed first class, postage prepaid, or

otherwise delivered, to such Holders at their respective addresses in the Warrant Register. The initial address of each Holder shall be as provided by the Company to the Warrant Agent. Any Holder may change its address by notice to the Company and the Warrant Agent given in accordance with this Section 15.1.

15.2. Cancellation of Warrants. In the event the Company shall purchase or otherwise acquire Warrants, the same shall thereupon be delivered to the Warrant Agent and be cancelled by it and retired. The Warrant Agent shall cancel any Warrant Certificate surrendered for exchange, substitution, transfer or exercise in whole or in part.

15.3. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement, the Warrants and the Warrant Certificates without approval of any Holder, in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to comply with the requirements of any national securities exchange or the Market (including but not limited to the deletion of Section 9.2), or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the Warrants and this Agreement. Any other supplement or amendment to this Agreement may be made with the approval of the holders of a majority of the then outstanding Warrants; provided, however, that any such amendment or supplement that (i) increases the Exercise Price; (ii) decreases the number of shares of Class A Common Stock issuable upon exercise of a Warrant; or (iii) shortens the period during which the Warrants may be exercised shall require the consent of each Holder of a Warrant affected thereby.

15.4. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of the Company or the Warrant Agent and their respective successors hereunder.

15.5. Applicable Law. This Agreement, the Warrants, the rights and obligations of the parties hereto and any claims or disputes relating thereto shall be governed by and construed in accordance with the laws of Delaware (excluding the choice of law rules thereof).

15.6. Benefits of this Agreement. Nothing in this Agreement shall be construed to give any person or corporation other than the Company, the Warrant Agent and the Holders any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent, their respective assigns and the Holders.

15.7. Execution in Counterparts. This Agreement may be executed in multiple counterparts, which, when taken together, shall constitute one and the same instrument.

15.8. Captions. The captions of the sections and subsections of this Agreement have been inserted for convenience only and shall have no substantive effect.

[SIGNATURES APPEAR ON NEXT PAGE]

SIGNATURES

IN WITNESS WHEREOF, each of the undersigned have duly caused this Agreement to be executed on its behalf as of the day and year first above written.

Charter Communications, Inc.

Name: _____
Title: _____

[WARRANT AGENT]

Name: _____
Title: _____

THIS WARRANT IS GOVERNED BY AND SUBJECT TO THE TERMS AND CONDITIONS CONTAINED IN THE WARRANT AGREEMENT (AS DEFINED HEREIN). A COPY OF THE WARRANT AGREEMENT MAY BE OBTAINED UPON REQUEST FROM CHARTER COMMUNICATIONS, INC. OR THE WARRANT AGENT (AS DEFINED HEREIN).

Warrant to Purchase Class A Common Stock of Charter Communications, Inc. Void after _____, 2014 [10 YEARS FROM DATE OF ISSUE]

This Warrant (the "Warrant") is issued to _____, or his, her or its registered assigns (the "holder") by Charter Communications, Inc., a Delaware corporation (the "Company"), on _____, 2004 (the "Warrant Issue Date"). This Warrant is issued pursuant to that certain Warrant Agreement dated as of _____, 2004 (the "Warrant Agreement"), between the Company and _____, as Warrant Agent (together with any successors and assigns, the "Warrant Agent") and in furtherance of that certain Stipulation of Settlement in settlement of a class-action lawsuit (the "Action") pending in the United States District Court for the _____, entitled _____ (the "Stipulation").

All capitalized terms not defined herein shall have the meanings ascribed to them in the Warrant Agreement.

1. Purchase Shares. Subject to the terms and conditions hereinafter set forth, the holder is entitled, upon surrender of this Warrant to the Warrant Agent (or at such other place as the Company shall notify the holder hereof in writing), to purchase from the Company up to _____ (_____) fully paid and non-assessable shares of the Company's Class A common stock, par value \$0.001 per share, as constituted on the Warrant Issue Date (the "Common Stock"). The number of shares of Common Stock issuable pursuant to this Section 1 (the "Warrant Shares") shall be subject to adjustment pursuant to Section 9 of the Warrant Agreement.

2. Exercise Price. The purchase price for the Warrant Shares shall be \$_____ per share, as adjusted from time to time pursuant to Sections 9.1(c) and 9.2 of the Warrant Agreement (the "Exercise Price"). All payments required to be made hereunder shall be made in lawful money of the United States of America.

3. Exercise Period. This Warrant shall be exercisable, in whole or in part, on any Business Day, from and after the later of _____, 2005 and the Effective Date and until 5:00 p.m., New York City time, on _____ [tenth anniversary of issue date] (the "Exercise Period").

4. Method of Exercise. While this Warrant remains outstanding and exercisable in accordance with Section 3 above, the holder may exercise, in whole or in part, the purchase rights evidenced hereby. Such exercise shall be effected by: (a) the surrender of the Warrant, together with a duly executed copy of the form of Notice of Election attached hereto, to the Warrant Agent at its principal offices; and (b) the payment to the Warrant Agent for the account of the Company in the manner provided for and in an amount equal to

the aggregate Exercise Price as set forth in Section 2 herein for the number of Warrant Shares being purchased.

5. Certificates for Warrant Shares. Upon the exercise of the purchase rights evidenced by this Warrant, one or more certificates for the number of Warrant Shares so purchased shall be issued as soon as practicable thereafter (with appropriate restrictive legends, if applicable), and in any event within thirty (30) days of the delivery of the Notice of Election. In case the holder shall exercise this Warrant with respect to less than all of the Warrant Shares that may be purchased under this Warrant, the Company shall execute a new warrant in the form of this Warrant for the balance of such Warrant Shares and deliver such new warrant to the holder of this Warrant.

6. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.

7. No Shareholder Rights. Prior to exercise of this Warrant, the holder shall not be entitled to any rights of a shareholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of shareholder meetings, and such holder shall not be entitled to any notice or other communication concerning the business or affairs of the Company. However, nothing in this Section 7 shall limit the right of the holder to be provided the notices required under the Warrant Agreement.

8. Transfers of Warrant. Subject to compliance with applicable federal and state securities laws, this Warrant and all rights (but only with all related obligations) hereunder are transferable in whole or in part by the holder. The transfer shall be recorded on the books of the Company upon (i) the surrender of this Warrant, properly endorsed, or as otherwise provided for in Section 3 of the Warrant Agreement to the Warrant Agent at its principal offices, and (ii) the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. In the event of a partial transfer, the Company shall issue to the holders one or more appropriate new warrants.

9. Successors and Assigns. The terms and provisions of this Warrant and the Warrant Agreement shall inure to the benefit of, and be binding upon, the Company and the holders hereof and their respective successors and assigns.

10. Amendments and Waivers. Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the holder. Any waiver or amendment effected in accordance with this Section shall be binding upon each holder of any Warrant Shares purchased under this Warrant at the time outstanding (including securities into which such Warrant Shares have been converted), each future holder of all such Warrant Shares, and the Company.

11. Notices. All notices required under this Warrant shall be deemed to have been given or made for all purposes (i) upon personal delivery, (ii) upon confirmation receipt

that the communication was successfully sent to the applicable number if sent by facsimile; (iii) one (1) business day after being sent, when sent by professional overnight courier service, or (iv) five (5) days after posting when sent by registered or certified mail. Notices to the Company shall be sent to the principal office of the Company (or at such other place as the Company shall notify the holder hereof in writing). Notices to the holder shall be sent to the address of the holder on the books of the Company (or at such other place as the holder shall notify the Company hereof in writing). Notices to the Warrant Agent shall be sent to: _____ or such other address as the Warrant Agent shall indicate in a notice to the Company and the holder.

12. Captions. The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

13. Governing Law. This Warrant shall be governed by the laws of Delaware (excluding the choice of law rules thereof).

14. Warrant Agreement. This Warrant is governed by and subject to the terms and conditions contained in the Warrant Agreement. In the event of a conflict between the provisions of the Warrant Agreement and this Warrant, the provisions of the Warrant Agreement shall govern. A copy of the Warrant Agreement may be obtained at no cost upon request from the Company at its principal office or from the Warrant Agent.

IN WITNESS WHEREOF, the Company and the Warrant Agent have caused this Warrant to be executed by officers thereunto duly authorized.

Charter Communications, Inc.

Name: _____
Title: _____

[WARRANT AGENT]

Name: _____
Title: _____

CHARTER COMMUNICATIONS, INC.

WARRANT NOTICE OF EXERCISE

To: [WARRANT AGENT][ADDRESS]

(a) The undersigned hereby elects to purchase _____ shares of Class A Common Stock of Charter Communications, Inc. (the "Company"), pursuant to the terms of the attached Warrant and the Warrant Agreement referenced therein. To the extent the undersigned is not exercising this Warrant in full, please reissue and return to the undersigned a new warrant to purchase the remaining number of shares of Class A Common Stock.

(b) Payment of the Exercise Price per share required under such Warrant accompanies this notice in the form of cash in the amount of _____ by means of [check as applicable]:

_____ wire transfer of immediately available funds to the Warrant Agent for the account of the Company, or

_____ certified or official bank check or checks to the order of the Company.

By: _____
[NAME]

Taxpayer I.D. No. or Soc. Sec. No: _____

Address: _____

Date: _____

Name in which shares should be registered: _____

Taxpayer I.D. No. or Soc. Sec. No. _____

Address: _____

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934.

Signature Guaranteed by: _____

CHARTER COMMUNICATIONS, INC.

WARRANT TRANSFER

To: [WARRANT AGENT][ADDRESS]

For value received, the undersigned hereby sells, assigns and transfers unto _____ the right to purchase _____ (_____) shares of Series A Common Stock, par value \$0.001 per share, of Charter Communications, Inc. (the "Corporation") pursuant to the attached Warrant and does hereby irrevocably constitute and appoint _____ attorney to transfer the Warrant, or such portion as is transferred hereby, on the books of the Corporation with full power of substitution in the premises. The undersigned requests said attorney to issue to the transferee a Warrant certificate evidencing such transfer and to issue to the undersigned a new Warrant evidencing the right to purchase Series A Common Stock for the balance not so transferred, if any.

Signature: _____

By: _____

[NAME]

Taxpayer I.D. No. or Soc. Sec. No: _____

Address: _____

Date: _____

Name in which new Warrant(s) should be registered:

Right to Purchase No. of Shares of Series A Common Stock: _____

Name: _____

Taxpayer I.D. No. or Soc. Sec. No: _____

Address: _____

The balance of the attached Warrant not so transferred shall be returned to the transferor in the form of a new Warrant reflecting such reduced amount.

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934.

Signature Guaranteed by: _____

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf of All Others
Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E. VOGEL,
KENT KALKWARF, DAVID G. BARFORD, PAUL E.
MARTIN, DAVID L. McCALL, BILL SHREFFLER,
CHRIS FENGER, JAMES H. SMITH, III,
SCIENTIFIC-ATLANTA, INC., MOTOROLA, INC.
and ARTHUR ANDERSEN, LLP,

Defendants.

[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT AND
APPROVING THE FORM AND MANNER OF NOTICE

EXHIBIT E

The Court has received the Stipulations of Settlement, dated as of January 24, 2005 that have been entered into by the Class Action Plaintiff, on the one hand, and Charter Communications, Inc., Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, on the other hand, and by the Class Action Plaintiff and Arthur Andersen LLP (collectively, the "Stipulations"). The Court has reviewed the Stipulations and its attached exhibits, and, good cause appearing,

IT IS HEREBY ORDERED as follows:

1. The Court, for purposes of this preliminary order (the "Notice Order"), adopts all defined terms as set forth in the Stipulations (unless such terms are otherwise defined herein).
2. The Court hereby certifies, for purposes of effectuating this Settlement, a Settlement Class of all Persons (except Class Action Defendants and their corporate affiliates; any officers or directors or Charter; or members of their immediate families, and their heirs, successors and assigns; and any entities controlled directly or indirectly by Paul G. Allen) who purchased or otherwise acquired the common stock of Charter during the period of November 8, 1999 through and including August 16, 2002.
3. The Court hereby appoints the Class Action Plaintiff, StoneRidge Investment Partners LLC, as the representative of the Settlement Class.
4. With respect to the Settlement Class, this Court finds and concludes that: (a) the members of the Settlement Class are so numerous that joinder of all Settlement Class members in the litigation is impracticable; (b) there are questions of law and fact common to the Settlement Class which predominate over any individual questions; (c) the claims of the Class Action Plaintiff are typical of the claims of the Settlement Class; (d) the Class Action Plaintiff and Class Action Plaintiff's Counsel have fairly and adequately represented and protected the interests of all of the Settlement Class Members; and (e) a class action is superior to the controversy, considering: (i) the interests of the Members of the Settlement Class in individually controlling the prosecution of the separate actions; (ii) the extent and nature of any litigation concerning the controversy already commenced by members of the Settlement Class; (iii) the desirability or undesirability of continuing the litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the Class Action.

5. The Court preliminarily approves: (1) the settlement of the Class Action as set forth in the Stipulations and (2) the proposed Plan of Allocation described in the Notice of Pendency and Proposed Settlement of Class Action (the "Notice"), subject to the right of any Settlement Class Member to challenge the fairness, reasonableness, and adequacy of the Stipulations, the proposed Plan of Allocation and to show cause, if any exists, why a final judgment dismissing the Class Action based on the Stipulations should not be ordered herein after due and adequate notice to the Settlement Class has been given in conformity with this Order.
6. The Court approves as to form and content, and for distribution to Settlement Class Members or for publication (as ordered below):(a) the Notice, substantially in the form of Exhibit A hereto, (b) the Summary Notice of Proposed Settlement of Class Action ("Summary Notice"), substantially in the form of Exhibit B hereto, and (c) the Proof of Claim and Release ("Proof of Claim"), substantially in the form of Exhibit C hereto.
7. Pending resolution of these settlement proceedings, Class Action Plaintiff and all other potential Settlement Class Members, whether or not such persons have appeared in the Class Action, are hereby enjoined from instituting or prosecuting any claims, whether directly, representatively, or in any other capacity, against the Settling Class Action Defendants or the Released Class Action Parties which have been or could have been asserted in the Class Action, or that arise out of all or any part of the subject matter of this litigation.
8. Class Action Plaintiff's Counsel is authorized to act on behalf of the Settlement Class with respect to all acts required by, or which may be done pursuant to, the Stipulations or such other acts which are reasonably necessary to consummate the proposed Settlement set forth in the Stipulations.
9. Class Action Plaintiff's Counsel is hereby authorized to retain the firm of Berdon Claims Administration, LLC as Claims Administrator to supervise and administer the notice and claims procedures. The Claims Administrator, subject to such supervision of the Court as may be necessary or as circumstances may require, shall provide notice to the Settlement Class and administer the processing of Proof of Claim and Release forms. The Claims Administrator is authorized, inter alia, to mail and distribute the Notice to Settlement Class Members; arrange for publication of the Summary Notice; reimburse nominal holders for reasonable expenses in locating Settlement Class Members and distributing the Notice; receive, evaluate and calculate Proofs of Claim and

supporting documents; communicate with Settlement Class Members regarding their claims; and perform such additional functions as are provided for in the Stipulations. The Claims Administrator shall be compensated as provided for in the Stipulations.

10. Charter shall use its best efforts to arrange for production of its common stock transfer records for the period November 8, 1999 through September 30, 2002 to the Claims Administrator.
11. No later than _____, 2005 (the "Notice Date"), the Claims Administrator will send the Notice and the Proof of Claim by first class mail to all Settlement Class Members who appear on the foregoing transfer records of Charter. At the same time, the Claims Administrator will post key documents relating to this litigation on its website, including the Consolidated Amended Complaint; the Second Consolidated Amended Complaint; the Indictment; the July 27, 2004 Order by the Securities Exchange Commission, and the Stipulations of Settlement.
12. Pursuant to the Notice, each nominee shall either: (1) send the Notice and Proof of Claim to Settlement Class Members for which they act as nominee by first class mail within ten (10) days after the nominee receives the Notice; or (2) send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) days after the nominee receives the Notice and, in the event of the latter, the Claims Administrator shall send by first class mail the Notice and Proof of Claim to all Settlement Class Members who are on the list received from the nominee. The Claims Administrator shall, if requested, reimburse banks, brokerage houses or other nominees out of the Settlement Fund solely for their reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are Settlement Class Members, which expenses would not have been incurred except for the sending of such notice, subject to further order of this Court with respect to any dispute concerning such compensation. Class Action Plaintiff's Counsel shall file with the Court and serve upon Settling Class Action Defendants' counsel no later than seven (7) days prior to the Settlement Hearing an affidavit or declaration describing the efforts taken to comply with this order and stating that the mailings have been completed in accordance with the terms of this order.
13. Within ten (10) business days of the Notice Date, Class Action Plaintiff's Counsel shall publish a Summary Notice substantially in the form of Exhibit B hereto once in The Wall Street Journal, and shall distribute said Summary Notice twice through an Internet

wire service. Class Action Plaintiff's Counsel shall file with the Court and serve upon Settling Class Action Defendants' counsel no later than seven (7) days prior to the Settlement Hearing an affidavit or declaration stating that the Summary Notice has been published in accordance with the terms of this order.

14. The Court finds that dissemination of the Notice and Proof of Claim in the manner required by 11 - 12 herein, and publication of the Summary Notice in the manner required by 13 herein (a) constitute the best notice practicable under the circumstances to Settlement Class Members, (b) meet the requirements of Rule 23 of the Federal Rules of Civil Procedure, the due process clause of the United States Constitution, and all other applicable laws, and (c) constitute due and sufficient notice to all Persons entitled thereto.
15. Any Settlement Class Member may, upon request, be excluded from the Settlement. Any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion"), postmarked no later than _____, 2005. A Request for Exclusion must state: (1) the name, address, and telephone number of the Person requesting exclusion; (2) the Person's purchases and sales of Charter common stock made during the Settlement Class Period, including the dates, the number of shares of common stock, and price paid or received per share for each such purchase or sale, and provide documentation thereof; and (3) that the Person wishes to be excluded from the Settlement Class. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph shall have no rights under the Stipulations, shall not share in the distribution of the Settlement Fund, and shall not be bound by the Stipulations or the Judgment.
16. Any Settlement Class Member who has not requested to be excluded from the Settlement Class may object to the Settlement of the Class Action, the proposed Plan of Allocation, the application by Class Action Plaintiff's Counsel for attorneys' fees, costs, and expenses, or the application for a Compensatory Award to Class Action Plaintiff (for time and expenses relating to representation of the Class, pursuant to Section. 27(2)(B)(4) of the Private Securities Litigation Reform Act of 1995), and shall have a right to appear and be heard at the Settlement Hearing. Any Settlement Class Member may enter an appearance through counsel of such member's own choosing and at such member's own expense or may appear on their own. However, no Settlement Class Member shall be heard at the Settlement Hearing unless, on or before _____, 2005, such Person has filed with the Court a written notice of objection, and the grounds for objecting

to any of the foregoing matters along with documentation evidencing membership in the Settlement Class, including the number of shares of Charter common stock purchased and sold during the Settlement Class Period, and delivered a copy to the following counsel: Pomerantz Haudek Block Grossman & Gross LLP, Stanley Grossman, Esq., Marc Gross, Esq., 100 Park Avenue, New York, NY 10017-5516; Irell & Manella LLP, David Siegel, Esq., David Schwarz, Esq., Craig Varnen, Esq., 1800 Avenue of the Stars, Suite 900, Los Angeles, CA 90067; Thompson Coburn LLP, Roman P. Wuller, Esq., Stephen B. Higgins, Esq., One US Bank Plaza, St. Louis, MO 63101; and Mayer, Brown, Rowe & Maw LLP, Jonathan C. Medow, Esq., John J. Tharp, Jr., Esq. 190 South LaSalle Street, Chicago, IL 60603-3441. Only Settlement Class Members who have filed and delivered valid and timely written notices of objection will be entitled to be heard at the Settlement Hearing unless the Court orders otherwise.

17. The Court authorizes payment out of the Settlement Fund of the expenses described in 3.5 of the Stipulation of Settlement with Charter.
18. A Settlement Hearing will be held on _____, 2005, at _____ .m. before this Court to determine whether the proposed settlement of the Class Action as set forth in the Stipulations, should be approved as fair, just, reasonable and adequate as to the Members of the Settlement Class; whether the Judgment approving the Settlement should be entered; whether Class Action Plaintiff's Counsel's proposed Plan of Allocation of the Settlement Fund should be approved; whether the application of Class Action Plaintiff's Counsel for an award of attorneys' fees, costs, and expenses should be approved; and whether the request for grant of a Compensatory Award to Class Action Plaintiff should be approved.
19. The Court may adjourn or continue the Settlement Hearing without further notice to Settlement Class Members.
20. The passage of title and ownership of the Settlement Fund to the Escrow Agents in accordance with the terms of the Stipulations is approved. No Person that is not a Settlement Class Member or Class Action Plaintiff's Counsel shall have any right to any portion of, or any distribution from, the Settlement Fund unless otherwise ordered by the Court or otherwise provided in the Stipulations.
21. All funds held by the Escrow Agents shall be deemed and considered to be in custodia legis of the Court in accordance with

the Stipulations, and shall remain subject to the jurisdiction of the Court, until such time as such funds shall be distributed pursuant to the Stipulations, the Plan of Allocation and/or further order(s) of the Court, consistent with the terms of the Stipulations.

22. No later than _____, 2005 any Settlement Class Member who wishes to participate in the Settlement Fund must submit a valid Proof of Claim form to the Claims Administrator. Proof of Claim forms shall be deemed to have been submitted when postmarked, if mailed by first class, or by registered or certified mail, postage prepaid, addressed in accordance with the instructions given in the Proof of Claim and Release. All other Proof of Claim and Release forms shall be deemed to have been submitted at the time they are actually received by the Claims Administrator. To be valid, a Proof of Claim must: (1) be completed in a manner that permits the Claims Administrator to determine the eligibility of the claim as set forth in the Proof of Claim; (2) include the release by the Claimant of all Released Class Action Parties as set forth in the Stipulations; and (3) be signed with an affirmation that the information is true and correct. All Settlement Class Members who do not submit valid and timely Proof of Claim forms shall be forever barred from receiving any payments from the Settlement Fund, but will in all other respects be subject to and bound by the provisions of the Stipulations and the Judgment, if entered.
23. If prior to the Settlement Hearing, Persons who otherwise would be Members of the Settlement Class have filed with the Court valid and timely Requests for Exclusion from the Settlement Class in accordance with the provisions of this Notice Order and the Notice given pursuant thereto, and such Persons have in the aggregate Potential Claims that equal or exceed the sum specified in separate Supplemental Agreements between the Parties (collectively, the "Supplemental Agreements," which have not been filed with the Court), Charter and Andersen shall have the option to terminate their respective Stipulation in accordance with the procedures set forth in the Supplemental Agreements. Provided, however, that the termination of one Stipulation shall not cause the termination of the other Stipulation. The existence of the Supplemental Agreements and Charter's and Andersen's rights to terminate the Settlement pursuant thereto shall be referenced in the Notice without disclosure of its terms. Pursuant to the Private Securities Litigation Reform Act of 1995, Section. 27(a)(2)(B)(5), this Court finds that good cause has been shown for not filing the Supplemental Agreements, which shall be filed under seal only if a dispute among the Settling Class Action Parties arises concerning its interpretation or application.

24. Neither Settling Class Action Defendants nor their counsel shall have any responsibility for, or any liability with respect to the Plan of Allocation or the allocation, management, disposition, computation, or distribution from the Settlement Fund, and the Plan of Allocation will be considered separately from the fairness, reasonableness and adequacy of the Settlement.
25. No later than _____, 2005, all briefs supporting the Settlement, the Plan of Allocation, the request for attorneys' fees and costs, and/or the request for a Compensatory Award to Class Action Plaintiff, shall be served and filed. No later than _____, 2005, all papers in response to objections to any of the foregoing shall be served and filed.
26. In the event that the Plan of Allocation is not approved by the Court, Class Action Plaintiff may propose an amended Plan of Allocation without further notice of the amended Plan, unless a Settlement Class Member requests in writing such notice, which request shall be sent to the Claims Administrator no later than _____, 2005.
27. Neither the Stipulations nor the Settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulations or the Settlement: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Released Class Action Parties; or (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Class Action Defendants in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal.
28. All proceedings in the Class Action as to the Settling Class Action Defendants are stayed until further order of the Court, except as may be necessary to implement the settlement or comply with the terms of the Stipulations.
29. The Court may, for good cause, extend any of the deadlines set forth in this order without further notice to Settlement Class Members.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE CHARLES A. SHAW
UNITED STATES DISTRICT JUDGE

Submitted by:

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Attorneys for Defendant Arthur Andersen LLP

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf of All Others
Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E. VOGEL,
KENT KALKWARF, DAVID G. BARFORD, PAUL E.
MARTIN, DAVID L. McCALL, BILL SHREFFLER,
CHRIS FENGER, JAMES H. SMITH, III,
SCIENTIFIC-ATLANTA, INC., MOTOROLA, INC.
and ARTHUR ANDERSEN, LLP,

Defendants.

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT
OF CLASS ACTION

EXHIBIT E-1

If you bought Charter Communications, Inc. ("Charter") common stock between November 9, 1999 and August 16, 2002 inclusive, you could get a payment from the Class Action Settlement described below.*

A FEDERAL COURT AUTHORIZED THIS NOTICE. THIS IS NOT A SOLICITATION FROM A LAWYER.

THIS NOTICE EXPLAINS IMPORTANT RIGHTS YOU MAY HAVE INCLUDING YOUR POSSIBLE RECEIPT OF CASH AND STOCK FROM THE SETTLEMENT. YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU DO OR DO NOT ACT. ALSO ENCLOSED IS A CLAIM FORM THAT YOU MUST COMPLETE AND MAIL, POSTMARKED ON OR BEFORE _____, 2005 TO PARTICIPATE IN THE SETTLEMENT. PLEASE READ THIS NOTICE CAREFULLY!

1. STATEMENT OF CLASS MEMBERS' RECOVERY: This Notice has been sent to you pursuant to an Order of the United States District Court, Eastern District of Missouri (the "Court"). The purpose of this Notice is to inform you of the proposed Settlement of this Class Action for \$146,250,000, consisting of \$66,250,000 in cash; Charter common stock having an aggregate value of \$40,000,000 (as of the date the stock is transferred to the Settlement Fund); and warrants to purchase Charter common stock having an aggregate value of \$40,000,000 (as of the date the warrants are transferred to the Settlement Fund). The amount of Charter common stock is subject to a potential upward adjustment according to the terms of the Stipulation of Settlement. The Settlement also provides for Charter's adoption of certain corporate governance provisions. This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and this Class Action, as well as the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement.

2. REASONS FOR THE SETTLEMENT: The Settlement resolves claims against the Settling Class Action Defendants regarding alleged violations of the federal securities laws. The Settling Class Action Defendants deny all allegations of wrongdoing. In light of the amount of the Settlement and the immediacy of recovery to the Settlement Class, Class Action Plaintiff believes that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Settlement Class. The Settlement provides a substantial benefit, namely \$146,250,000 in cash and stock, less the various deductions described in this Notice, as compared to the risk that a similar, smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future, in which the Settling Class Action Defendants would have the opportunity to assert substantial defenses to the claims asserted against them. Class Action Plaintiff will continue to pursue claims against the Non-Settling Class Action Defendants.

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* All capitalized terms not defined herein are defined in the Stipulations of Settlement dated as of January 24, 2005.

3. STATEMENT OF AVERAGE AMOUNT OF DAMAGE PER SHARE: Class Action Plaintiff and Settling Class Action Defendants do not agree on the average amount of damages per share that would be recoverable if Class Action Plaintiff were to have prevailed on each claim alleged under the Exchange Act. The issues on which the Parties disagree include (1) the appropriate economic model for determining the amount by which Charter's common stock was allegedly artificially inflated (if at all) during the Settlement Class Period; (2) the amount by which Charter's common stock was allegedly artificially inflated (if at all) during the Settlement Class Period; (3) the various market forces influencing the trading price of Charter's common stock at various times during the Settlement Class Period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of Charter's common stock at various times during the Settlement Class Period; (5) the extent to which the various matters that Class Action Plaintiff alleged were false or misleading influenced (if at all) the trading price of Charter's common stock at various times during the Settlement Class Period; (6) the extent to which the various allegedly material facts that Class Action Plaintiff alleged were omitted influenced (if at all) the trading price of Charter's common stock at various times during the Settlement Class Period; and (7) whether the statements made or facts omitted were actionable under the federal securities laws.

Class Action Plaintiff's damages expert estimates that approximately 455,917,540 million shares of Charter common stock traded during the Settlement Class Period were damaged. Assuming that the owners of all affected shares elect to participate in the Settlement, and assuming that the value of the stock remains the same as the current estimated value, the average recovery per share of Charter common stock is estimated by Class Action Plaintiff's damages expert at approximately \$0.53 per share, before deduction of any fees, expenses, costs and awards referenced in 8 above. The actual amount disbursed to Authorized Claimants may be more or less than this figure.

4. STATEMENT OF ATTORNEY FEES AND EXPENSES: Class Action Plaintiff's Counsel has not received any payment for their services in conducting this litigation on behalf of Class Action Plaintiff and the members of the Settlement Class, nor has it been reimbursed for its out-of-pocket expenditures. If the Settlement is approved by the Court, Class Action Plaintiff's Counsel will apply to the Court for attorneys' fees of 20% of the settlement proceeds and reimbursement of expenses not to exceed \$750,000 to be paid from the settlement proceeds. If the amount requested by counsel is approved by the Court, the average cost per share would be \$0.065.

5. IDENTIFICATION OF ATTORNEY'S REPRESENTATIVES: For further information regarding this settlement you may contact: Marc I. Gross, Esq., Pomerantz Haudek Block Grossman & Gross LLP, 100 Park Avenue, New York, NY 10017-5516, Telephone: 212-661-1100, www.pomlaw.com.

DO NOT CONTACT THE COURT

How do I participate in the Settlement? What do I need to do?	Page 17
What rights am I giving up by agreeing to the Settlement?	Page 17
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What payments are the attorneys for the Class and the Class Plaintiff seeking for their work in this case?	Page 21
Are there other conditions that may affect the Settlement?	Page 21
When and where will the Court decide whether to approve the Settlement and related matters? Do I have to come to the Hearing? May I speak at the Hearing if I don't like the Settlement or the other matters referenced in this Notice?	Page 22
What if I bought shares on someone else's behalf, or represent a broker, banker or other nominee?	Page 23
Can I see the Court file? Who should I contact if I have questions?	Page 24

WHY DID I GET THIS NOTICE?

1. You or someone in your family may have purchased shares of Charter common stock during the period November 8, 1999 through August 16, 2002, inclusive. The Court sent you this Notice because, as a potential Settlement Class Member, you have a right to know about a proposed Settlement of certain claims in a class action lawsuit and your options, before the Court decides whether to approve the Settlement. A class action is a lawsuit in which one of more persons sues on behalf of all other persons who appear to have similar claims.

2. If the Court approves the Settlement, and after objections and appeals are resolved, a claims administrator approved by the Court will make payments pursuant to the Settlement.

3. The Court in charge of this case is the United States District Court for the Eastern District of Missouri, and the case is known as In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS). The entity that filed this lawsuit is the Class Action Plaintiff, StoneRidge Investment Partners LLC, an investment management firm. The entities and people who have been sued are the Defendants. Your interests have been represented in this lawsuit by Court appointed Class Action Plaintiff's Counsel, Pomerantz Haudek Block Grossman & Gross, LLP, 100 Park Avenue, New York, NY 10025.

4. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of the terms of the proposed Settlement and to inform you of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement and to consider the application for attorney fees and reimbursement of litigation expenses (the "Settlement Hearing").

5. The Settlement Hearing will be held on _____, 2005, at ____ .m., before the Honorable Charles A. Shaw, United States District Judge, at the United States Courthouse, 111 South 10th Street, Suite 12.148, St. Louis, MO 63102 (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine:

(1) whether the settlement for at least \$146,250,000, consisting of \$66.25 million in cash plus accrued interest, Charter common stock having an aggregate value of \$40 million (subject to a potential upward adjustment), and warrants to purchase Charter common stock having an aggregate value of \$40 million, as well as adoption of certain corporate governance provisions, should be approved as fair, just, reasonable and adequate to each of the Settling Class Action Parties;

(2) whether the proposed plan to distribute the Settlement proceeds (the "Plan of Allocation") is fair, just, reasonable, and adequate;

(3) whether the application by Class Action Plaintiff's Counsel for an award of attorneys' fees and expenses should be approved;

(4) whether Class Action Plaintiff should be granted a Compensatory Award; and

(5) whether the Class Action should be dismissed with prejudice against the Settling Class Action Defendants.

6. The Court may adjourn or continue the Settlement Hearing without further notice to the Settlement Class. The issuance of this Notice is not an expression of the Court's opinion on the merits of any claim in the lawsuit, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments will be made after appeals are resolved and after the completion of all claims processing. Please be patient.

HOW DO I KNOW IF I AM PART OF THIS SETTLEMENT?

7. By order dated _____, 2005, the Court has decided that all persons and entities that purchased Charter common stock during the period of November 8, 1999 through and including August 16, 2002, are eligible to participate in the Settlement, with the exception of the Class Action Defendants and their corporate affiliates; any officers or directors of Charter; or members of their immediate families, and their heirs, successors and assigns; and any entities controlled directly or indirectly by Paul G. Allen. Also excluded from the Settlement is any person or entity that files a request for exclusion in accordance with the requirements set forth in this Notice (see "What if I Do Not Want to Participate in the Settlement? How Do I Exclude Myself," below).

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENT, YOU MUST MAIL THE ACCOMPANYING CLAIM FORM, POSTMARKED ON OR BEFORE _____, 2005.

WHAT RECOVERY DOES THE SETTLEMENT PROVIDE?

8. The total monetary value of the Settlement is \$146,250,000 consisting of \$66.25 million in cash plus accrued interest; Charter common stock having an aggregate value of \$40 million subject to a potential upward adjustment (as of the date the shares are transferred to the Settlement Fund); and warrants to purchase Charter common stock having an aggregate value of \$40 million (as of the date the shares are transferred to the Settlement Fund), as well as adoption of certain corporate governance provisions. Attorney fees and expenses, notification costs, any compensatory award to the Class Action Plaintiff, and claims administration costs will be deducted from these settlement proceeds. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed to the Class. The Settlement also provides that upon consultation with the Class Action Plaintiff and its Counsel, the Settlement shares may be sold prior to distribution to Class Members, but only after the Effective Date and only at a price at least equal to the price of Charter common stock on the date the Judgment is entered, or in the case of warrants, the pro-rated value of the warrants on the date the warrants are transferred to the Settlement Fund.

9. Of the total Settlement, \$144 million in cash and securities will be paid for by or on behalf of defendant Charter. The balance will be paid for by defendant Arthur Andersen LLP.

10. In connection with the Settlement, Charter will take steps reasonably required to implement certain corporate governance provisions.

11. The average expected recovery will depend on a number of factors including when and for what price Class Members purchased and/or sold their shares of Charter common stock, the total number of shares for which timely and valid Claim Forms are submitted by Settlement Class Members ("Authorized Claimants"), and the value of the stock and warrants being issued and delivered pursuant to the Settlement at the time of distribution. See "How Much Will My Payment Be," below.

WHY IS THERE A SETTLEMENT?

12. Under the proposed Settlement, the Court will not decide in favor of either the Class Action Plaintiff or the Settling Class Action Defendants. By agreeing to a

Settlement, both the Class Action Plaintiff and the Settling Class Action Defendants avoid the costs and risk of a trial, and the Settlement Class Members are compensated.

13. In light of the amount of the Settlement and the immediacy of recovery to the Settlement Class, Class Action Plaintiff believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of Settlement Class Members. The Settlement provides a substantial benefit, namely at least \$146,250,000 in cash and stock, less the various deductions described in this Notice, (and adoption of certain corporate governance provisions) as compared to the risk that a similar, smaller, or no recovery would be achieved after a trial and appeals, possibly years in the future, in which the Settling Class Action Defendants would have the opportunity to assert substantial defenses to the claims asserted against them.

WHAT MIGHT HAPPEN IF THERE WAS NO SETTLEMENT?

14. If there were no settlement and Class Action Plaintiff failed to establish any essential legal or factual element of their claims, neither they nor the Settlement Class would recover anything from the Settling Class Action Defendants. Also, if the Settling Class Action Defendants were successful in proving any of their defenses, the Settlement Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

A. BACKGROUND

15. Charter is a broadband communications company. The Company provides analog video, digital video, cable modem, and telephony services to more than 6 million customers residing in 37 different states. Charter is headquartered in St. Louis, Missouri, Arthur Andersen LLP (as defined below, "Andersen") served as Charter's outside auditor for fiscal years 1999-2001

16. On July 18, 2002, a Merrill Lynch analyst issued a report that questioned several of Charter's accounting practices, including the capitalization of certain customer service representative costs. The following day, the price of Charter's common stock declined from \$4.06 per share to \$3.50 per share.

17. On August 16, 2002, Charter announced that the U.S. Attorney's Office for the Eastern District of Missouri had initiated a grand jury investigation into certain of Charter's operations. The day after this announcement, the price of Charter's common stock declined from \$2.71 per share to \$2.53 per share.

18. On April 1, 2003, Charter announced that it was restating its financial reports for 2000 and 2001, and the first three quarters of 2002.

19. On July 24, 2003, a Grand Jury indicted David G. Barford, Kent Kalkwarf, David L. McCall, and James H. Smith, III for a conspiracy allegedly carried out from May 2001 through March 2002 to inflate Charter's subscriber numbers and subscriber growth numbers. It further charged Messrs. Barford and Kalkwarf with causing Charter to enter into allegedly sham agreements with Scientific-Atlanta, Inc. ("Scientific-Atlanta") and Motorola, Inc. ("Motorola") in the Fall of 2000. Messrs. McCall, Barford, Smith, and Kalkwarf subsequently pled guilty to one count of conspiracy to commit wire fraud.

20. On July 27, 2004, the Securities and Exchange Commission ("SEC") filed an Order Instituting Cease-And-Desist Proceedings, Making Findings, And Imposing A Cease-And-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (the "SEC Order") on the consent of Charter, which neither admitted nor denied the allegations therein, regarding certain subscriber count practices and the accounting for certain agreements with Scientific-Atlanta and Motorola. The SEC Order did not allege any wrongdoing regarding Charter's accounting, except with respect to the agreements with Motorola and Scientific-Atlanta.

B. THE CLASS ACTIONS

21. On or after July 31, 2002, fourteen federal securities class action complaints, including StoneRidge Investment Partners LLC v. Charter Communications, Inc., No. 4:02-CV-1186 CAS, were filed against Charter and various other defendants, including Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, Scientific-Atlanta, Motorola, and Andersen. These complaints were consolidated, pursuant to order of the Multi-District Litigation Panel, in the U.S. District Court for the Eastern District of Missouri, and captioned In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action").(1)

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(1) The effectiveness of this Settlement is contingent on the settlement of shareholder derivative actions that have been brought on behalf of Charter in the United States District Court for the Eastern District of Missouri, entitled Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW, and in the Circuit Court for the City of St. Louis, entitled Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 044-0858 (collectively, the "Shareholder Derivative Actions").

22. By Order dated April 16, 2003, the Court appointed StoneRidge Investment Partners, LLC as lead plaintiff (hereinafter "Class Action Plaintiff"), and appointed Pomerantz Haudek Block Grossman & Gross LLP as lead counsel (hereinafter "Class Action Plaintiff's Counsel").

23. Class Action Plaintiff's Counsel, aided by private investigators and forensic accountants, conducted a thorough investigation of the claims prior to filing an Amended Consolidated Class Action Complaint (the "Amended Complaint") on August 5, 2003. The Amended Complaint alleged that during the Settlement Class Period, Charter issued false and misleading statements that materially inflated the Company's reported operating cash flow growth rate, by among other things, improperly accounting for costs associated with customer service representatives, acquisitions of new customers, and other matters. Class Action Plaintiff asserted that these manipulations boosted Charter's operating cash flow by over \$400 million during the Settlement Class Period. In addition, the Amended Complaint alleged that Charter artificially inflated its reported growth rate for new customers by improperly delaying the termination of a significant number of subscribers who had either requested such termination or were significantly delinquent in payments. Finally, Class Action Plaintiff alleged that Charter engaged in a kick-back scheme with Motorola and Scientific Atlanta, whereby Charter paid these suppliers \$20 more for certain equipment (digital set top boxes) in return for an equivalent amount of advertising spending by the suppliers. Accounting manipulation for these transactions allegedly enabled Charter to boost its income for fourth quarter 2000 by \$17 million.

24. The Amended Complaint further alleged that Andersen failed to audit Charter's 1999-2001 financial statements in accordance with Generally Accepted Auditing Standards ("GAAS"), and that Andersen's audit opinions for those years incorrectly represented that such financial statements were fairly presented, in all material respects, in accordance with Generally Accepted Accounting Principles ("GAAP").

25. The Amended Complaint asserted claims against Charter, the Individual Defendants, Andersen, Scientific Atlanta and Motorola for alleged violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, and sections 11, 12 and 15 of the Securities Act of 1933. The Amended Complaint sought recovery for purchasers of Charter common stock during the period of November 8, 1999 through July 17, 2002, and damages through August 16, 2002. Class Action Plaintiff subsequently amended the Amended Complaint to include a class from July 17, 2002 to August 16, 2002, when the grand jury investigation was first announced (the "Second Amended Complaint").

26. On August 26, 2003, Charter filed a Motion to Dismiss the Class Action, which Class Action Plaintiff opposed. Other defendants in the Class Action filed Motions to Dismiss between September 8, 2003 to October 17, 2003, which the Class Action Plaintiff also opposed. Charter, along with various other defendants, asserted that some of the statements alleged to be misleading were in fact not misleading, and that the alleged inflation of customers, operating cash flow, and revenues was immaterial as a matter of law relative to the total number of Charter customers and the Company's total cash flow and revenues. Charter also asserted that the decline in its stock price was due

to general cable industry related matters, including intense competition from satellite TV providers, and not any revelation of alleged wrongdoing. Charter also asserted that the SEC had previously approved of its accounting for matters challenged in the Amended Complaint, and had subsequently changed its interpretation of GAAP applicable to cable companies, thereby prompting a significant portion of the restatement. Many of the Individual Defendants also asserted that the Amended Complaint failed to adequately allege any direct participation or knowledge of the alleged wrongdoing. Andersen argued that the Amended Complaint failed to allege sufficient facts justifying an inference that Andersen had acted with the required state of mind. As discussed below, Class Action Plaintiff, Charter and the Individual Defendants entered into a Stipulation of Settlement as of January 24, 2004 (the "Charter Stipulation"). The hearing on the Motions to Dismiss filed by Charter and the Individual Defendants was taken off-calendar in light of the Settlement.

27. By Memorandum Decision dated October 12, 2004, the Honorable Charles A. Shaw denied the Motion to Dismiss the Amended Complaint by Andersen, but granted the Motions to Dismiss by Scientific-Atlanta and Motorola. Class Action Plaintiff filed a Motion for Reconsideration on October 26, 2004. That motion was denied on December 20, 2004. The decision is being appealed by Class Action Plaintiff.

C. DISCOVERY, INVESTIGATION, AND RESEARCH CONDUCTED BY CLASS ACTION PLAINTIFF

28. Before agreeing to the Settlement, Class Action Plaintiff's Counsel conducted discovery and investigation during the prosecution of the Class Action. This discovery and investigation has included: (1) inspection of documents produced by certain of the Settling Class Action Defendants pursuant to agreement during the Mediation and in the Memorandum of Understanding; (2) interviews with various current and former Charter employees; (3) consultations with experts; (4) review of Charter's public filings, annual reports, and other public statements; and (5) research of the applicable law with respect to the claims asserted in the Class Action and the potential defenses thereto.

WHAT LED UP TO THE SETTLEMENT?

29. On March 22 and 23, 2004, April 13 and 14, 2004, May 7, 2004, June 16, 2004, and August 2, 2004, Class Action Plaintiff, Charter and the Individual Defendants, along with their insurers, through their respective counsel, participated in lengthy mediation sessions with Hon. Edward A. Infante (Ret.). In addition to other negotiations the settling parties to the Derivative Actions, through their respective counsel, participated in the August 2, 2004 mediation session. During these meetings, which followed extensive briefing of Judge Infante, the participants discussed with Judge Infante, among other things, the respective claims and defenses, expert damages analyses, legal analyses, the discovery and motion practice conducted and expected to be conducted in the Class Action, the evidence expected to be offered by the parties at trial,

and other important factual and legal issues and matters relating to the merits of the Class Action.

30. Subsequent to the mediation and the October 12, 2004 decision denying the motion to dismiss filed by Andersen, negotiations took place that resulted in the agreement to settle all claims against that defendant. Class Action Plaintiff and Andersen entered into a Stipulation of Settlement as of January 24, 2005 (the "Andersen Stipulation" and together with the Charter Stipulation, the "Stipulation").

WHAT ARE CLASS ACTION PLAINTIFF'S REASONS FOR THE SETTLEMENT?

31. The Class Action Plaintiff believes that the claims asserted in the Class Action have merit and that the evidence developed to date in the Class Action supports the claims asserted. The Class Action Plaintiff asserts, and believes it would present supporting evidence at trial, that Defendants caused the price of Charter common stock to be artificially inflated during the Settlement Class Period by the issuance of materially false statements and by omitting to state material information concerning Charter and that as a result Class Action Plaintiff and Settlement Class Members were injured.

32. However, Class Action Plaintiff's Counsel recognizes and acknowledges the expense and length of continued proceedings, trial, and appeals. Class Action Plaintiff's Counsel also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Class Action, as Class Action Plaintiff is also mindful of the inherent problems of proof under and possible defenses to the federal securities law violations asserted in the Class Action, including the defenses asserted by Defendants during the litigation, in motions on the pleadings, settlement negotiations and in the mediation proceedings. Class Action Plaintiff also considered the difficulties in collecting any potential judgment against Charter and Andersen. Andersen no longer maintains any licenses to practice public accounting, and any potential exposure it might have in this case is not covered by insurance.

33. In light of the foregoing, Class Action Plaintiff's Counsel believes that the Settlement set forth in the Stipulation confers substantial benefits upon the Settlement Class (as defined below) and Settlement Class Members. Based on its evaluation, Class Action Plaintiff's Counsel has determined that the settlement set forth in the Stipulation is in the best interests of the Class Action Plaintiff and the Settlement Class.

WHY HAVE THE SETTLING CLASS ACTION DEFENDANTS AGREED TO THE SETTLEMENT?

34. The Settling Class Action Defendants have denied and continue to deny each and all of the claims and contentions alleged by the Class Action Plaintiff on behalf of the Settlement Class. The Settling Class Action Defendants also have denied and continue to deny, among other things, the allegations that the prices of Charter stock were artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise, or that the Class Action Plaintiff or the Settlement Class were harmed by the conduct alleged in the Class Action. Settling Class Action Defendants believe that throughout the Settlement Class Period they fully and adequately disclosed all material facts regarding Charter and made no misrepresentations of material facts regarding Charter.

35. Nonetheless, the Settling Class Action Defendants have concluded that further conduct of the Class Action would be protracted and expensive, and that it is desirable that the Class Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation in order to limit further expense, inconvenience and distraction, to dispose of the burden of protracted litigation, and to permit the operation of the Company's business without further distraction and diversion of the Company's executive personnel with respect to matters at issue in the Class Action. The Settling Class Action Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this litigation.

36. The Settling Class Action Defendants have, therefore, determined that it is desirable and beneficial to them that the Class Action be settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settling Class Action Defendants entered into the Stipulation and Settlement without in any way acknowledging any fault, liability, or wrongdoing of any kind. There has been no adverse determination by any court against any of the Settling Class Action Defendants on the merits of the claims asserted by the Class Action Plaintiff. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by any of the Settling Class Action Defendants of the merit or truth of any of the allegations or wrongdoing of any kind on the part of any of the Settling Class Action Defendants. The Settling Class Action Defendants entered into the Stipulation and Settlement based upon, among other things, the parties' agreement herein that, to the fullest extent permitted by law, neither the Stipulation nor any of the terms or provisions, nor any of the negotiations or proceedings connected therewith, shall be offered as evidence in the Class Action or in any pending or future civil, criminal, or administrative action or other proceeding to establish any liability or admission by any of the Settling Class Action Defendants or to any of their respective Related Entities or any other matter adverse to any of the Settling Class Action Defendants or any of their respective Related Entities, except as expressly set forth therein.

HOW MUCH WILL MY PAYMENT BE? - WHAT IS THE PLAN OF ALLOCATION?

37. Your share of the Net Settlement Fund will depend on the number of valid Claim Forms that Settlement Class Members send in, how many shares of Charter stock you bought, and when you bought and sold your shares.

38. The Settling Class Action Defendants have agreed to pay a total of \$66,250,000 in cash, Charter common stock worth at least \$40,000,000 and Charter warrants worth \$40,000,000 for a combined value of at least \$146,250,000 (the "Settlement Fund"). After deduction of any court awarded attorneys' fees and expenses, compensatory awards, taxes, and administrative costs (including the cost of this notice and the notice in the Shareholder Derivative Actions), the "Net Settlement Fund" will be distributed, subject to Court approval, to Authorized Claimants in accordance with the Plan of Allocation described below.

39. To receive any distribution from the Net Settlement Fund, Settlement Class Members must complete a Claim Form and mail it and all required documentation to the Claims Administrator on or before _____, 2005. Settlement Class Members who do not submit acceptable Claim Forms will not share in the settlement proceeds. Settlement Class Members who do not submit either a request for exclusion or an acceptable Claim Form will nevertheless be bound by the Settlement and the Judgment of the Court dismissing the claims against the Settling Class Action Defendants.

40. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the Net Settlement Fund based upon each Authorized Claimant's "Net Recognized Loss" (i.e., total Recognized Losses less Recognized Profits). The Net Recognized Loss formula is not intended to be an estimate of the amount that a Settlement Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Net Recognized Loss formula is the basis upon which the Net Settlement Fund will be proportionately distributed to Authorized Claimants.

41. Class Action Plaintiff's damages expert analyzed the market price reaction to the disclosures made by Charter during the Settlement Class Period. Recognized Losses are based on the price declines allegedly associated with the corrective disclosures of alleged prior misrepresentations as set forth in the Complaint. No loss amount is recognized when both the purchase and sale occur without intervening public disclosure of adverse information.

42. RECOGNIZED LOSSES UNDER THE PLAN OF ALLOCATION

FOR SHARES PURCHASED FROM NOVEMBER 8, 1999 THROUGH MAY 2, 2000

1. For Charter shares purchased from November 8, 1999 through May 2, 2000 (prior to the release of the 2000 financial statements that were subsequently restated) and:

(a) sold prior to July 18, 2002, the Recognized Loss is \$0.00 per share;

- (b) sold after July 17, 2002, but before August 16, 2002, the Recognized Loss is \$0.15 per share;
- (c) retained until August 16, 2002, the Recognized Loss is \$0.35 per share.

2. For Charter shares purchased from May 3, 2000 through July 29, 2001 (after the release of the 2000 financial statements, but prior to alleged criminal activity in connection with alleged customer count inflation) and:

- (a) sold prior to prior to November 1, 2001, the Recognized Loss is \$0.00 per share;
- (b) sold after October 30, 2001, but before July 18, 2002, the Recognized Loss is \$0.25 per share;
- (c) sold after July 17, 2002, but before August 16, 2002, the Recognized Loss is \$0.50 per share;
- (d) retained until August 16, 2002, the Recognized Loss is \$0.70 per share.

3. For Charter shares purchased from July 30, 2001 through October 30, 2001 (the period allegedly affected by both Charter's 2000 financial statements and alleged criminal activity in connection with alleged customer count inflation) and:

- (a) sold prior to November 1, 2001, the Recognized Loss is \$0.00 per share;
- (b) sold after October 30, 2001, but before July 18, 2002, the Recognized Loss is \$0.94 per share;
- (c) sold after July 17, 2002, but before August 16, 2002, the Recognized Loss is \$1.19 per share;
- (d) retained until August 16, 2002, the Recognized Loss is \$1.39 per share.

4. For Charter shares purchased from November 1, 2000 through July 17, 2002 (through partial disclosure of the alleged customer count inflation) and:

- (a) sold prior to July 18, 2002, the Recognized Loss is \$0.00 per share;
- (b) sold after July 17, 2002, but before August 16, 2002, the Recognized Loss is \$0.25 per share;
- (c) retained until August 16, 2002, the Recognized Loss is \$0.45 per share.

5. For Charter shares purchased from July 18, 2002 through August 16, 2002 (through disclosure of the grand jury investigation) and:

- (a) sold prior to August 16, 2002, the Recognized Loss is \$0.00 per share;
- (b) retained until August 16, 2002, the Recognized Loss is \$0.20.

43. To the extent there are sufficient funds in the Net Settlement Fund after payment of attorneys fees and expenses, administration costs (including taxes), and any Compensatory Award to Class Action Plaintiff (the "Net Settlement Fund"), each Authorized Claimant will receive an amount equal to the Authorized Claimant's Net Recognized Loss, as defined above. If, however, the amount in the Net Settlement Fund

is not sufficient to permit such payment, then each Authorized Claimant shall be paid their pro rata share of the Net Settlement Fund based on the percentage of the Net Settlement Fund that each Authorized Claimant's Net Recognized Loss bears to the total of the Net Recognized Losses of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

44. For those shares that were purchased during the Settlement Class Period and sold at a profit, the claim amounts computed in the manner described above shall constitute Recognized Profits. For those shares that were sold at a loss, the claim amounts computed in the manner described above shall constitute Recognized Losses. All Recognized Profits will be subtracted from Recognized Losses in order to determine the Net Recognized Loss of each Authorized Claimant. Only those Authorized Claimants who sustained a Net Recognized Loss shall be entitled to share in the proceeds from the Net Settlement Fund.

45. No distribution will be made on a claim where the potential distribution amount is \$10 or less, or less than five (5) Charter shares or warrants.

GENERAL PROVISIONS:

46. In processing claims, the first-in, first-out basis ("FIFO") will be applied to purchases and sales.

47. The date of purchase or sale is the "contract" or "trade" date, and not the "settlement" date.

48. Brokerage commissions, fees and taxes should be excluded from the purchase or sale price of Charter common stock.

49. Members of the class who do not file acceptable Proofs of Claim will not share in the Settlement proceeds, yet will nevertheless be bound by the Court judgments and the Settlement.

50. Shares of Charter common stock acquired during the Settlement Class Period by means of a gift, inheritance or operation of law, do not qualify as purchases on the dates of such acquisitions. If, however, such stock was purchased during the Settlement Class Period by the donor, decedent or transferor, then, unless the donor, decedent or transferor submits a Claim Form with respect to the shares, the recipient's Claim Form will be computed by using the price of such stock on the original date and price of purchase and not the date of transfer.

51. Payments pursuant to the Plan of Allocation, as approved by the Court, will be conclusive against all Authorized Claimants. No person shall have any claim against Class Action Plaintiff's Counsel, the Settlement Administrator or other agent designated by Class Action Plaintiff's Counsel based on a distribution made substantially in accordance with the Stipulation and the Plan of Allocation or further Orders of the court. Charter, the Individual Defendants, Andersen and their counsel shall have no

responsibility for, interest in, or liability whatsoever with respect to any allocation, management, disposition, computation, or distribution from the Settlement Fund.

52. The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Settlement Class Member on equitable grounds.

53. ALTERATION OF THE PLAN OF ALLOCATION: In the event that the Court does not approve the Plan of Allocation, Class Action Plaintiff may alter the plan (subject to Court approval) without any further notice to Members, unless such Settlement Class Members expressly request notice of alteration of the plan. In order to receive such notice, you must send a request no later than _____ to the Claims Administrator at the address set forth below.

54. The Court also may modify the Plan of Allocation without further notice to the Class.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

55. If you fall within the definition of the Settlement Class, you will remain a Settlement Class Member unless you elect to be excluded from the Settlement Class. If you do not request to be excluded from the Settlement Class, you will be bound by any judgment entered in the Class Action whether or not you file a Proof of Claim, including the dismissal with prejudice of any Released Claims against the Defendants you may possess under Federal law, Missouri, or the law of any state.

56. If you wish to remain a Settlement Class Member, you need do nothing (other than timely file a Proof of Claim and Release if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Class Action Plaintiff's Counsel. If you choose, you may enter an appearance individually or through your own counsel at your own expense.

57. TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim and Release must be postmarked on or before _____, 2005, and mailed to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

58. Extra copies of the Claim Form can be requested from the Claims Administrator by mail, phone, fax, or website as noted below in Paragraph 61 or downloaded from Class Action Plaintiff Counsel's website at www.pomlaw.com.

[Graphic Appears Here]

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

59. If the Settlement is approved, the Court will enter a Judgment and Order of Dismissal (the "Judgment"). The Judgment will dismiss the claims against the Settling Class Action Defendants with prejudice and provide that Class Action Plaintiff and all other Settlement Class Members, except those who validly and timely request to be excluded from the Settlement Class, shall upon the Effective Date of the Judgment be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Released Parties from all Released Claims (including "Unknown Claims"), and from all claims (including "Unknown Claims") arising out of, relating to, or in connection with the defense or resolution of this case.

a. "Released Claims" shall collectively mean all claims (including Unknown Claims as defined below, but excluding any claim as between Charter and any current or former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in this or any other forum or proceeding, including, without limitation, claims for negligence, gross negligence, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, by or on behalf of the Class Action Plaintiff, the Settlement Class, or any Settlement Class Member against the Released Class Action Parties (as defined below) which are in any way based upon or related to (a) the purchase of, acquisition of, or investment in Charter common stock by any Settlement Class Member during the Settlement Class Period (whether on the open market or otherwise), (b) the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act and/or to supervise Charter officers or employees which were or could have been alleged in the Class Action or the Shareholder Derivative Actions, (c) the facts which were alleged in any papers filed in the Class Action or in the Shareholder Derivative Actions, and/or (d) the administration of the Escrow Account and Settlement Fund, Net Settlement Fund or Plan of Allocation.

b. "Released Class Action Parties" shall mean each and every one of the following: The Settling Class Action Defendants, that is, Charter, Andersen, Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, and James H. Smith III and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers

and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families. "Andersen" includes Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, and all of their past and present member firms, and all of their respective current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such persons or entities. However, Released Class Action Parties does not include defendants Motorola, Inc., and Scientific Atlanta, Inc.

c. "Unknown Claims" shall mean any Released Claims which the Class Action Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Class Action Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Class Action Parties, or might have affected his, her or its decision not to object to, or opt out of, this settlement. With respect to any and all Released Claims, the Settling Class Action Parties stipulate and agree that, upon the Effective Date, the Class Action Plaintiff expressly waives and relinquishes, and the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Class Action Plaintiff expressly waives and the Settlement Class Members shall be deemed to have waived, and upon the Effective Date and by operation of the Judgment shall have waived, any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Class Action Plaintiff and the Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Class Action Plaintiff does settle and release, and each Settlement Class Member shall be deemed to have, and upon the Effective Date and

by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, all Released Claims that are in any way based on or related to conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

WHAT IF I DO NOT WANT TO PARTICIPATE IN THE SETTLEMENT? HOW DO I EXCLUDE MYSELF?

60. You may request to be excluded from the Settlement Class. To do so, you must mail a written request to:

Charter Securities Litigation
c/o Claims Administrator
Berdon Claims Administration LLC
P.O. Box 9014,
Jericho, NY 11753-8914,
Telephone: 800/766-3330,
Fax: 516/931-0810

61. The request for exclusion must: (1) state your name, address, and telephone number; (2) provide documentation reflecting all purchases and sales of Charter common stock made during the Settlement Class Period, including the dates, the number of shares of Charter common stock, and price paid or received per share for each such purchase or sale; and (3) state that you wish to be excluded from the Settlement Class. TO BE VALID, A REQUEST FOR EXCLUSION MUST STATE ALL OF THE FOREGOING INFORMATION. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE _____, 2005. If you submit a valid and timely request for exclusion, you shall have no rights under the settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment.

WHAT PAYMENTS ARE THE ATTORNEYS FOR THE CLASS AND THE CLASS PLAINTIFF SEEKING FOR THEIR WORK IN THIS CASE?

62. Class Action Plaintiff's Counsel have not received any payment for their services in pursuing this lawsuit on behalf of the Settlement Class, nor have they been reimbursed for their considerable out-of-pocket expenses. Class Action Plaintiff's Counsel intend to apply to the Court for an award of attorney fees on behalf of all Plaintiffs' Counsel not to exceed 20% of the Settlement Fund. In addition, Class Action Plaintiff's Counsel intend to apply for reimbursement of litigation expenses advanced in connection with the Class Action in an amount not to exceed \$750,000. If the application for attorney fees and reimbursement of litigation expenses is approved by the Court, the average cost per share would be approximately \$0.065. All such fees and expenses will be paid out of the Settlement Fund.

63. The fee requested by Class Action Plaintiff's Counsel would compensate counsel for its efforts in achieving the Settlement for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis.

64. At the Settlement Hearing, Class Action Plaintiff's Counsel will also request that the Court grant a Compensatory Award to the Class Action Plaintiff up to \$30,000 for its time and expenses incurred in representing the Class pursuant to Section 27 A(2)(b)(4) of the Private Securities Litigation Class Action Reform Act of 1995.

65. At the Settlement Hearing, counsel in the Shareholder Derivative Actions will request an award of fees and expenses, subject to Court approval. Any such award shall be paid from the Settlement Cash, but in no event shall exceed \$2.25 million.

66. THE COURT HAS NOT EXPRESSED ANY OPINION ON THE APPLICATION FOR ATTORNEY FEES, REIMBURSEMENT OF LITIGATION EXPENSES, OR CLASS ACTION PLAINTIFF'S COMPENSATORY AWARD.

ARE THERE OTHER CONDITIONS THAT MAY EFFECT THE SETTLEMENT?

67. The Settlement is conditioned upon the occurrence of certain events. Those events include, among other things: (1) entry of the Judgment by the Court, as provided for in the Stipulation; (2) expiration of the time to appeal from the Judgment, or if an appeal is taken, a final resolution of the appeal in favor of the Judgment; and (3) dismissal with prejudice of all Shareholder Derivative Actions brought on behalf of Charter according to the terms of a Stipulation of Settlement dated as of January 24, 2005. (For information regarding that Settlement, contact Schiffrin & Barroway LLP, Three Bala Plaza East, Suite 400, Bala Cynwyd, PA 19004, and Wechsler Harwood LLP,

488 Madison Avenue, 8th Floor, New York, NY 10022). In addition, pursuant to the terms of separate Supplemental Agreements, Charter and Andersen have the right to terminate their respective settlements should requests for exclusion exceed a certain threshold. If, for any reason, any one of the conditions described in either the Andersen Stipulation or the Charter Stipulation is not met, that Stipulation might be terminated and, if terminated, will become null and void, and the parties to that Stipulation will be restored to their respective positions as of August 4, 2004 (December 1, 2004 in the case of Andersen). Provided, however, that the termination of one Stipulation shall not cause the termination of the other Stipulation.

WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT AND RELATED MATTERS? DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT OR THE OTHER MATTERS REFERENCED IN THIS NOTICE?

IF YOU DO NOT WISH TO OBJECT TO THE PROPOSED SETTLEMENT, THE PLAN OF ALLOCATION, OR THE APPLICATION FOR ATTORNEY FEES AND REIMBURSEMENT OF LITIGATION EXPENSES, OR THE PROPOSED COMPENSATORY AWARD TO THE CLASS ACTION PLAINTIFF , YOU NEED NOT ATTEND THE SETTLEMENT HEARING SCHEDULED FOR _____, 2005.

68. Any Settlement Class Member who has not validly and timely requested to be excluded from the Settlement Class, and who objects to any aspect of the Settlement with Charter or Andersen, the Plan of Allocation, the application for attorneys' fees, costs and expenses, or the request for a Compensatory Award to Class Action Plaintiff, may appear and be heard at the Settlement Hearing. Any such Person must submit a written notice of objection, postmarked on or before _____, 2005, to each of the following:

Clerk of the Court
United States District Court
Eastern District of Missouri
111 S. 10th Street, Suite 3.300
St. Louis, MO 63102

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Jonathan C. Medow, Esq.
John J. Tharp, Jr., Esq.
190 South LaSalle Street
Chicago, IL 60603-3441

Attorneys for Defendant Arthur Andersen LLP

69. The notice of objection must demonstrate the objecting Person's membership in the Settlement Class, including documentation reflecting the number of Charter shares purchased and sold during the Settlement Class period, and contain a statement of the reasons for objection. Only members of the Settlement Class who have submitted written notices of objection and related documentation in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

70. The Settlement Hearing may be delayed from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Class Action Plaintiff's Counsel.

71. UNLESS OTHERWISE ORDERED BY THE COURT, ANY SETTLEMENT CLASS MEMBER WHO DOES NOT OBJECT IN THE MANNER DESCRIBED HEREIN WILL BE DEEMED TO HAVE WAIVED ANY OBJECTION AND SHALL BE FOREVER FORECLOSED FROM MAKING ANY OBJECTION TO THE PROPOSED SETTLEMENT, THE APPLICATION FOR ATTORNEY FEES AND REIMBURSEMENT OF LITIGATION EXPENSES, AND/OR THE PROPOSED PLAN OF ALLOCATION AND/OR THE COMPENSATORY AWARD TO CLASS ACTION PLAINTIFF. SETTLEMENT CLASS MEMBERS DO NOT NEED TO APPEAR AT THE HEARING OR TAKE ANY OTHER ACTION TO INDICATE THEIR APPROVAL.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF OR REPRESENT A BROKER, BANK OR OTHER NOMINEE?

72. If you hold any Charter common stock purchased during the Settlement Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this

Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such Persons; or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator, PREFERABLY ON COMPUTER-GENERATED MAILING LABELS OR, ELECTRONICALLY IN MS WORD OR WORDPERFECT FILES (LABEL SIZE AVERY 5162), OR IN AN MS EXCEL DATA TABLE, SETTING FORTH (a) TITLE/REGISTRATION, (b) STREET ADDRESS, (c) CITY/STATE/ZIP; or (3) send a copy of this Notice and the Proof of Claim and Release by first class mail to all such beneficial owners, providing written confirmation to the Claims Administrator of having done so. If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain (without cost to you) as many additional copies of these documents as you will need to complete the mailing by contacting the Claims Administrator at:

Charter Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: 800/766-3330
Fax: 516/931-0810
Website: www.berdonllp.com/claims

73. Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement of reasonable administrative costs actually incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation.

CAN I SEE THE COURT FILE? WHO SHOULD I CONTACT IF I HAVE QUESTIONS?

II. EXAMINATION OF PAPERS

74. This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, 111 S. 10th Street, Suite 3.300, St. Louis, MO 63102.

75. If you have any questions about the settlement of the Class Action, you may contact Class Action Plaintiff's Counsel by writing:

POMERANTZ HAUDEK BLOCK GROSSMAN & GROSS LLP
Stanley Grossman, Esq.
Marc Gross, Esq.
100 Park Avenue
New York, NY 10017-5517

DO NOT TELEPHONE THE COURT OR ANY REPRESENTATIVE OF CHARTER, THE INDIVIDUAL DEFENDANTS OR ANDERSEN REGARDING THIS NOTICE.

DATED: _____

BY ORDER OF THE UNITED STATES DISTRICT COURT,
EASTERN DISTRICT OF MISSOURI

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf of
All Others Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E.
VOGEL, KENT KALKWARF, DAVID G.
BARFORD, PAUL E. MARTIN, DAVID L.
McCALL, BILL SHREFFLER, CHRIS
FENGER, JAMES H. SMITH, III,
SCIENTIFIC-ATLANTA, INC., MOTOROLA,
INC. and ARTHUR ANDERSEN, LLP,

Defendants.

SUMMARY NOTICE OF PROPOSED SETTLEMENT
OF CLASS ACTION

EXHIBIT E-2

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF CHARTER COMMUNICATIONS, INC. ("CHARTER") DURING THE PERIOD FROM NOVEMBER 8, 1999 THROUGH AND INCLUDING AUGUST 16, 2002 (THE "SETTLEMENT CLASS");

I.

YOU ARE HEREBY NOTIFIED that the plaintiff (the "Class Action Plaintiff") in the action pending in the United States District Court, Eastern District of Missouri (the "Federal Court"), and entitled In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action"), has entered into Stipulations of Settlement, dated as of January 24, 2005 (the "Stipulations") with defendants Charter Communications, Inc., Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, and Arthur Andersen LLP (the "Settling Class Action Defendants") to resolve the issues raised in the Class Action as against the Settling Class Action Defendants.

PLEASE BE FURTHER ADVISED that pursuant to a Court order, a hearing will be held on _____, 2005, at _____m., before the Honorable Charles A. Shaw, Judge of the United States District Court, at the United States Courthouse, 111 South 10th Street, Suite 12.148, St. Louis, MO 63102 (the "Class Action Settlement Hearing") to determine: (1) whether the settlement of claims in the Class Action against the Settling Class Action Defendants for \$146,250,000, consisting of cash in the amount of \$66.25 million (plus accrued interest), Charter common stock having an aggregate value of \$40 million and warrants to purchase Charter common stock having an aggregate value of \$40 million (the "Class Action Settlement Fund") subject to a potential upward adjustment, (as well as the adoption of certain corporate governance provisions), should be approved as fair, just, reasonable and adequate to all members of the Settlement Class; (2) whether the proposed Plan of Allocation is fair, just, reasonable, and adequate; (3) whether the application of Class Action Plaintiff's Counsel for an award of attorneys' fees and expenses should be approved; (4) whether the Class Action Plaintiff should be granted a Compensatory Award; and (5) whether the Class Action should be dismissed with prejudice as set forth in the Stipulations filed with the Court.

If you purchased or otherwise acquired Charter common stock during the period from November 8, 1999 through and including August 16, 2002, your rights may be affected by the settlement of this Class Action, including through the release and extinguishment of claims you may possess relating to your purchase or acquisition of Charter common stock during the class period. To share in the distribution of the Settlement Fund, you must establish your rights by filing a Proof of Claim and Release form on or before _____, 2005.

If you desire to be excluded from the Class, you must file a request for exclusion by _____, 2005, in the manner and form explained in the detailed Notice referred to below. All members of the Settlement Class who have not requested

exclusion from the Settlement Class will be bound by any judgment entered in the Class Action pursuant to the settlement agreement.

Any objection to the settlement, plan of allocation, or the application for fees, costs and expenses to be awarded to Class Action Plaintiff's Counsel, or the request for a grant of a compensatory award to Class Action Plaintiff must be filed no later than _____, 2005 and show due proof of service on each of:

POMERANTZ HAUDEK BLOCK GROSSMAN & GROSS LLP
Stanley Grossman, Esq.
Marc Gross, Esq.
100 Park Avenue
New York, NY 10017-5517

Lead Counsel for Class Action Plaintiff

IRELL & MANELLA LLP
David Siegel, Esq.
David Schwarz, Esq.
Craig Varnen, Esq.
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90067-4276

THOMPSON COBURN LLP
Roman P. Wuller, Esq.
Stephen B. Higgins, Esq.
One US Bank Plaza
St. Louis, MO 63101

Attorneys for Defendant Charter
Communications, Inc.

MAYER, BROWN, ROWE & MAW LLP
Jonathan C. Medow, Esq.
John J. Tharp, Jr., Esq.
190 South LaSalle Street
Chicago, IL 60603-3441

Attorneys for Defendant Arthur Andersen LLP

If you are a Member of the Settlement Class and have not received a detailed printed Notice of Pendency and Proposed Settlement of Class Action and a Proof of Claim and Release form, you may obtain copies by writing to: Charter Securities Litigation, c/o Berdon Claims Administration LLC, P.O. Box 9014, Jericho, NY 11753-8914, Telephone: 800/766-3330, Fax: 516/931-0810 or downloading these documents at www.berdonllp.com/claims. You may also download the Complaint in the Litigation and the Stipulations at the same site. These documents are also available for review at the Court. PLEASE DO NOT TELEPHONE OR OTHERWISE CONTACT THE

COURT, THE CLERK'S OFFICE, CHARTER, ANDERSEN OR ANY OTHER SETTling CLASS ACTION
DEFENDANT FOR INFORMATION.

Any inquiries about the Class Action can be made in writing to Class
Action Plaintiff's Counsel: Pomerantz Haudek Block Grossman & Gross LLP, 100
Park Avenue, New York, NY 10017-5517.

DATED: _____

BY ORDER OF THE UNITED STATES DISTRICT COURT,
EASTERN DISTRICT OF MISSOURI

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS LLC,
Individually and On Behalf of
All Others Similarly Situated,

Consolidated Case
No. 4:02-CV-1186 CAS

Plaintiff,

v.

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E. VOGEL,
KENT KALKWARF, DAVID G. BARFORD,
PAUL E. MARTIN, DAVID L. McCALL,
BILL SHREFFLER, CHRIS FENGER, JAMES
H. SMITH, III, SCIENTIFIC-ATLANTA,
INC., MOTOROLA, INC. and ARTHUR
ANDERSEN, LLP,

Defendants.

PROOF OF CLAIM AND RELEASE

EXHIBIT E-3

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED SHARES OF THE COMMON STOCK OF CHARTER COMMUNICATIONS, INC. ("CHARTER") DURING THE PERIOD OF NOVEMBER 8, 1999 THROUGH AND INCLUDING AUGUST 16, 2002.

If you purchased or otherwise acquired Charter common stock during the period described above, and are not a Defendant in this Class Action, or one of their corporate affiliates, or an officer or director of Charter, or a member of any of the Defendants' immediate families, or any of their heirs, successors and assigns, or an entity controlled directly or indirectly by Paul G. Allen, and have not requested exclusion from the Settlement Class (as defined below Part IV.B.12), you should read the accompanying Notice of Pendency and Proposed Settlement of Class Action ("Notice") and complete this Proof of Claim and Release Form.

IN ORDER TO BE ELIGIBLE TO PARTICIPATE IN THE SETTLEMENT DESCRIBED IN THE ACCOMPANYING NOTICE, YOU MUST MAIL YOUR COMPLETED PROOF OF CLAIM AND RELEASE TO THE CLAIMS ADMINISTRATOR ON OR BEFORE _____, 2005.

GENERAL INSTRUCTIONS

1. To recover as a member of the Settlement Class based on your claims in the Charter class action (the "Class Action"), you must complete and on page __ hereof, sign this Proof of Claim and Release. If you fail to file a properly addressed (as set forth in paragraph 3 below) Proof of Claim and Release, your claim may be rejected and you may be precluded from any recovery from the Settlement Fund created in connection with the proposed Settlement of the Class Action.
2. Submission of this Proof of Claim and Release, however, does not assure that you will share in the proceeds of the settlement of the Class Action.
3. YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE _____, 2005, ADDRESSED AS FOLLOWS:

Charter Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: 800/766-3330
516/931-0810
Website: www.berdonllp.com/claims

4. If you are a member of the Settlement Class and you do not timely request exclusion in connection with the proposed Settlement, you are bound by the terms of any judgment entered in the Class Action, WHETHER OR NOT YOU SUBMIT A PROOF OF CLAIM AND RELEASE.
5. If you are NOT a member of the Settlement Class (as defined in Part IV.B.12 below), DO NOT submit a Proof of Claim and Release Form.

CLAIMANT IDENTIFICATION

1. If you purchased or otherwise acquired Charter common stock and held the certificate(s) in your name, you are the beneficial owner as well as the record owner. If, however, you purchased or otherwise acquired these securities, and the certificate(s) were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial owner and the third party is the record owner.
2. Use Part I of this form entitled "Claimant Identification" to identify each owner of record, if different from the beneficial owner ("nominee") of Charter common stock which forms the basis of this claim. THIS CLAIM MUST BE FILED BY THE ACTUAL BENEFICIAL OWNER OR OWNER(S), OR THE LEGAL REPRESENTATIVE OF SUCH OWNER OR OWNER(S), OF THE STOCK UPON WHICH THIS CLAIM IS BASED.
3. All joint owners must sign this claim. Executors, administrators, guardians, conservators and trustees must complete and sign this claim on behalf of persons represented by them and their authority must accompany this claim and their titles or capacities must be stated. The Social Security (or taxpayer identification) number and telephone number of the beneficial owner may be used in verifying the claim. Failure to provide the foregoing information could delay verification of your claim or result in rejection of the claim.
4. A claimant whose stock was held in a custodian account under a Uniform Gift to Minors Act ("UGMA"), may file in his or her own name, if he or she is now of age. In this event, the former custodian does not have to sign the Proof of Claim. Custodians under the UGMA should identify themselves as beneficial purchasers, not nominees (e.g., John Smith, Custodian for Jack Smith UGMA). In this instance, use the minor's Social Security Number.
5. Corporate officers or partners filing for a claimant corporation or partnership should fill in the name of the entity as the beneficial purchasers, and sign their names and titles where indicated on the signature page.

TRANSACTION SCHEDULE INSTRUCTIONS FORM

1. Use Part II of this form entitled "Schedule of Transactions in Charter Common Stock," to supply all required details of your transaction(s) in these securities. If you need more space, attach separate, numbered sheets giving all of the required information in the same format. Print your name and Social Security or Taxpayer Identification number on the top of each additional sheet.
2. On the schedules, provide all of the requested information with respect to all of your purchases and all of your sales of Charter common stock which took place at any time between November 8, 1999 through and including August 16, 2002 (the "Settlement Class Period"), whether such transactions resulted in a profit or a loss. Failure to report all such transactions may result in the rejection of your claim.
3. List each transaction in the Settlement Class Period separately and in chronological order, by trade date, beginning with the earliest. You must accurately provide the month, day and year of each transaction you list.
4. The term "Price Per Share" means the amount paid for the securities or the amount realized on the sale of the securities (both exclusive of commissions and transfer taxes).
5. The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The date of covering a "short sale" is deemed to be the date of purchase of the security. The date of a "short sale" is deemed to be the date of sale of the security.
6. In processing claims, the first-in, first-out basis ("FIFO") will be applied to match purchases and sales.
7. No cash payment will be made on a claim where the potential distribution amount is \$10 or less.
8. You must attach COPIES of documentation supporting the trading activity listed in Part II in order for your claim to be valid. Use ONE of the following: brokerage confirmation slips or monthly statements, or similar documents to confirm the date of purchase or sale, the quantity purchased or sold, the price per share purchased or sold, and your ownership of Charter common stock on August 16, 2002. If such documents are not available, a complete list of acceptable supporting documentation can be found on the Claims Administrator's website at www.berdonllp.com/claims.
9. Any claim submitted that contains more than 50 transactions must be filed electronically on: (a) a 3 1/2 diskette; (b) a CD-ROM; or (c) ZIP media. The data must be provided in a spreadsheet (MS Excel 4.0) or in ASCII

fixed-length text files. For complete electronic filing instructions, please refer to the Claims Administrator's website at www.berdonllp.com/claims.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re Charter Communications, Inc. Securities Litigation

No. 4:02-CV-1186 CAS

PROOF OF CLAIM AND RELEASE

Must be Postmarked No Later Than:

_____, 2005

Please Type or Print

PART I: CLAIMANT IDENTIFICATION

Beneficial Owner's Name (First, Middle, Last)

Street Address

City State Zip Code

Foreign Province Foreign Country

Social Security Number or Individual
Taxpayer Identification Number Corporation/Other

Area Code Telephone Number (work)

Area Code Telephone Number (home)

Record Owner's Name (if different from beneficial owner listed above)

PART II: SCHEDULE OF TRANSACTIONS IN CHARTER COMMON STOCK

A) Separately list each and every purchase of Charter common stock during the period November 8, 1999 THROUGH August 16, 2002, and provide the following information (must be documented):

Trade Date (list chronologically) Month/day/Year	Number of Shares Purchased	Price Per Share (excluding commissions, taxes & fees)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(B) Separately list each and every sale of Charter common stock during the period November 8, 1999 THROUGH August 16, 2002, and provide the following information (must be documented):

Trade Date (list chronologically) Month/day/Year	Number of Shares Purchased	Price Per Share (excluding commissions, taxes & fees)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

(C) State the total number of shares of Charter common stock owned at the close of trading on August 16, 2002, long or short (must be documented):

IF YOU NEED ADDITIONAL SPACE, ATTACH THE REQUIRED INFORMATION ON SEPARATE, NUMBERED SHEETS, GIVING ALL REQUIRED INFORMATION, SUBSTANTIALLY IN THE SAME FORMAT, AND PRINT YOUR NAME AND SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER AT THE TOP OF EACH SHEET.

YOU MUST ALSO READ AND SIGN THE RELEASE ON PAGE _____,

PART III: SUBMISSION TO JURISDICTION OF COURT AND ACKNOWLEDGEMENTS

I (we) submit this Proof of Claim and Release under the terms of the Stipulation of Settlement described in the Notice. I (we) also submit to the jurisdiction of the United States District Court, Eastern District of Missouri with respect to my claim as a Settlement Class Member and for purposes of enforcing the release set forth herein and any Judgment which may be entered in the Class Action. I (we) further acknowledge that I (we) am (are) bound by and subject to the terms of any Judgment that may be entered in the Class Action.

I (we) agree to furnish additional information to the Claims Administrator to support this claim if required to do so.

PART IV: RELEASE

- A. I (we) hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, discharge and release (1) all Released Claims (including Unknown Claims) against all Released Class Action Parties, and (2) all claims (including Unknown Claims) against all Released Class Action Parties arising out of, relating to, or in connection with the defense or resolution of this lawsuit or the Released Claims.
- B. The terms used in this release are defined below:
1. "Arthur Andersen LLP" shall mean Defendant Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, and all of their past and present member firms, and all of their respective current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such persons or entities.
 2. "Charter" shall mean defendant Charter Communications, Inc., a Delaware corporation, and all of its predecessors, successors, present and former parents, subsidiaries, divisions, and related or affiliated entities.
 3. "Class Action Plaintiff" shall mean StoneRidge Investment Partners, LLC.

4. "Effective Date" shall mean the first date by which all of the events and conditions specified in Section IV, 10.2 of the Charter Stipulation of Settlement have been met and have occurred.
5. "Escrow Accounts" shall mean the interest-bearing escrow accounts to which the Settlement Cash will be transferred no later than five (5) business days after preliminary approval of the Settlement of the Class Action to be controlled by the Escrow Agents, and to which the Settlement Securities will be transferred after entry of Judgment.
6. "Judgment" shall mean the judgment to be rendered by the Court dismissing the Class Action with prejudice.
7. "Net Settlement Fund" shall mean the balance of the Settlement Fund after payment of all applicable costs, expenses, taxes, and fees, as dictated by the Stipulations of Settlement with Charter and Arthur Andersen LLP.
8. "Plan of Allocation" shall mean a plan or formula of allocation of the Net Settlement Fund which shall be described in the "Notice of Pendency and Proposed Settlement of Class Action" to be sent to Settlement Class Members in connection with the Settlement whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, any taxes, penalties or interest or tax preparation fees owed by the Escrow Account or the Settlement Fund, such attorneys' fees, costs, expenses and interest as may be awarded by the Court, and any Compensatory Award awarded by the Court to Class Action Plaintiff, as described in 5.1 of the Charter Stipulation of Settlement. Any Plan of Allocation is not part of the Stipulation.
9. "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined below, but excluding any claim between Charter and any current or former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in this or any other forum or proceeding, including, without limitation, claims for negligence, gross negligence, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent

misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, by or on behalf of the Class Action Plaintiff, the Settlement Class, or any Settlement Class Member against the Released Class Action Parties (as defined below) which are in any way based upon or related to (a) the purchase of, acquisition of, or investment in Charter common stock by any Settlement Class Member during the Settlement Class Period (whether on the open market or otherwise), (b) the facts, transactions, events, occurrences, acts, disclosures, statements, omissions or failures to act and/or to supervise Charter officers or employees which were or could have been alleged in the Class Action or the Shareholder Derivative Actions, (c) the facts which were alleged in any papers filed in the Class Action or in the Shareholder Derivative Actions, and/or (d) the administration of the Escrow Account and Settlement Fund, Net Settlement Fund or Plan of Allocation.

10. "Released Class Action Parties" shall mean each and every one of the following: (a) the Settling Class Action Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families, and (b) Arthur Andersen LLP. Released Class Action Parties does not include defendants Motorola, Inc., and Scientific Atlanta, Inc.
11. "Settlement Cash" shall mean the principal amount of \$66.25 million in cash, for and on behalf of the Settling Class Action Defendants, less the cost of notice, plus interest earned or accrued thereon.
12. "Settlement Class" shall mean all persons or entities that purchased or otherwise acquired Charter common stock during the period of November 8, 1999 through and including August 16, 2002. Excluded from the Class shall be the Class Action Defendants and their corporate affiliates; any officers or directors of Charter; or members of their immediate families, and their heirs, successors and assigns; and any entities controlled directly or indirectly by Paul G. Allen
13. "Settlement Class Member" or "Member of the Settlement Class" shall mean a Person who falls within the definition of the Settlement Class as set FORTH above.

14. "Settlement Class Period" shall mean the period from November 8, 1999 through and including August 16, 2002.
15. "Settlement Fund" shall mean the Settlement Cash and Settlement Securities.
16. "Settlement Securities" shall mean the \$40 million in common stock (subject to the adjustments set forth in 2.8 of the the Charter Stipulation of Settlement) and \$40 million in warrants to purchase common stock, to be issued by Charter pursuant to the Charter Stipulation of Settlement.
17. "Settling Class Action Defendants" shall mean Charter Communications, Inc., Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, and Arthur Andersen LLP (to the extent the Court approves the Settlement with Arthur Andersen LLP (the "Andersen Settlement") and the Andersen Settlement becomes Final pursuant to its terms).
18. "Settling Class Action Parties" shall mean Class Action Plaintiff, each Settlement Class Member, and Settling Class Action Defendants.
19. "Shareholder Derivative Actions" shall mean the shareholder derivative actions that have been brought on behalf of Charter shareholders in the United States District Court for the Eastern District of Missouri, entitled Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW, and in the Circuit Court for the City of St. Louis, entitled Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 044-0858, and consolidated as In re Charter Communications, Inc. Shareholder Derivative Litigation, Index No. 022-10625.
20. "Unknown Claims" shall mean any Released Claims which the Class Action Plaintiff or any Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Class Action Parties which,

if known by him, her or it, might have affected his, her or its settlement with and release of the Released Class Action Parties, or might have affected his, her or its decision not to object to, or opt out of, this settlement. With respect to any and all Released Claims, the Settling Class Action Parties stipulate and agree that, upon the Effective Date, the Class Action Plaintiff expressly waives and relinquishes, and the Settlement Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Class Action Plaintiff expressly waives and the Settlement Class Members shall be deemed to have waived, and upon the Effective Date and by operation of the Judgment shall have waived, any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Class Action Plaintiff and the Settlement Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Class Action Plaintiff does settle and release, and each Settlement Class Member shall be deemed to have, and upon the Effective Date and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, all Released Claims that are in any way based on or related to conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts.

- C. This release shall be of no force or effect unless and until, among other things, the Court enters the Judgment, and the Judgment becomes Final.

PART V: REPRESENTATIONS

I (we) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.

I (we) certify that I am (we are) not subject to backup withholding under the provisions of Section 3406(a) (1) (c) of the Internal Revenue Code.

NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, please strike out the word "Not" in the certification above.

I declare under penalty of perjury under the laws of the State of Missouri and the United States of America that the foregoing information supplied by the undersigned is true and correct and that this Proof of Claim and Release form was executed this ____ day of _____ in _____

(month) (year) (City, State, Country)

(Sign your name here)

(Type or print your name here)

(Capacity of persons signing, e.g., Beneficial Purchaser, Executor or Administrator)

ACCURATE CLAIMS PROCESSING TAKES A

SIGNIFICANT AMOUNT OF TIME

THANK YOU FOR YOUR PATIENCE

Reminder Checklist:

1. Please sign the above release and declaration.
2. Remember to attach only COPIES of your supporting documentation, a complete list of which can be found on the claims Administrator's website.
3. Do not send originals or copies of stock certificates.
4. Keep a copy of your completed claim form and documentation for your records.
5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested, or its equivalent. YOU WILL BEAR ALL RISKS OF DELAY OR NON-DELIVERY OF YOUR CLAIM.
6. If your address changes in the future, or if these documents were sent to an old or incorrect address, please send us written notification of your new address.
7. If you have any questions or concerns regarding your claim, please contact the Claims Administrator at:

Charter Securities Litigation
c/o Berdon Claims Administration LLC
P.O. Box 9014
Jericho, NY 11753-8914
Telephone: 800/766-3330
516/931-0810
Website: www.berdonllp.com/claims

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

IN RE CHARTER COMMUNICATIONS, INC.
SECURITIES LITIGATION

MDL DOCKET NO. 1506 (CAS)
ALL CASES

STONERIDGE INVESTMENT PARTNERS
LLC, Individually and On Behalf
of All Others Similarly Situated,

CONSOLIDATED CASE
NO. 4:02-CV-1186 CAS

Plaintiff,

SUPPLEMENTAL AGREEMENT

v.

[CONFIDENTIAL - NOT TO BE
FILED WITH THE COURT]

CHARTER COMMUNICATIONS, INC., PAUL
ALLEN, JERALD L. KENT, CARL E. VOGEL,
KENT KALKWARF, DAVID G. BARFORD, PAUL E.
MARTIN, DAVID L. McCALL, BILL SHREFFLER,
CHRIS FENGER, JAMES H. SMITH, III,
SCIENTIFIC-ATLANTA, INC., MOTOROLA, INC.
and ARTHUR ANDERSEN, LLP,

Defendants.

For the purposes of Paragraph 10.4 of the Stipulation of Settlement, dated as of January 24, 2005 (the "Stipulation") between Class Action Plaintiff and the Settling Class Action Defendants, the terms under which Charter Communications, Inc. (as defined in the Stipulation, "Charter") may withdraw from and terminate the Stipulation are as follows (capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Stipulation).

1. Charter, in its sole and absolute discretion, shall have the right, but not the obligation, to terminate the Settlement in the event that Settlement Class Members whose aggregate Potential Claims meet or exceed \$10 million delivered timely and otherwise valid requests for the exclusion from the Settlement Class. For purposes of this Supplemental Agreement, "Potential Claims" shall mean the aggregated difference between the price at which a Settlement Class Member purchased Charter common stock and either: (1) the price at which that Settlement Class Member sold that stock, if the stock was sold during the Settlement Class Period; or (2) the average of the daily trading price of Charter common stock, determined as of the close of the market each day, during the ninety-day period after the last day of the Settlement Class Period, if the stock was not sold before the end of the Settlement Class Period.

2. The Settling Class Action Parties will propose an order to be entered by the Court preliminarily approving the Settlement that shall provide that requests for exclusion shall be received by a date to be determined by the Court. Upon the receipt by the Claims Administrator of any request(s) for exclusion pursuant to the Notice, Class Action Plaintiff's Counsel shall promptly notify and provide copies to counsel for the Settling Class Action Defendants of such request(s) for exclusion.

3. If Charter elects to exercise the option set forth in paragraph 1 hereof, written notice of such election must be provided to Class Action Plaintiff's Counsel on or before five (5) business

days prior to the Settlement Hearing, provided, however, that Charter shall have a minimum of three (3) business days from receipt by its counsel of any request for exclusion to invoke its option set forth in paragraph 1 hereof.

4. In the event that Charter sends a written notice of its intent to terminate the Settlement pursuant to paragraph 3 hereof, Charter may withdraw its notice of intent to terminate the Settlement by providing written notice of such withdrawal to Class Action Plaintiff's Counsel no later than 5:00 P.M. Central Time on the day prior to the Settlement Hearing, or by such later date as shall be agreed upon in writing as between Class Action Plaintiff's Counsel and counsel for Charter.

5. If Charter elects to withdraw from the Settlement pursuant to this Supplemental Agreement, Class Action Plaintiff's Counsel may, within five (5) days of receipt of such notice of intention to withdraw from the Settlement (or such longer period as shall be agreed upon in writing between Class Action Plaintiff's Counsel and counsel for Charter), review the validity of any request for exclusion and may attempt to cause retraction or withdrawal of any request for exclusion. If, within the five (5) day period (or longer period agreed upon in writing), Class Action Plaintiff's Counsel succeeds in causing the filing of retractions or withdrawals of a sufficient number of requests for exclusion such that the aggregate Potential Claims held by the Settlement Class Members who submitted by the remaining requests for exclusion is less than \$10 million, then any withdrawal from the Stipulation by Charter shall automatically be deemed to be a nullity.

6. If Charter elects to withdraw from the Settlement in accordance with this Supplemental Agreement and such withdrawal is not nullified in accordance with paragraphs 4 or 5 of this Supplemental Agreement, the Settlement shall be withdrawn and terminated and deemed null and void, and the termination provisions of the Stipulation, including paragraphs 10.4 and 10.5 shall apply.

7. This Supplemental Agreement shall not be filed with the Court prior to the Settlement Hearing. The Parties shall seek to keep the terms of this Supplemental Agreement confidential before the deadline for submitting exclusion requests. Prior to the deadline for submitting exclusion requests, the substantive contents of this Supplemental Agreement may be brought to the attention of the Court (in camera, if so requested by the attorneys for any of the Settling Class Action Parties and permitted by the Court).

IN WITNESS WHEREOF, the Parties hereto have caused the Stipulation to be executed by their duly authorized attorneys dated as of _____, 2005.

DATED: _____ POMERANTZ HAUDEK BLOCK GROSS AND
GROSSMAN LLP

By: _____

Stanley M. Grossman, Esq.
Marc I. Gross, Esq.
100 Park Avenue, 26th Floor
New York, New York 10017
Telephone: (212) 661-1100
Facsimile: (212) 661-8665

POMERANTZ HAUDEK BLOCK GROSS AND
GROSSMAN LLP

Patrick V. Dahlstrom, Esq.
Leigh Handelman, Esq.
One North LaSalle Street, Suite 2225
Chicago, Illinois 60602-3908
Telephone: (312) 377-1181
Facsimile: (312) 377-1184

Attorneys for Class Action Plaintiff StoneRidge
Investment Partners LLC, Individually and On
Behalf of All Others Similarly Situated

LAW OFFICES OF WOLFF AND D'AGROSA
Donald L. Wolff, Esq.
Paul J. D'Agrosa, Esq.

8019 Forsyth Street
Clayton, Missouri 63105
Telephone: (314) 725-8019
Facsimile: (314) 277-1184

Liaison Counsel for the Settlement Class

DATED: _____

IRELL & MANELLA LLP

By: _____
David Siegel, Esq.
David A. Schwarz, Esq.
1800 Avenue of the Stars, Suite 900
Los Angeles, California 90067-4276
Telephone: (310) 277-1010
Facsimile: (310) 203-7199

Attorneys for Defendants Charter Communications,
Inc.

DATED: _____

THOMPSON COBURN LLP

By: _____
Roman P. Wuller, Esq.
Stephen B. Higgins, Esq.
One US Bank Plaza
St. Louis, Missouri 63101
Telephone: (314) 552-6199
Facsimile: (314) 552-7199

Attorneys for Defendants Charter Communications,
Inc.

DATED: _____

CHARTER COMMUNICATIONS, INC.

By: _____
Curtis S. Shaw, Esq.
Executive Vice-President, General Counsel and
Secretary, Defendant Charter Communications,
Inc.

12405 Powerscourt Drive
St. Louis, Missouri 63131
Telephone: (314) 965-0555
Facsimile: (314) 965-8793

DATED: _____

BRYAN CAVE, LLP

By: _____
Edward L. Dowd, Jr., Esq.
James F. Bennett, Esq.
One Metropolitan Square
211 North Broadway
St. Louis, Missouri 63102-2750
Telephone: (314) 259-2000
Facsimile: (314) 259-2020

Attorneys for Defendant Carl E. Vogel

DATED: _____

DORSEY & WHITNEY, LLP

By: _____
Peter S. Ehrlichman, Esq.
1420 Fifth Avenue
Suite 3400
Seattle, Washington 98101
Telephone: (206) 903-8825
Facsimile: (206) 903-8820

Attorneys for Defendant Paul G. Allen

DATED: _____

FOSTER PEPPER & SHEFELMAN PLLC

By: _____
Timothy J. Filer, Esq.
1111 Third Avenue
Suite 3400
Seattle, Washington 98101
Telephone: (206) 447-4400
Facsimile: (206) 447-9700

Attorneys for Defendant Paul G. Allen

DATED: _____

PAUL, HASTINGS, JANOFSKY & WALKER LLP

By: _____
Grace A. Carter, Esq.
John A. Reding, Esq.
55 Second Street
24th Floor
San Francisco, California 94105
Telephone: (415) 856-7000
Facsimile: (415) 856-7100

Attorneys for Defendant Jerald L. Kent

DATED: _____

CAPES SOKOL GOODMAN & SARACHAN

By: _____
David V. Capes, Esq.
S. Todd Hamby, Esq.
7701 Forsyth Boulevard
Suite 400
Clayton, Missouri 63105
Telephone: (314) 721-7701
Facsimile: (314) 721-0554

Attorneys for Defendants Chris Fenger and Bill Shreffler

DATED: _____

SNELL & WILMER

By: _____
John Roche, Esq.
1200 17th Street
Suite 1900
Denver, Colorado 80202
Telephone: (303) 634-2000
Facsimile: (303) 634-2020

Attorneys for Defendant James H. Smith, III

DATED: _____

GREENSFELDER, HEMKER & GALE, P.C.

By: _____
Jeffrey T. Demerath, Esq.
2000 Equitable Building
10 South Broadway
St. Louis, Missouri 63102
Telephone: (314) 241-9090
Facsimile: (314) 241-8624

Attorneys for Defendant David G. Barford

DATED: _____

HAAR & WOODS, LLP

By: _____
Robert T. Haar, Esq.
1010 Market Street, Suite 1620
St. Louis, Missouri 63101
Telephone: (314) 241-2224
Facsimile: (314) 241-2227

Attorneys for Defendant Kent D. Kalkwarf

DATED: _____

BURROUGHS, HEPLER, BROOM, MACDONALD, HEBRANK & TRUE

By: _____
Theodore J. MacDonald, Jr., Esq.
103 W. Vandalia Street, Suite 300
Edwardsville, Illinois 62025-0510
Telephone: (618) 656-0184
Facsimile: (618) 656-1364

Attorneys for Defendant Paul E. Martin

DATED:

SENNIGER, POWERS, LEAVITT & ROEDEL

By: _____
David H. Harlan, Esq.
One Metropolitan Square, 16th Floor
St. Louis, Missouri 63102
Telephone: (314) 231-5400
Facsimile: (314) 231-4342

Attorneys for Defendant David L. McCall

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release ("Agreement") is made by and among Charter Communications, Inc. ("Charter"), Paul Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James Smith III, Ronald L. Nelson, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Larry W. Wangberg (collectively, excluding Charter, the "Individual Insureds") on the one hand, and Certain Underwriters at Lloyd's of London and subscribers subscribing to the policies numbered 823/FD9901194 and 823/FD9901193 ("Underwriters") on the other hand. Charter and the Individual Insureds shall be collectively referred to herein as the "Charter Insureds." Each of the Charter Insureds and Underwriters shall be referred to herein as a "Party" and collectively as the "Parties." The "Effective Date" of this Agreement is January 24, 2005.

RECITALS

WHEREAS, Underwriters issued excess directors and officers and company reimbursement policies numbered 823/FD9901194 for the policy period from October 14, 1999 to October 14, 2002; and 823/FD9901193 for the policy period from October 14, 1999 to October 14, 2002 (collectively, the "Policies"); and

WHEREAS, Charter and certain of the Individual Insureds were named as defendants in the following actions:

- - In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (All Cases), StoneRidge Investments Partners, v. Charter Communications, Inc., et al., Consolidated Case No. 4:02-CV-1186-CAS in the United States District Court of the Eastern District of Missouri (the "Federal Securities Class Action")

- - Stacey v. Nelson, et al, case no.: 022-10625, consolidated in the Circuit Court of the State of Missouri in and for the City of St. Louis with Cane v. Nelson, et al., case no.: 022-11450 and Schimmel v. Nelson, et al, case no.: 044-0858 (the "State Derivative Action")
- - Cohn v. Nelson, et al., case no.: 4:03CV00177, in the United States District Court of the Eastern District of Missouri (the "Federal Derivative Action", and collectively with the State Derivative Action, the "Derivative Actions")

The foregoing actions are referred to collectively herein as the "Actions"; and

WHEREAS, Charter and certain of the Individual Insureds have been and/or are the subject of investigations and/or have been indicted or have plead guilty pursuant to those investigations by the following entities: the Securities and Exchange Commission ("SEC") and the United States Attorney's Office ("USAO"). The foregoing investigations, together with any related indictments or convictions of Charter and/or the Individual Insureds, are referred to collectively herein as the "Investigations"; and

WHEREAS, Charter and certain of the Individual Insureds were named as defendants in the following actions:

Eleanor Leonard, et al. v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc.

Helene Giarraputo, et al. v. Paul G. Allen, Carl E. Vogel, Marc B. Nathanson, Ronald L. Nelson, Nancy B. Peretsman, William Savoy, John H. Tory, Larry W. Wangberg, and Charter Communications, Inc.

Ronald D. Wells, Whitney Counsel and Mann Varghese, et al. v. Charter Communications, Inc., Ronald Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William Savoy, John H. Tory, Carl E. Vogel, Larry W. Wangberg

Gilbert Herman, et al. v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc.

Stephen Noteboom, et al. v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc.

John Fillmore, et al. v. Paul G. Allen, Larry W. Wangberg, John H. Tory, Carl E. Vogel, Marc B. Nathanson, Nancy B. Peretsman, Ronald L. Nelson, William Savoy, and Charter Communications, Inc.

Hereinafter referred to as the "Delaware Going Private Derivative Matter"; and

WHEREAS, by letter dated October 13, 2003, Underwriters were provided notice of facts and circumstances "that may give rise to a claim by a shareholder or note holder of Charter Communications, Inc. or one of its subsidiaries, or by any other person or entity, arising out of the ownership of certain interests in CC VIII, LLC, an indirect limited liability company subsidiary of CCI, which has been described as the Bresnan put situation" in certain of Charter's four prior quarterly statements (hereinafter referred to as the "October 13, 2003 Bresnan Put Option Notice"); and

WHEREAS, the Charter Insureds tendered the Actions, the Investigations, the Delaware Going Private Derivative Matter and the October 13, 2003 Bresnan Put Option Notice to Underwriters claiming coverage under the Policies and seeking indemnity therefor; and

WHEREAS, Underwriters have asserted claims and/or reserved such claims against Charter that, because of actions and/or inactions by the Charter Insureds, Underwriters are not required to provide coverage to the Charter Insureds for any of the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice and asserted and/or reserved claims against Charter for recoupment of any defense fees or other payments made in respect of non-covered Loss, ("Underwriters' Claims"); and

WHEREAS, Charter has sought recovery under the Policies of legal fees and costs totaling more than \$11 million that have been advanced by Charter, or which it currently is obligated to advance on behalf of itself and/or the Individual Insureds in respect of the Actions and the Investigations, and Underwriters have declined to reimburse such amounts based upon Underwriters' Claims and other defenses and arguments as to such fees and costs ("Fee and Cost Dispute"); and

WHEREAS, Charter has two separate presently existing disputes with Underwriters wherein: (i) Charter contends that Underwriters failed to provide required notice of non-renewal of the Policies and that Charter is therefore entitled to renew the Policies for another term, and (ii) Charter contends that if it is not entitled to renew the Policies it has properly elected the Discovery Period under the Policies, (collectively, the "Insurance Disputes"); and

WHEREAS, certain of the Charter Insureds and the Lead Plaintiff for the class in the Federal Securities Class Action, StoneRidge Investment Partners, LLC, have entered into a Memorandum of Understanding ("Federal Class MOU"), dated August 5, 2004 and attached hereto as Exhibit A, relating to a settlement of the Actions and are in continuing negotiations with respect to a final settlement agreement that will provide for the settlement of the Federal Securities Class Action (the "Federal Class Settlement"); and

WHEREAS, certain of the Charter Insureds and plaintiffs in the Derivative Actions, have entered into a Memorandum of Understanding (the "Derivative MOU"), dated August 5, 2004 and attached hereto as Exhibit B, relating to a settlement of the Derivative Actions and are in continuing negotiations with respect to a final settlement agreement that will provide for the settlement of the Derivative Actions (the "Derivative Settlement", and collectively with the Federal Class Settlement, the "Settlements"); and

WHEREAS, the Charter Insureds have incurred, and may incur in the future, Loss in connection with the Actions, the Investigations, the Delaware Going Private Derivative Matter and the October 13, 2003 Bresnan Put Option Notice, including without limitation, attorneys' fees, costs and expenses in defending the Actions and the Investigations and payment of the Settlements; and

WHEREAS, the Charter Insureds and Underwriters desire to settle any disputes between them which they now have or may later have regarding coverage under the Policies in connection with the Actions, the Investigations, the Delaware Going Private Derivative Matter and the October 13, 2003 Bresnan Put Option Notice;

NOW, THEREFORE, in consideration of the mutual promises, covenants, obligations, agreements, and other undertakings set forth herein, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree by and among themselves, each with the other, as follows:

AGREEMENT

1 PAYMENTS.

1.1 PAYMENTS BY UNDERWRITERS.

1.1.1 SETTLEMENT PAYMENT. Within five (5) business days after the Court's preliminary approval of the Settlements, Underwriters shall pay not less than \$39 million (the "Settlement Payment") via wire transfer to an interest-bearing escrow account (the "Escrow Account") to be jointly controlled by Charter, on the one hand, and counsel for the Class Action Plaintiff and/or the Settlement Administrator (used herein as those terms are defined in the Federal Class MOU), on the other hand, for the benefit of the Class Members and with all interest to accrue for the benefit of Class Members, as long as court approval of the Settlements becomes Final (used herein as that term is defined in the Federal Class

MOU). The foregoing payment shall be referred to herein as the "Settlement Payment." The wire transfer instructions are attached hereto as Exhibit C.

1.1.1.a In the event of court approval of the Settlements becoming Final, and subject to the other terms by which the Settlements shall be deemed Final, the monies in the Escrow Account, including the Settlement Payment, shall be released for the benefit of the Class Members, and neither Charter nor Underwriters shall have any further supervisory responsibility with respect to the Escrow Account.

1.1.1.b In the event court approval of the Settlements and this Agreement does not become Final, the Settlement Payment, including any interest earned thereon, shall be returned to Underwriters within seven (7) business days, net of any related settlement costs.

1.1.2 DEFENSE FUND PAYMENT. Within five (5) business days from the date of the Court's preliminary approval of the Settlements, Underwriters shall pay via wire transfer their full \$50 million of limits under the Policies, net of the Settlement Payment and any prior payments of Defense Costs (as that term is defined by reference in the Policies) by Underwriters in respect of the Actions, the Investigations, the Delaware Going Private Derivative Matter and the October 13, 2003 Bresnan Put Option Notice to a trust account controlled by Charter for the benefit of Charter (the "Defense Fund") (the "Defense Fund Payment").

1.1.2.a In the event court approval of the Settlements and this Agreement does not become Final, the Defense Fund Payment, including any interest earned thereon, shall be returned to Underwriters within seven (7) business days, net of any Defense Costs paid therefrom in relation to the Actions, the Investigations, the Delaware

Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice. The Parties agree that any Defense Costs paid to or on behalf of any of the Charter Insureds and any Defense Costs paid from the Defense Fund and retained by the Charter Insureds constitute advancements of Defense Costs advanced under a full reservation of rights, and that Underwriters' right to seek or make a claim for reimbursement of those Defense Costs is fully preserved.

1.1.3 The failure by Underwriters to pay any of the Settlement Payment or the Defense Fund Payment under any of the foregoing terms shall render any release of Underwriters herein voidable at Charter's sole and absolute discretion.

1.2 PAYMENT BY CHARTER. In consideration of the release of claims relating to the Underwriters' Claims, the Fee and Cost Dispute, and the Insurance Dispute, five (5) business days after entry of the Final Order (used herein as that term is defined in the Federal Class MOU), or an Order approving the award of fees and costs to counsel for class members, whichever is later (the "Final Valuation Date"), Charter shall cause to issue to the Law Firm of Hanson Peter Nye, for the benefit of Underwriters, shares of Charter Class A common stock having an aggregate value of \$5 million (the "Settlement Shares"), to be determined as follows: The number of shares to be issued shall be determined by dividing \$5 million by the weighted average of the closing price of Charter's Class A common stock for the thirty (30) calendar days prior to the date of the Final Valuation Date (the "Judgment Valuation"). In the event that on the date the Final Order is entered by the Court the aggregate value of the Original Number of Shares, based upon the weighted average of the closing price of Charter's common stock for the thirty (30) calendar days prior to the Final Valuation Date (the "Judgment Valuation"), is less than \$5 million, Charter shall contribute sufficient shares to create \$5 million of value based on the Judgment Valuation.

2.1 RELEASE BY THE CHARTER INSUREDS. Upon Underwriters' payment of the Settlement Payment and Defense Fund Payment, but subject to Section 3.1, each of the Charter Insureds, and, to the full extent of the Charter Insureds' authority to do so, each of their former and present owners, officers, directors, shareholders, employees, subsidiaries, affiliates, parents, predecessors, successors, heirs, insurers, reinsurers, agents, insurance brokers, administrators, trustees, executors, representatives, former or present dependents, spouses, partners, principals, attorneys and other legal representatives and assigns (the "Insured Releasers"), do forever release and absolutely and forever discharge and covenant not sue Underwriters and each of their past, present and future businesses, affiliates, parents, subsidiaries, joint venturers, assigns, trustees, owners, principals, officers, directors, shareholders, agents, employees, independent contractors, attorneys, and representatives, and each of them (collectively, the "Insurer Releasees"), of and from any and all liability, claims, defenses, causes of action, obligations, duties, penalties, attorneys' fees, costs, damages, injuries, or liabilities of any nature whatsoever, whether based on contract, tort, statute or other legal or equitable theory of recovery, whether now known or unknown, whether foreseen or unforeseen, whether past, present or future, which the Insured Releasers have, claim to have had, or otherwise may have in connection with, in any way relating to, arising out of, directly or indirectly resulting from or in consequence of: (a) the Policies, including, but not limited to costs, defense, Defense Costs, indemnity or any other payments, services or benefits under any of the Policies or which otherwise relate to any of the Policies; (b) the Fee and Cost Dispute; (c) the Insurance Disputes; (d) Underwriters' Claims; (e) the Actions; (f) the Investigations; (g) the Delaware Going Private Derivative Matter; (h) the October 13, 2003 Bresnan Put Option Notice; (i) the claims made or which

could have been made in the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice; (j) any notice of claim or notice of potential claim under any of the Policies; (k) any cost, expense, fee, or other expenditure of funds or forgiveness of debt or any other financial transaction relating directly or indirectly to the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice; or (1) any notice of claim or notice of potential claim under any of the Policies. Such release shall include, without limitation: (1) any claims for breach of the Policies; (2) any claims relating to the tender of any of the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice or the investigation thereof by Underwriters; (3) any claims relating to Underwriters' Claims, the Fee and Cost Dispute, or the Insurance Disputes; (4) any claims relating to or in any way involving Underwriters' payment of any of the Charter Insureds' Defense Costs; (5) any claims for breach of any implied covenant of good faith and fair dealing, bad faith, breach of promise, whether oral or written, breach of any duty, whether grounded in law or in contract, and any claims for indemnity, contribution or subrogation, which relate in any way to the Policies, or which otherwise arise out of claims made or which could have been made in the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice, including the claims for insurance coverage made by the Insured Releasers against Underwriters under the Policies. Nothing herein is to be construed as an intent by the Insured Releasers to release any other insurance company or any reinsurers of any such other insurance company, even if such reinsurer is the same reinsurer of any of the Insurer Releasees. Notwithstanding anything else in this Agreement, the Insured Releasers are not releasing the Insurer Releasees, or any of them, from any duties or obligations under

this Agreement. Except for the Policies and the matters addressed in clause 2.1, nothing herein is intended to modify any of the terms or conditions of any other insurance policies issued by any of the Insurer Releasees to any of the Insured Releasees at any time.

2.2 RELEASE BY UNDERWRITERS. Upon Charter's issuance of the Settlement Shares, but subject to Section 3.1, Underwriters forever release and absolutely and forever discharge and covenant not to sue each of the Charter Insureds and each of their past, present and future businesses, affiliates, parents, subsidiaries, joint venturers, assigns, trustees, owners, principals, officers, directors, shareholders, agents, employees, independent contractors, attorneys, insurers, reinsurers, representatives, spouses, estates, heirs, executors, and each of them (collectively, the "Insured Releasees"), of and from any and all liability, claims, defenses, causes of action, obligations, duties, penalties, attorneys' fees, costs, damages, injuries, or liabilities of any nature whatsoever, whether based on contract, tort, statute or other legal or equitable theory of recovery, whether now known or unknown, whether past, present or future, which Underwriters have, claim to have had, or otherwise may have in connection with, in any way relating to, arising out of, directly or indirectly resulting from or in consequence of: (a) the Policies or (b) the claims made or which could have been made in the Actions or the Investigations. Such release shall include, without limitation: (1) any claims for breach of the Policies; (2) any claims relating to the tender of any of the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice or the investigation thereof by Underwriters; (3) any claims relating to any payments made under the Policies, including, without limitation, the Settlement Payment, the Defense Fund Payment and any interest earned thereon; (4) any claims relating to Underwriters' Claims, the Fee and Cost Dispute, or the Insurance Disputes; and (5) any claims for breach of any implied covenant of

good faith and fair dealing, bad faith, breach of promise, whether oral or written, breach of any duty, whether grounded in law or in contract, and any claims for indemnity, contribution or subrogation, which relate in any way to the Policies, or which otherwise arise out of claims made or which could have been made in the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice, including the claims for insurance coverage made by the Charter Insureds against Underwriters under the Policies. Notwithstanding anything else in this Agreement, Underwriters are not releasing the Insured Releasees, or any of them, from any duties or obligations under this Agreement. Except for the Policies and the matters addressed in clause 2.2, nothing herein is intended to modify any of the terms or conditions of any other insurance policies issued by Underwriters to any of the Insured Releasees at any time.

2.3 ALL CLAIMS INCLUDED. With respect to the claims specifically released herein the Parties agree that this Agreement includes all claims of every kind and nature, past and present, known or unknown, suspected or unsuspected relating to the Policies, including any claims pertaining to payment of Defense Costs, the purported reinstatement of the Policies, and/or the claims made or which could have been made in the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice. As it pertains to such released claims, the Parties hereby expressly waive any and all rights and benefits conferred upon them by the provisions of Section 1542 of the California Civil Code and all similar provisions of the laws of any other State, Territory or other jurisdiction. Section 1542 reads in pertinent part:

"A general release does not extend to claims that the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Parties each hereby acknowledge that the foregoing waiver of the provisions of Section 1542 of the California Civil Code and all similar provisions of the laws of any other State, Territory or other jurisdiction was separately bargained for and that they would not enter into this Agreement unless it included a broad release of all unknown claims relating to the Policies and/or the claims made or which could have been made in the Actions, the Investigations, the Delaware Going Private Derivative Matter or the October 13, 2003 Bresnan Put Option Notice, including specifically any claim of fraud or misrepresentation in the inducement of this Agreement. The Parties each expressly agree that all release provisions in this Agreement shall be given full force and effect in accordance with each and all of their express terms and provisions, including those terms and provisions relating to unknown, unsuspected or future claims, demands and causes of action. The Parties each assume for themselves the risk of the subsequent discovery or understanding of any matter, fact or law, that if now known or understood, would in any respect have affected his, her or its entering into this Agreement.

2.4 POLICY OF NO FURTHER FORCE OR EFFECT. The Insured Releasors acknowledge and agree that the Insured Releasors surrender, renounce, relinquish, waive, and bargain away any and all past, present or future claims or rights (regardless of when such claims or rights may accrue and whether such claims or rights are currently known, unknown, foreseeable, or unforeseeable to or by the Insured Releasors, Underwriters or any other person) to any further Defense Costs, indemnity, loss, or other payments or services under or by virtue of the coverages or rights provided, or alleged to be provided, by the Policies. The Insured Releasors agree that Underwriters have no further liability whatsoever related to the Policies, and will never have any liability whatsoever related to the Policies. The Insured Releasors acknowledge and agree that in consideration of the payments made and to be

made by Underwriters as set forth herein, and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the Policies are of no further force or effect whatsoever, and that the Policies are without legal force or effect and that the Policies afford no coverage for any current or future claims asserted by the Insured Releasors against Underwriters, including, but not limited to, Defense Costs, the Action, the Investigations, the Delaware Going Private Derivative Matter, the October 13, 2003 Bresnan Put Option Notice, the Fee and Cost Dispute, the Insurance Disputes and Underwriters' Claims.

3 CONTINGENCIES.

3.1 The Parties hereto agree that this Agreement, which shall be submitted to the Court for approval, is contingent upon the execution of the Settlements and court approval of the Settlements and this Agreement becoming Final, including, without limitation, approval of the issuance of the Settlement Shares in exchange for the release by Underwriters of claims relating to the Underwriters' Claims, the Fee and Cost Dispute, and the Insurance Disputes as provided in Section 1.2 hereof, and the Court's determination that the terms and conditions of such exchange are fair to all relevant parties, including without limitation Underwriters. Charter intends to advise the Court that it will rely on the exemption provided in Section 3(a)(10) of the Securities Act of 1933, as amended (the "Act") and to seek approval of such exemption, based on the Court's approval of this Agreement and the exchange contemplated hereby. Underwriters acknowledge that they may attend the hearing at which the Court considers the Agreement and the fairness of the exchange, and Charter shall give Underwriters adequate notice as to the date, time and place of the hearing.

3.2 This Agreement shall become null and void, and, with the exception of paragraphs 1.1.1.b. and 1.1.2.a, the rights and obligations between the parties hereto shall be such as if this Agreement never existed if: (a) the Settlements do not become Final or otherwise do not become effective; (b) the Settlements, or any relevant part thereof, are declared null and void in a manner that materially frustrates the purpose of this Agreement or (c) the court approval of this Agreement does not become Final.

4 WARRANTIES.

4.1 The Parties, and each of them, represent and warrant that in executing this Agreement they rely solely upon their own judgment, belief and knowledge, and the advice and recommendations of their own independently selected counsel, concerning the nature, extent and duration of their rights and claims hereunder and regarding all matters which relate in any way to the subject matter hereof, and that, except as provided herein, they have not been influenced to any extent whatsoever in executing this Agreement by any representations, statements or omissions pertaining to any of the foregoing matters by any party or by any person representing any party to this Agreement. The Parties, and each of them, further represent and warrant to each other that he, she or it has made such investigation of the facts pertaining to the settlement, this Agreement and all of the matters pertaining thereto, as he, she or it deems necessary. Each Party assumes the risk of mistake as to facts or law.

4.2 The Charter Insureds each represent and warrant that they have not made any assignment of any of their purported claims or demands under the Policies to any person or entity.

4.3 The Charter Insureds each represent and warrant that there are no attachments, executions, assignments for the benefit of creditors, or voluntary or involuntary

proceedings in bankruptcy or under any other debtor relief laws contemplated by or pending or threatened against them.

4.4 Each person and entity executing this Agreement on behalf of any other person or entity does hereby personally represent and warrant to the other Parties that he or she has the authority to execute this Agreement on behalf of, and fully bind, each principal which such person represents or purports to represent.

4.5 The Parties, and each of them, warrant and represent to each other that he, she or it has carefully read the contents of this Agreement, and this Agreement is signed freely by each person executing this Agreement on behalf of each of the Parties. The Parties, and each of them, further represent and warrant to each other that he, she or it has made such investigation of the facts pertaining to the settlement, this Agreement and all of the matters pertaining thereto, as it deems necessary.

4.6 The Parties, and each of them, warrant and represent to each other that they retain the sole right to and ownership of all rights, title and interest in and to every claim they release herein and that they have not assigned, committed, or permitted, or agreed to any sale, encumbrance, hypothecation or transfer, whether by operation of law or otherwise, or otherwise transferred any interest in any of the claims they release herein to any other person or entity.

5 CONFIDENTIALITY.

5.1 The Parties agree, as part of the inducement to enter into this Agreement that the terms and provisions of this Agreement shall be, and remain, strictly confidential as provided in this Section 5.1. Accordingly, neither this Agreement, nor any of its terms, shall be disclosed, published or in any way used in any proceeding, except: (a) in any proceeding seeking court approval of this Agreement or the Settlements; (b) in any action or proceeding

where the existence or terms of the Agreement are at issue, or where one of the Parties is seeking enforcement of this Agreement; (c) as required by law, regulation or court order; (d) to any member, subsidiary, affiliate, associated, or parent companies of the Parties and their counsel; (e) by written consent of the Parties hereto, such consent not to be unreasonably withheld; and (f) to insurers or prospective insurers of any of the Charter Insureds or the reinsurers or prospective reinsurers of Underwriters. Subject to Section 3.1 above, if this Agreement or its terms are sought to be disclosed pursuant to any of subparagraphs (a)-(f) above, the Party seeking to disclose such information shall first advise the intended recipient(s) of the provisions of this section, and such intended recipient(s) shall agree in writing to be bound by the terms of this section prior to any disclosure to such intended recipient(s). If this Agreement or its terms are disclosed to or filed with a court or arbitrator, any such disclosure or filing shall be made under seal, if and as permitted by the court or arbitrator.

6 MISCELLANEOUS.

6.1 INTEGRATION. This Agreement and attachments incorporated herein contains the entire agreement between and among the Parties relating to the Policies, the Actions and the Investigations, and all prior or contemporaneous agreements, understandings, representations and statements, oral or written, relating to those matters are merged into this Agreement.

6.2 GOVERNING LAW. This Agreement is governed by Missouri law, without regard to Missouri's conflict of law principles.

6.3 ARBITRATION. Any and all disputes that may arise regarding this Agreement shall be subject to arbitration in St. Louis, Missouri in accordance with the rules and procedures of the American Arbitration Association.

6.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties set forth in this Agreement shall be deemed continuing and shall survive the Effective Date of this Agreement.

6.5 FURTHER ASSURANCES. The Parties agree to execute such other documents and take such actions as may reasonably be necessary to further the purpose of this Agreement.

6.6 No BENEFIT TO NON-SETTLING PARTIES. Except as expressly provided herein, this Agreement shall not confer any right or benefit upon, or release from liability any person who is not a party to this Agreement.

6.7 NO ADMISSIONS. None of the Parties have made, nor shall they be deemed to have made, any admission of any kind by their negotiation of or entry into this Agreement. Neither this Agreement nor any provision contained herein shall be construed by any person as an admission by any of the Parties of any liability for, related to or arising out of any of the claims released herein or any other claims of any other nature. The Parties are entering into this Agreement for the purpose of resolving disputed issues between them and to avoid the costs and risks of litigation.

6.8 COUNTERPART ORIGINALS. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one agreement. Facsimile signatures shall be considered the same as originals.

6.9 BINDING EFFECT. This Agreement binds and inures to the benefit of the Parties, their assigns, heirs, administrators, executors, representatives, beneficiaries and successors, and each of them.

6.10 MODIFICATION. This Agreement cannot be modified or amended except by written agreement signed on behalf of each of the Parties.

6.11 AUTHORITY TO SIGN. Each of the persons signing this Agreement declares and represents that the Party for which he or she is signing has taken all necessary action to approve the making and performance of this Agreement, that he or she is competent to execute this instrument and that he or she is duly authorized, and has the full right and authority, to execute this Agreement on such Party's behalf.

6.12 SEVERABILITY. Provided the remainder of this document does not frustrate the purpose and intent of the law and the Parties in entering into this Agreement, in the event that any portion of this Agreement shall be judicially determined to be invalid or unenforceable to any extent, the same shall to that extent be deemed severable from this Agreement and the invalidity or unenforceability thereof shall not affect the validity and enforceability of the remaining portion of this Agreement.

IN WITNESS WHEREOF, the parties, and each of them, hereby execute this Settlement Agreement and Mutual Release in consideration of the mutual promises made herein, as of the dates indicated below.

APPROVED AND AGREED TO:

CERTAIN UNDERWRITERS AT
LLOYD'S OF LONDON

Dated: _____

By: /s/ Keith Hanson

CHARTER COMMUNICATIONS, INC.

Dated: 2/1/05

By: /s/ Lawrence G. Christopher

VICE PRESIDENT
CHARTER COMMUNICATIONS, INC.

Dated: _____

By: /s/ Paul Allen

Paul Allen

Dated: 2/1/05

/s/ Jerald L. Kent

Jerald L. Kent

Dated: January 31, 2005

/s/ Carl E. Vogel

Carl E. Vogel

Dated: 1/27/05

KentKalkwarf

KentKalkwarf

Dated: 1-28-05

/s/ David G. Barford

David G. Barford

Dated: 1-31-05

/s/ Paul E. Martin

Paul E. Martin

Dated: 1-28-05

/s/ David L. McCall

David L. McCall

Dated: 1/27/05

/s/ Bill Shreffler

Bill Shreffler

Dated: 1.28.05

/s/ Chris Fenger

Chris Fenger

Dated: 1/26/05

/s/ James H. Smith

James H. Smith

Dated: 1/31/05

/s/ Ronald L. Nelson

Ronald L. Nelson

Dated: _____

/s/ Marc B. Nathanson

Marc B. Nathanson

Dated: _____

/s/ Nancy B. Peretsman

Nancy B. Peretsman

Dated: 1/31/05

/s/ William D. Savoy

William D. Savoy

Dated: _____

/s/ John H. Tory

John H. Tory

Dated: _____

/s/ Larry W. Wangberg

Larry W. Wangberg

Dated: _____

/s/ Marc B. Nathanson

Marc B. Nathanson

EXECUTION COPY

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ARTHUR J. COHN, Derivatively on Behalf of
Nominal Defendant CHARTER
COMMUNICATIONS, INC.,

Plaintiffs,

v.

RONALD L. NELSON, PAUL G. ALLEN,
MARC B. NATHANSON, NANCY B.
PERETSMAN, WILLIAM D. SAVOY, JOHN H.
TORY, CARL E. VOGEL, and LARRY W.
WANGBERG,

No. 4:03-CV-00177-ERW

Defendants,

and

CHARTER COMMUNICATIONS, INC.,

Nominal Defendant.

STIPULATION OF SETTLEMENT

This Stipulation of Settlement (the "Stipulation"), dated as of January 24, 2005, is made and entered into by and among the following parties, by and through their respective counsel of record: (1) the Settling Derivative Plaintiffs (as defined below), on behalf of themselves and derivatively on behalf of Charter Communications, Inc. ("Charter" or the "Company," as defined below); (2) the Settling Derivative Defendants (as defined below); and (3) Arthur Andersen LLP (as defined below, "Andersen") (collectively, and as defined below, the "Settling Derivative Parties"). The Settlement set forth in this Stipulation (the

"Settlement") is intended by the Settling Derivative Parties to fully, finally and forever resolve, discharge and settle the Released Claims (as defined below), upon and subject to the terms and conditions hereof.

I. THE DERIVATIVE ACTIONS AND RELATED LITIGATION

1. BACKGROUND

Charter is a broadband communications company. The Company provides analog video, digital video, cable modem, and telephony services to more than 6 million customers residing in 37 different states. Charter is headquartered in St. Louis, Missouri. Andersen served as Charter's outside auditor for fiscal years 1999-2001.

On July 18, 2002, a Merrill Lynch analyst issued a report that questioned several of Charter's accounting practices, including the capitalization of certain customer service representative costs. The following day, the price of Charter's common stock declined from \$4.06 per share to \$3.50 per share.

On August 16, 2002, Charter announced that the U.S. Attorney's Office for the Eastern District of Missouri had initiated a grand jury investigation into certain of Charter's operations. The day after this announcement, the price of Charter's common stock declined from \$2.71 per share to \$2.53 per share.

On April 1, 2003, Charter announced that it was restating its financial reports for 2000 and 2001, and the first three quarters of 2002.

On July 24, 2003, a Grand Jury indicted David G. Barford, Kent Kalkwarf, David L. McCall, and James H. Smith, III for a conspiracy allegedly carried out from May 2001 through March 2002 to inflate Charter's subscriber numbers and subscriber growth numbers. It further charged Messrs. Barford and Kalkwarf with causing Charter to enter into allegedly sham agreements with Scientific-Atlanta, Inc. ("Scientific-Atlanta") and Motorola, Inc. ("Motorola") in the Fall of 2000. Messrs. McCall, Barford, Smith, and Kalkwarf pled guilty to one count of conspiracy to commit wire fraud.

On July 27, 2004, the Securities and Exchange Commission ("SEC") filed an Order Instituting Cease-And-Desist Proceedings, Making Findings, And Imposing A Cease-And-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (the "SEC Order") on the consent of Charter, which neither admitted nor denied the allegations therein, regarding certain subscriber count practices and accounting for certain agreements with Motorola and Scientific-Atlanta. The SEC Order did not allege any wrongdoing regarding Charter's accounting, except with respect to the agreements with Motorola and Scientific-Atlanta.

2. THE DERIVATIVE ACTIONS

On or after September 12, 2002, three shareholder derivative actions were filed in the Circuit Court for the City of St. Louis (the "State Court"), captioned Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L.

Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel v. Paul Allen, et al., and Charter Communications, Inc., No. 044-00858 (the "State Court Derivative Actions"). On December 17, 2002, the Court granted Stacey and Cane's motion to: (1) consolidate the State Court Derivative Actions; and (2) appoint Schiffrein & Barroway, LLP, as Lead Counsel in the State Court Derivative Actions.

On February 12, 2003, a shareholder derivative action was filed in the United States District Court for the Eastern District of Missouri, captioned Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW (the "Federal Court Derivative Action," and together with the State Court Derivative Actions, the "Derivative Actions").

The Complaints in the Derivative Actions named as defendants the following former and/or current officers and members of Charter's Board of Directors: Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg. The Complaints in the State Court Derivative Actions also named Andersen as a defendant. Generally, Plaintiffs in the Derivative Actions alleged that the Charter Board of Directors breached fiduciary duties owed to Charter and its shareholders by, among other things, causing or allowing the Company to disseminate to the market materially misleading inaccurate information, placing their own personal interests above the Company's, failing to prevent the Company and its officers and directors from committing acts which would, and did, injure the Company, and failing to establish and maintain adequate internal accounting controls at the Company.

By agreement of all the parties, all formal proceedings in the Derivative Actions were voluntarily stayed pending resolution of Motions to Dismiss in the Class Action (as defined below).

3. THE CLASS ACTION

On or after July 31, 2002, fourteen federal securities class action complaints, including StoneRidge Investment Partners LLC v. Charter Communications, Inc., No. 4:02-CV-1186 CAS, were filed against Charter and various other defendants, including Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, Scientific-Atlanta, Motorola, and Andersen. These complaints were consolidated, pursuant to order of the Multi-District Litigation Panel, in the U.S. District Court for the Eastern District of Missouri, and captioned In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action").

By Order dated April 16, 2003, the Court appointed StoneRidge Investment Partners, LLC as lead plaintiff (hereinafter "Class Action Plaintiff"), and appointed Pomerantz Haudek Block Grossman & Gross LLP as lead counsel (hereinafter "Class Action Plaintiff's Counsel").

Class Action Plaintiff filed an Amended Consolidated Class Action Complaint (the "Class Action Complaint") on August 5, 2003. The Class Action Complaint asserted claims against Charter, various individual defendants, Andersen, Scientific-Atlanta, and Motorola for alleged violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, and sections 11, 12, and 15 of the Securities Act of 1933. The Class Action Complaint sought recovery for purchasers of Charter common stock during the period of November 8, 1999 through July 17, 2002, and damages through August 16, 2002.

On August 26, 2003, Charter filed a Motion to Dismiss the Class Action, which Class Action Plaintiff opposed. Other defendants in the Class Action filed Motions to Dismiss between September 8, 2003 to October 17, 2003, which the Class Action Plaintiff also opposed. The hearing on these Motions to Dismiss has been taken off-calendar in light of the Settlement of the Class Action.

By Memorandum Decision dated October 12, 2004, the Honorable Charles A. Shaw denied the Motion to Dismiss the Amended Complaint against Andersen, but granted the Motions to Dismiss by Scientific-Atlantic and Motorola. Class Action Plaintiff filed a motion for reconsideration on October 26, 2004, which was denied on December 20, 2004. Class Action Plaintiff has appealed this decision.

4. SETTLEMENT NEGOTIATIONS AND MEDIATION

In or around March 2004, Settling Derivative Plaintiffs and their counsel agreed to coordinate their litigation efforts going forward. At approximately this same time, Derivative Settlement Counsel began a dialogue with counsel for the Settling Derivative Defendants regarding the possible settlement of the Derivative Actions. These discussions, which commenced in or around April 2004, lasted throughout the Summer of 2004. During the course of these discussions, the Settling Derivative Parties exchanged certain non-public information with each other. Thereafter, on August 2, 2004, the Settling Derivative Parties (except Andersen) participated in a joint mediation session with the Settling Class Action Parties (except Andersen). The Honorable Edward A. Infante (Ret.) presided over this joint mediation, which occurred after extensive briefing of Judge Infante by the Settling Class Action Parties and the Settling Derivative Parties. At the August 2, 2004 mediation, all settling parties and Judge Infante discussed, among other things, the respective claims and defenses, expert damages analyses, legal analyses, the discovery and motion practice conducted and expected to be conducted in the Class Action and the Derivative Actions, the evidence expected to be offered by the parties at trial, and other important factual and legal issues and matters relating to the merits of the Class Action and the Derivative Actions.

The Settling Derivative Plaintiffs and the Settling Derivative Defendants were able to reach an agreement in principle following the August 2, 2004 mediation, which was memorialized in a Memorandum of Understanding (the "MOU") dated August 5, 2004. The substance of the MOU is reflected in and superseded by this Stipulation. Also on August 5, 2004, the Settling Class Action Parties agreed to a Memorandum of Understanding regarding settlement of the Class Action.

Subsequent to the Court's October 12, 2004 decision, negotiations took place between the Class Action Plaintiff and Andersen that resulted in an agreement to settle all claims and potential claims in the Class Action and Derivative Actions against Andersen.

Concurrently with the submission of this Stipulation, the Settling Class Action Parties will submit Stipulations of Settlement for the Class Action to the Court, dated as of January 24, 2005, and attached hereto as Exhibit A (without exhibits). The Class Action Settlement is conditioned, among other things, upon this Settlement being approved by the Court, a Judgment being entered that becomes Final, and the dismissal of each of the Derivative Actions with prejudice.

5. DISCOVERY, INVESTIGATION, AND RESEARCH CONDUCTED BY DERIVATIVE PLAINTIFFS

Derivative Settlement Counsel (as defined below) has conducted a thorough investigation of the facts and legal issues associated with the prosecution and Settlement of the Derivative Actions. This discovery and investigation has included, inter alia: (1) the retention of a private investigator to assist in ascertaining the nature of the relationships among the Defendants; (2) consultations with various experts, including a corporate governance expert; (3) a comprehensive review of Charter's public filings, annual reports, and other public statements; (4) research into the applicable law with respect to the claims asserted in the Derivative Actions and the potential defenses thereto; (5) inspection of tens of thousands pages of documents produced by Settling Derivative Defendants pursuant to agreement reached during the August 2, 2004 mediation and in the MOU; and (6) participation in various interviews with current and former Charter employees and a current member of Charter's Board of Directors.

II. CLAIMS OF THE SETTLING DERIVATIVE PLAINTIFFS AND BENEFITS OF SETTLEMENT

The Settling Derivative Plaintiffs believe that the claims asserted in the Derivative Actions have merit and that the evidence developed to date in the Derivative Actions supports the claims asserted. The Settling Derivative Plaintiffs assert and believe they would present supporting evidence at trial, that the Charter Board of Directors breached fiduciary duties owed to Charter and its shareholders by, among other things, causing or allowing the Company to disseminate to the market materially misleading inaccurate information through public statements, placing their own personal interests above the Company's, failing to prevent the Company and its officers and directors from committing acts which would, and did, injure the Company, and failing to establish and maintain adequate internal accounting controls at the Company, and failing to adequately supervise Company personnel in the performance of duties relating to, among other things, the public disclosures of the Company, the accounting of certain transactions, including those relating to the purchase of set top boxes from third party suppliers and related party transactions, including those referenced in the Company's public disclosures.

However, Derivative Settlement Counsel recognize and acknowledge the expense and length of continued proceedings, trial, and appeals. Derivative Settlement Counsel also has taken into account the uncertain outcome and the risk of any litigation, especially in

complex actions such as the Derivative Actions, as Derivative Settlement Counsel are also mindful of the inherent problems of proof under and possible defenses to the claims asserted in the Derivative Actions, including the defenses asserted by the Settling Derivative Defendants and Andersen during the litigation, in settlement negotiations, and in the mediation proceedings.

In light of the foregoing, Derivative Settlement Counsel believe that the Settlement set forth in this Stipulation confers substantial benefits upon Charter. Based on its evaluation, and its substantial experience in this area of the law, Derivative Settlement Counsel has determined that the Settlement set forth in the Stipulation is in the best interests of the Settling Derivative Plaintiffs and Charter.

III. SETTLING DERIVATIVE DEFENDANTS' AND ANDERSEN'S STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

The Settling Derivative Defendants and Andersen have denied and continue to deny each and all of the claims and contentions alleged by the Settling Derivative Plaintiffs. The Settling Derivative Defendants and Andersen assert that their conduct was proper and that there was no breach of fiduciary or other duties, deny any liability or wrongdoing whatsoever, including, but not limited to, each of the allegations asserted in the Derivative Actions, assert that the Derivative Actions are subject to a number of procedural defenses, and further assert that Charter has not sustained any damages as a result thereof. Settling Derivative Defendants and Andersen have further asserted, and continue to assert, that at all relevant times, they acted in good faith, and in a manner they reasonably believed to be in the best interests of Charter and its shareholders.

Nonetheless, the Settling Derivative Defendants and Andersen have concluded that further conduct of the Derivative Actions would be protracted and expensive, and that it is desirable that the Derivative Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation in order to limit further expense, inconvenience and distraction, to dispose of the burden of protracted litigation, and (on the part of the Settling Derivative Defendants) to permit the operation of the Company's business without further distraction and diversion of the Company's executive personnel with respect to matters at issue in the Derivative Actions. The Settling Derivative Defendants and Andersen also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this litigation.

The Settling Derivative Defendants and Andersen have, therefore, determined that it is desirable and beneficial to them that the Derivative Actions be settled in the manner and upon the terms and conditions set forth in this Stipulation. The Settling Derivative Defendants and Andersen enter into this Stipulation and Settlement without in any way acknowledging any fault, liability, or wrongdoing of any kind. There has been no adverse determination by any court against any of the Settling Derivative Defendants or Andersen on the merits of the claims asserted by the Settling Derivative Plaintiffs. Neither this Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by any of the Settling Derivative Defendants or Andersen of the merit or truth of any of the allegations or wrongdoing of any kind on the part of any of the Settling Derivative Defendants or

Andersen. The Settling Derivative Defendants and Andersen enter into this Stipulation and Settlement based upon, among other things, the parties' agreement herein that, to the fullest extent permitted by law, neither this Stipulation nor any of the terms or provisions, nor any of the negotiations or proceedings connected therewith, shall be offered as evidence in the Derivative Actions or in any pending or future civil, criminal, or administrative action or other proceeding to establish any liability or admission by any of the Settling Derivative Defendants or Andersen, or to any of their respective Related Entities, or any other matter adverse to any of the Settling Derivative Defendants or Andersen, or any of their respective Related Entities, except as expressly set forth herein.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Settling Derivative Plaintiffs, the Settling Derivative Defendants, and Andersen by and through their respective counsel of record, that, subject to the approval of the Court, the Derivative Actions and the Released Claims shall be finally and fully compromised, settled, and released, and the Derivative Actions shall be dismissed with prejudice, upon and subject to the terms and conditions of the Stipulation, as follows:

1. DEFINITIONS

As used in the Stipulation the following terms have the meanings specified below:

1.1 "Andersen" shall mean Defendant Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, and all of their past and present member firms, and all of their respective current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such persons or entities.

1.2 "Class Action Settlement Cash" shall mean the principal amount of \$66.25 million in cash to be paid for and on behalf of the Settling Class Action Defendants pursuant to the settlement of the Class Action.

1.3 "Company" or "Charter" shall mean defendant Charter Communications, Inc., a Delaware corporation, and all of its predecessors, successors, present and former parents, subsidiaries, divisions, and related or affiliated entities.

1.4 "Current Charter Shareholders" shall mean all record and/or beneficial owners of Charter common stock as of January 24, 2005.

1.5 "Derivative Plaintiffs' Counsel" shall mean all counsel of record who entered an appearance in the Derivative Actions.

1.6 "Derivative Settlement Counsel" shall mean Wechsler Harwood LLP and Schifffrin & Barroway, LLP.

1.7 "Effective Date" shall mean the first date by which all of the events and conditions specified in Section IV, 6.2(a)-(i) of the Stipulation have been met and have occurred.

1.8 "Final" shall mean, with respect to the Judgment, the stipulated judgment dismissing with prejudice the State Court Derivative Actions, or the judgment(s) entered dismissing the Class Action with prejudice (collectively, the "Judgments"), that one of the following events has occurred: (1) the time for appealing the Judgments has expired; (2) following a final affirmance on appeal of the Judgments, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the Judgments are finally affirmed on discretionary review; or (3) following a final dismissal of an appeal from the Judgments, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the dismissal being challenged is itself finally affirmed on discretionary review. Any proceeding or order, or any appeal or appeal for a writ of certiorari pertaining solely to any plan of allocation and/or application for attorneys' fees, costs or expenses, shall not in any way delay or preclude the Judgments from becoming Final.

1.9 "Judgment" shall mean the judgment to be rendered by the Court dismissing the Federal Court Derivative Action with prejudice, substantially in the form and content attached hereto as Exhibit B.

1.10 "Payment to Underwriters" shall mean Charter's issuance to the Law Firm of Hanson Peter Nye, for the benefit of Underwriters, shares of Charter Class A common stock having an aggregate value of \$5 million, in accordance with the Underwriters Agreement. These shares shall be issued pursuant to section 3(a)(10) of the Securities Act of 1933 (the "Securities Act") and shall not constitute "restricted securities."

1.11 "Person" shall mean an individual, corporation (including all divisions and subsidiaries), partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, and assigns.

1.12 "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined in 1.21 below, but excluding the claims listed in 4.5 below), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in this or any other forum or proceeding, including, without limitation, claims for negligence, negligent supervision, gross negligence, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair

competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, including but not limited to any claims that arise from or relate to the matters or occurrences that were or could have been alleged in the Derivative Actions, or any claims related to the public disclosures or the transactions referenced therein, however described, through and including the period of time from the alleged date of the commencement of the class period (as set forth in the Class Action Settlement) until the date of the execution of this Stipulation by Settling Derivative Plaintiffs against the Released Derivative Parties (as defined in 1.13 below) which have been or could have been alleged in any of the Derivative Actions up through and including the date of this Stipulation is signed.

1.13 "Released Derivative Parties" shall mean each and every one of the following: the Settling Derivative Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families, and Andersen.

1.14 "Settling Class Action Defendants" shall mean Charter, Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, and Andersen (to the extent the Court approves the Settlement with Andersen in the Class Action (the "Andersen Settlement") and the Andersen Settlement becomes Final pursuant to its terms).

1.15 "Settling Class Action Parties" shall mean Class Action Plaintiff and Settling Class Action Defendants.

1.16 "Settling Derivative Defendants" shall mean Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg.

1.17 "Settling Derivative Parties" shall mean Settling Derivative Defendants, Andersen, and Settling Derivative Plaintiffs.

1.18 "Settling Derivative Plaintiffs" shall mean Arthur J. Cohn, Kenneth Stacey, Aaron Cane, and Thomas Schimmel, on behalf of themselves and derivatively on behalf of Charter.

1.19 "Underwriters" shall mean Certain Underwriters of Lloyds' of London.

1.20 "Underwriters Agreement" shall mean the Settlement Agreement and Mutual Release executed by Charter and Underwriters, dated as of January 24, 2005, and attached hereto as Exhibit C.

1.21 "Unknown Claims" shall mean any Released Claims which the Settling Derivative Plaintiffs do not know or suspect to exist in his, her or its favor at the time of the release of the Released Derivative Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Derivative Parties, or

might have affected his, her or its decision not to object to, or opt out of, this Settlement. With respect to any and all Released Claims, the Settling Derivative Parties stipulate and agree that, upon the Effective Date, the Settling Derivative Plaintiffs expressly waive and relinquish, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Settling Derivative Plaintiffs expressly waive, and upon the Effective Date and by operation of the Judgment shall have waived any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Settling Derivative Plaintiffs may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Settling Derivative Plaintiffs do settle and release, upon the Effective Date and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Derivative Parties acknowledge that the foregoing waiver was bargained for and a key element of the Settlement of which this release is a part.

2. THE SETTLEMENT CONSIDERATION

2.1. In full and final settlement of all claims asserted or referred to in the Derivative Actions, and all claims that have been or could be asserted against the Settling Derivative Defendants in the Derivative Actions, the Settling Derivative Defendants have agreed to substantially strengthen the Company's internal controls, processes and procedures through the adoption (in the Company's bylaws, where appropriate) of a new set for corporate governance principles, which are attached hereto as Exhibit D. In addition, Andersen has provided to the Company a release of potential claims against the Company, as set forth in 4.4 below, thereby enabling the Company to avoid the risk and cost of further litigation and to resolve fully and finally the matters at issue in the Derivative Actions and the Class Action.

2.2. In addition to the substantial corporate governance changes and releases obtained, as a result of the initiation and prosecution of the Derivative Actions, participation in the Mediation, and the subsequent settlement of the Derivative Actions, the Settling Derivative Plaintiffs have helped to confer substantial financial benefits upon Charter, including: (1) helping to preserve and advance payment to Charter of funds from Charter's insurers for payment of defense costs that otherwise may have been borne by Charter and in

connection with the resolution of the Class Action; (2) helping to effectuate a global resolution of actions pending against Charter through participation in the mediation and settlement discussions; and (3) helping to ensure that the settlement of the Class Action provided a possibility of a financial benefit to the Company should the price of Charter stock increase above the valuation used for purposes of pricing the equity portion of the consideration in the Class Action settlement.

2.3. The Company and its Board of Directors are satisfied that the foregoing constitutes reasonably equivalent value for the dismissal of the Derivative Actions with prejudice and the release of the Released Claims, and is a fair, reasonable and adequate resolution of the Derivative Actions and the Released Claims on the Company's behalf and is in the best interests of the Company and the Company's shareholders.

3. NOTICE ORDER AND SETTLEMENT HEARING

3.1. Promptly after execution of the Stipulation, but in no event later than ten (10) days after the Stipulation is signed (unless such time is extended by the written agreement of Settling Derivative Plaintiffs' Counsel and counsel for the Settling Derivative Defendants), the Parties shall submit the Stipulation together with its Exhibits to the Court and shall jointly apply for entry of an order (the "Notice Order"), substantially in the form and content of Exhibit E hereto, requesting preliminary approval of the Settlement set forth in the Stipulation and approval for the mailing and publication of a Notice of Pendency and Proposed Settlement of the Derivative Actions to Current Charter Shareholders, which shall include the general terms of the Settlement set forth in the Stipulation, the general terms of the Fee and Expense Application (as defined below in 5.2), and the date of the Settlement Hearing (as defined below in 3.2).

3.2. The Settling Derivative Parties shall request that, after notice is given, the Court hold a Hearing (the "Settlement Hearing") and finally approve this Settlement as set forth herein. If approval is granted, and subject to 6.3 below, the Settling Derivative Parties agree that the State Court Derivative Actions will be dismissed with prejudice pursuant to a stipulated judgment, substantially in the form and content of Exhibit F.

3.3. All costs of notice associated with the implementation of the Settlement shall be paid out of the Class Action Settlement Cash paid by or on behalf of the Settling Class Action Defendants in proportion to their contribution thereto.

4. RELEASES

4.1. Upon the Effective Date, except as set forth in 4.5 below, the Settling Derivative Plaintiffs shall release, relinquish and discharge, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of the Released Derivative Parties from all Released Claims (including "Unknown Claims"), and from all claims (including "Unknown Claims"), arising out of, relating to, or in connection with the defense, or resolution of the Derivative Actions or the Released Claims. Claims for violation of this Stipulation (including any exhibits) are preserved.

4.2. Upon the Effective Date, each of the Settling Derivative Defendants shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Settling Derivative Plaintiffs and Derivative Plaintiffs' Counsel from the filing and prosecution of any lawsuit or claim by the Settling Derivative Defendants based on any claims (including "Unknown Claims") alleged or which could have been alleged in the Derivative Actions against the Settling Derivative Plaintiffs or Derivative Plaintiffs' Counsel arising out of, relating to, or in connection with the commencement, prosecution, assertion or resolution of the Derivative Actions or the Released Claims. Claims for violation of this Stipulation (including any exhibits) are preserved.

4.3. Upon the Effective Date, except as set forth in 4.5 below, the Settling Derivative Defendants and Charter shall release, relinquish and discharge, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Andersen from all claims arising out of, relating to, or in connection with the defense or resolution of the Derivative Actions. Claims for violation of this Stipulation (including any exhibits) are preserved.

4.4. Upon the Effective Date, except as set forth in 4.5 below, Andersen shall release, relinquish and discharge, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Charter, the Settling Derivative Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families from all claims arising out of, relating to, or in connection with the defense or resolution of the Derivative Actions. Claims for violation of this Stipulation (including any exhibits) are preserved.

4.5. However, in an abundance of caution and to avoid any representation to the contrary (but not to expand by implication the scope of this release), nothing in this Stipulation or the Judgment shall constitute a release of any of the following claims: (a) any claim between Charter and any current or former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses; (b) any claim under state law between Charter and David L. McCall relating to (without limitation) any allegation of self-dealing, usurpation of corporate opportunities, fraud, or conversion in connection with McCall's performance of his duties as an officer of Charter; or (c) any claim regarding, relating to, or arising from, directly or indirectly, the "Equity Put" dispute arising from the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, as discussed on pages 112-113 of Charter's 2004 10-K; provided, however, that this 4.5 shall not affect the release of any claims brought derivatively on behalf of Charter, as set forth in 4.1.

4.6. Except as otherwise expressly provided for in this Stipulation, the Settling Derivative Parties shall each bear their own respective attorneys' fees, expenses and costs incurred in connection with the conduct and settlement of the Derivative Actions, and the preparation, implementation and performance of the terms of this Stipulation.

5. DERIVATIVE PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND REIMBURSEMENT OF COSTS AND EXPENSES

5.1. The Company recognizes and agrees that the actions taken or to be taken in response to the Derivative Claims, including the corporate governance provisions set forth in Exhibit D, have conferred substantial benefits on the Company, and that Derivative Plaintiffs' Counsel therefore should be entitled to a fee.

5.2. The Settling Derivative Parties have agreed that an amount up to but no greater than \$2.25 million shall be paid to Derivative Plaintiffs' Counsel from the Class Action Settlement Cash, subject to Court approval. Charter, Andersen, and the Settling Derivative Defendants shall not otherwise be liable for any fees or costs incurred by or awarded to Derivative Plaintiffs' Counsel. Charter agrees that it will not oppose any application submitted in the Class Action by Derivative Plaintiffs' Counsel for attorneys fees, costs and expenses (the "Fee and Expense Application") up to \$2.25 million.

5.3. The attorneys' fees, expenses and costs, including the fees of experts and consultants, as awarded by the Court (the "Fee and Expense Award"), up to \$2.25 million, shall be transferred to Derivative Settlement Counsel from the Class Action Settlement Cash within five (5) business days after the Court executes an order awarding such fees and expenses. In the event that the Stipulation and the Settlement set forth herein or the Stipulation and the Settlement in the Class Action do not become Final for any reason, or the Judgment or the Order making the Fee and Expense Award is reversed or modified on appeal, and in the event that the Fee and Expense Award has been paid to any extent, then Derivative Plaintiffs' Counsel shall within five (5) business days from the event which precludes the Effective Date from occurring or such reversal or modification, refund to the Class Action Settlement Cash the fees, expenses, costs and interest previously paid to it from the Class Action Settlement Cash, including interest on any such amount at the average rate earned on the Class Action Settlement Cash from the time of withdrawal until the date of refund. Such refund shall be a joint obligation of the Derivative Plaintiffs' Counsel. Derivative Plaintiffs' Counsel, as a condition of receiving such fees and expenses, on behalf of themselves and each partner and/or shareholder of them, agree that the law firms and their partners and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing this 5.3 of the Stipulation. Without limitation, Derivative Plaintiffs' Counsel's law firms and their partners and/or shareholders agree that the Court may, upon application of Settling Derivative Defendants, summarily issue orders, including, but not limited to, judgments and attachment orders, and may make appropriate findings of or sanctions for contempt, against it should Derivative Plaintiffs' Counsel fail timely to repay fees and expenses pursuant to this 5.3 of the Stipulation.

5.4. The Released Derivative Parties shall have no responsibility for, and no liability whatsoever with respect to any fee or expense award to Derivative Plaintiffs' Counsel, or to any other Person who may assert some claim thereto, except as provided herein.

5.5. The procedure for and the allowance or disallowance by the Court in the Class Action of the fee and expense application presented by the Counsel for the Plaintiffs in that matter is not part of the Settlement set forth in the Stipulation, and is to be considered

by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of this Settlement and the Fee and Expense Application.

5.6. The procedure for and the allowance or disallowance by the Court of the Fee and Expense Application are not part of this Settlement, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of this Settlement. Any order or proceedings relating to the Fee and Expense Application, or any appeal from any order relating thereto, shall not operate to terminate or cancel the Stipulation, or affect or delay the finality of the Judgment approving the Stipulation and the Settlement of the Derivative Actions set forth herein.

5.7. Derivative Settlement Counsel shall be solely responsible for allocating any compensation among any Derivative Plaintiff's Counsel for attorneys' fees and expenses. Charter, Andersen, and the Settling Derivative Defendants shall have no liability or responsibility therefor whatsoever.

6. CONDITIONS OF SETTLEMENT, EFFECT OF DISAPPROVAL, CANCELLATION OR TERMINATION

6.1 The Settlement shall be terminated in the event that any of the following occurs: (1) any of the conditions set forth in 6.2 below is not satisfied; (2) the Settlement does not become Final for any reason; (3) failure on the part of any of the Settling Derivative Parties to abide, in any material respect, with the terms of this Stipulation.

6.2 Unless otherwise agreed to in writing, this Stipulation shall be terminated in the event that any of the following conditions is not met:

(a) The Court has entered the Notice Order, as required by 3.1 and 3.2, above;

(b) Preliminary and final approval of this Stipulation, independent of the determination of any award of attorneys' fees and expenses to Derivative Plaintiffs' Counsel;

(c) Upon final approval of the Settlement, the State Court Derivative Actions are dismissed with prejudice as to all Settling Derivative Defendants and (subject to 6.3 below) Andersen pursuant to a stipulated judgment, substantially in the form and content of Exhibit F;

(d) Entry of Judgment, substantially in the form and content of Exhibit B, by the U.S. District Court for the Eastern District of Missouri dismissing all Released Claims with prejudice and without costs to any party;

(e) The Judgment has become Final;

(f) Court approval of the Underwriters Agreement, including a determination that the terms and conditions of the Underwriters Agreement (including the Payment to Underwriters of \$5 million in Charter common stock issued pursuant to section

3(a)(10) of the Securities Act and not constituting "restricted securities") are fair to all parties, including Underwriters;

(g) Settlement and dismissal with prejudice of the Class Action, as required by the Stipulation of Settlement with Charter for the Class Action dated as of January 24, 2005;

(h) That this Settlement is not otherwise terminated pursuant to the terms set forth in this Stipulation;

(i) That the settlement of the Class Action is not otherwise terminated pursuant to the terms set forth in the Stipulation of Settlement in the Class Action.

6.3 If, at any time prior to the Effective Date, Andersen is ordered, either in the Class Action or the Shareholder Derivative Actions, to disclose any non-public information that Andersen determines, in its sole and absolute discretion, is proprietary or commercially sensitive, Andersen shall have the option, for a period of thirty days following entry of such order, to withdraw from this Stipulation by providing written notice thereof to Derivative Settlement Counsel and counsel for Charter and the Settling Derivative Defendants. In the event that Andersen withdraws from the Settlement pursuant to this 6.3, the Court shall approve the Settlement and enter the Judgment as to all remaining parties, and the State Court Derivative Actions shall be dismissed with prejudice as to the Settling Derivative Defendants and without prejudice as to Andersen. Notwithstanding the above, Andersen agrees that it shall not object to the bar order in the Class Action, as set forth in 6.2 of the Stipulation of Settlement with Charter in the Class Action.

6.4 In the event that the Stipulation is not approved by the Court or the Settlement set forth in the Stipulation is terminated or fails to become effective in accordance with its terms, this Stipulation and all negotiations and proceedings relating hereto shall be without prejudice to any or all Settling Derivative Parties who shall be restored to their respective positions in the Derivative Actions as of August 4, 2004 as to the Settling Derivative Defendants, as of October 12, 2004 as to Andersen. In such event, the terms and provisions of the Stipulation, with the exception of 1.1-1.21, 5.3, 5.4, 5.5, 6.1-6.6, 7.2, 7.3, 7.6 herein, shall have no further force and effect with respect to the Settling Derivative Parties and shall not be used in the Derivative Actions or in any other proceeding for any purpose and any Judgment or Order entered by the Court in accordance with the terms of the Stipulation shall be treated as vacated, nunc pro tunc.

6.5 In the event this Stipulation shall be cancelled as set forth in 6.1 above, the Settling Derivative Plaintiffs and Settling Derivative Defendants shall, within two weeks of such cancellation, jointly request a status conference with the Court to be held on the Court's first available date. At such status conference, the Settling Derivative Plaintiffs and Settling Derivative Defendants shall ask the Court's assistance in scheduling continued proceedings in the Derivative Actions as between them. Pending such status conference or the expiration of sixty (60) days from the Settling Derivative Plaintiffs' and Settling Derivative Defendants' joint request for a status conference, whichever occurs first, none of the Settling Derivative Parties shall file or serve any further motions or discovery requests on any of the other Settling Derivative Parties in connection with the Derivative Actions nor

shall any response be due by any Settling Derivative Party to any outstanding discovery or pleading by any other Settling Derivative Party.

6.6 Neither a modification nor a reversal on appeal of any amount of attorneys fees, costs, expenses and interest awarded by the Court to any of the Derivative Plaintiffs' Counsel shall constitute a condition to the Effective Date or grounds for cancellation and termination of the Stipulation.

7. MISCELLANEOUS PROVISIONS

7.1. The Settling Derivative Parties (a) acknowledge that it is their intent to consummate this Settlement and Stipulation; and (b) agree to cooperate to the extent necessary to effectuate and implement all terms and conditions of the Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

7.2. The Settling Derivative Defendants and Andersen have denied, and continue to deny, any and all allegations contained in the Derivative Actions, and they are entering into the Settlement in order to eliminate the burden, expense, and uncertainties of further litigation. The Settlement and the provisions contained in this Stipulation and the MOU shall not be deemed, or offered or received in evidence as a presumption, a concession, or an admission of any fault, liability, or wrongdoing by any party, and except as required to enforce the Settlement, they shall not be offered or received in evidence or otherwise used by any person in these or any other actions or proceedings, whether civil, criminal, or administrative.

7.3. No press announcement, press release, or other public statement concerning the Settlement may be made by any of the Settling Derivative Parties without approval from the other Settlement Derivative Parties, except as required by law.

7.4. All of the Exhibits to the Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

7.5. The Stipulation may be amended or modified, as is necessary to effect the terms of the Settlement, only by a written instrument signed by or on behalf of all Settling Derivative Parties or their successors-in-interest.

7.6. The Stipulation and the Exhibits attached hereto constitute the entire agreement among the parties hereto. The Settling Derivative Parties expressly warrant that, in entering into this Stipulation, they relied solely upon their own knowledge and investigation, and not upon any promise, representation, warrant, or other statement by any party or any person representing any party to this Stipulation, not expressly contained in this Stipulation or its Exhibits. Except as otherwise provided herein, each party shall bear its own costs.

7.7. Each counsel or other Person executing the Stipulation or any of its Exhibits on behalf of any party hereto hereby warrants that such person has the full authority to do

so. All orders and agreements entered during the course of the Derivative Actions relative to the confidentiality of information shall survive this Stipulation.

7.8. The Stipulation may be executed by facsimile and in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. Counsel for the parties to the Stipulation shall exchange among themselves original signed counterparts and a complete set of original executed counterparts shall be filed with the Court.

7.9. The Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Derivative Parties.

7.10. The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and all parties hereto and their counsel submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement embodied in the Stipulation.

7.11. The Stipulation and the Exhibits hereto shall be considered to have been negotiated, executed and delivered, and to be wholly performed, in the State of Missouri, and the rights and obligations of the parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the laws of the State of Missouri without giving effect to that state's choice of law principles.

IN WITNESS WHEREOF, the parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, as of January 24, 2005.

DATED: 1/25/05

WECHSLER HARWOOD LLP

By: /s/ Robert I. Harwood

Robert I. Harwood, Esq.

Attorneys for Arthur J. Cohn

DATED: 1/25/05

SCHIFFRIN BARROWAY, LLP

By: /s/ Eric L. Zagar

Eric L. Zagar, Esq.

Attorneys for Kenneth R. Stacey

DATED: 1/31/05

IRELL & MANELLA LLP

By: /s/ David Siegel

David Siegel, Esq.

Attorneys for Defendants Ronald L. Nelson, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg, and Nominal Defendant Charter Communications, Inc.

DATED: 2/1/05

CHARTER COMMUNICATIONS, INC.

By: /s/ Lawrence B. Christopher, for:

Curtis S. Shaw, Esq.

Executive Vice-President, General Counsel and Secretary, Defendant Charter Communications, Inc.

DATED: _____

MAYER, BROWN, ROWE & MAW LLP

By /s/ Jonathan C. Medow

Jonathan C. Medow, Esq.

Attorneys for Defendant Arthur
Andersen LLP

DATED: 2/1/05

FOSTER PEPPER & SHEFELMAN PLLC

By: /s/ Timothy J. Filer

Timothy J. Filer, Esq.

Attorneys for Defendant Paul G.
Allen

DATED: 1/31/05

By: /s/ Ronald L. Nelson

Ronald L. Nelson

DATED: _____

By: /s/ Marc B. Nathanson

Marc B. Nathanson

DATED: _____

By: /s/ Nancy B. Peretsman

Nancy B. Peretsman

DATED: 1/31/05

By: /s/ William D. Savoy

William D. Savoy

DATED: _____

By: /s/ John H. Tory

John H. Tory

DATED: 1/25/05

By: /s/ Carl E. Vogel

Carl E. Vogel

DATED: _____

By: /s/ Larry W. Wangberg

Larry W. Wangberg

EXHIBIT A

CLASS ACTION STIPULATIONS OF SETTLEMENT

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ARTHUR J. COHN, Derivatively on Behalf of
Nominal Defendant CHARTER
COMMUNICATIONS, INC.,

Plaintiffs,

v.

RONALD L. NELSON, PAUL G. ALLEN, No. 4:03-CV-00177-ERW
MARC B. NATHANSON, NANCY B.
PERETSMAN, WILLIAM D. SAVOY, JOHN H.
TORY, CARL E. VOGEL, and LARRY W.
WANGBERG,

Defendants,

and

CHARTER COMMUNICATIONS, INC.,

Nominal Defendant.

[PROPOSED] JUDGMENT AND ORDER OF DISMISSAL

EXHIBIT B

This matter came on for hearing on _____, 2005 upon the application of the Settling Derivative Parties for approval of the settlement as set forth in the Stipulation of Settlement dated as of January 24, 2005 (the "Stipulation"). Due and adequate notice having been given to the Charter Communications, Inc. stockholders, and the Court having considered the Stipulation, all papers filed and proceedings held herein, all oral and written comments received regarding the proposed settlement, and having reviewed the entire record in the actions, and good cause appearing,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. The Court, for purposes of this Judgment and Order of Dismissal (the "Judgment"), adopts all defined terms as set forth in the Stipulation.

2. The Court has jurisdiction over the subject matter of the Derivative Actions, including, without limitation, the Settling Derivative Parties and all Charter stockholders.

3. The Court finds that the distribution of the Notice of Pendency and Settlement of Derivative Actions and the publication of the Summary Notice of Proposed Settlement as provided for in the Order Preliminarily Approving Settlement and Approving the Form and Manner of Notice constituted the best notice practicable under the circumstances to all Persons who are Charter stockholders and fully met the requirements of Missouri law, due process, Federal Rule of Civil Procedure 23.1, the United States Constitution, and any other applicable law.

4. The Court finds and concludes that Derivative Plaintiffs' Counsel fairly and adequately represented the interests of Charter and the Charter stockholders.

5. The Court approves the Settlement of the Derivative Actions as set forth in the Stipulation, including, without limitation, each of the releases set forth in the Stipulation, the settlement of the Derivative Claims, and all other terms. The Court finds that the settlement set forth in the Stipulation is in all respects fair, reasonable and adequate to the Settling Derivative Parties, including, without limitation, Charter and the Charter stockholders, and that the settlement of the Derivative Actions, including, without limitation, the Released Claims, is on terms which constitute reasonable consideration to Charter for the release of the Released Claims.

6. The Settling Derivative Parties are directed to perform in accordance with the terms set forth in the Stipulation and the Stipulation shall be enforced according to its terms, including without limitation the requirement that the Settling Derivative Parties will jointly file a Stipulation of Dismissal of the State Court Derivative Actions in accordance with a stipulated judgment.

7. The Federal Court Derivative Action and all claims contained therein, as well as all the Released Claims, are dismissed with prejudice as to the Settling Derivative Parties. The Settling Derivative Parties are to bear their own costs, except as otherwise provided in the Stipulation.

8. All Persons, firms, corporations or other entities, including Charter and its stockholders, and the beneficial owners of Charter stock, whether or not such Persons

appeared in these Derivative Actions, are forever barred from prosecuting any and all Released Claims on behalf of Charter against the Released Derivative Parties.

9. Upon the Effective Date, except as set forth in paragraph 13 below, the Settling Derivative Plaintiffs shall release, relinquish and discharge, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished and discharged each and all of the Released Derivative Parties from all Released Claims (including Unknown Claims), and from all claims (including Unknown Claims), arising out of, relating to, or in connection with the defense, or resolution of the Derivative Actions or the Released Claims.

10. Upon the Effective Date, each of the Settling Derivative Defendants shall be deemed to have, and by operation of this Judgment shall have, fully, finally, and forever released, relinquished and discharged the Settling Derivative Plaintiffs and Derivative Plaintiffs' Counsel from the filing and prosecution of any lawsuit or claim by the Settling Derivative Defendants based on any claims (including Unknown Claims) alleged or which could have been alleged in the Derivative Actions against the Settling Derivative Plaintiffs or Derivative Plaintiffs' Counsel arising out of, relating to, or in connection with the commencement, prosecution, assertion or resolution of the Derivative Actions or the Released Claims.

11. Upon the Effective Date, except as set forth in paragraph 13 below, the Settling Derivative Defendants and Charter shall be deemed to have released, relinquished and discharged, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Andersen from all claims arising out of, relating to, or in connection with the defense or resolution of the Derivative Actions.

12. Upon the Effective Date, except as set forth in paragraph 13 below, Andersen shall be deemed to have released, relinquished and discharged, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Charter, the Settling Derivative Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families from all claims arising out of, relating to, or in connection with the defense or resolution of the Derivative Actions.

13. However, in an abundance of caution and to avoid any representation to the contrary (but not to expand by implication the scope of this release), nothing in the Stipulation or the Judgment shall constitute a release of any of the following claims: (a) any claim between Charter and any current or former Charter employee regarding indemnification, advancement, and/or recoupment of fees, costs, and expenses; (b) any claim under state law between Charter and David L. McCall relating to (without limitation) any allegation of self-dealing, usurpation of corporate opportunities, fraud, or conversion in connection with McCall's performance of his duties as an officer of Charter; or (c) any claim regarding, relating to, or arising from, directly or indirectly, the "Equity Put" dispute arising from the acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, as discussed on pages 112-113 of Charter's 2004 10-

K; provided, however, that this shall not affect the release of any claims brought derivatively on behalf of Charter, as set forth in paragraph 9 above.

14. Nothing in this Judgment shall preclude any action to enforce the terms of the Stipulation.

15. Derivative Plaintiffs' Counsel are hereby awarded fees, expenses, and disbursements in the amount of \$_____, with such payments to be made in accordance with the terms of the Stipulation.

16. Neither the Stipulation nor the settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any released claim, or of any wrongdoing or liability of the Settling Derivative Parties, or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Settling Derivative Parties in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal. Released Derivative Parties under the Stipulation or any of its integrated agreements may file the Stipulation, its integrated agreements, and/or the Judgment from the Derivative Actions in any other action that may be brought against them in order to support a defense or counterclaim based on principles of res judicata, collateral estoppel, release, good faith settlement, judgment bar or reduction or any theory of claim preclusion or issue preclusion or similar defense or counterclaim. The Settling Derivative Parties may file the Stipulation and any of its integrated agreements in any proceeding brought to enforce any of their terms or provisions.

17. Without affecting the finality of this Judgment in any way, the Court reserves exclusive and continuing jurisdiction over the Federal Court Derivative Action, including, without limitation, the Settling Derivative Parties and all Charter stockholders for the purposes of: (a) supervising the implementation, enforcement, construction, and interpretation of the Stipulation and its integrated agreements; and (b) other matters related or ancillary to the foregoing.

18. In the event that the Effective Date does not occur or the Stipulation is terminated by the Settling Derivative Parties in accordance with its terms, then this Judgment shall be rendered null and void and shall be vacated; and in such event, all orders entered and releases delivered in connection herewith shall be null and void to the extent provided by and in accordance with the Stipulation.

IT IS SO ORDERED.

DATED: _____

THE HONORABLE CHARLES A. SHAW
UNITED STATES DISTRICT JUDGE

Submitted by:

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Attorneys for Defendant Arthur Andersen LLP

EXHIBIT C
CHARTER AND UNDERWRITERS SETTLEMENT
AGREEMENT AND MUTUAL RELEASE

EXHIBIT D

"CORPORATE GOVERNANCE" TERM SHEET

- I. Formal Prohibition on Deliberate Inflation of Subscriber Numbers and Related Matters
- A. Charter will adopt a "zero tolerance policy" on holding disconnects for the purpose of causing a deliberate inflation of subscriber numbers, consistent with the terms of the SEC's Release No. 50098 (July 27, 2004).
1. This policy will be reflected in a formal, written policy governing the disconnection of late paying subscribers which shall state, inter alia, that Charter shall not keep any "delinquent paying subscribers," as that term shall be defined, on its subscriber rolls for the purpose of increasing reported subscriber numbers.
 2. The policy shall require that Charter shall undertake to disconnect customers who request termination of service in a timely fashion and in a manner consistent with state laws, to the extent applicable.
 3. Charter typically shall disconnect non-paying customer after 60 to 75 days, and shall write off or refer for collection any non-paying customers at 90 to 120 days. The implementation of this practice shall be consistent with the Undertakings reflected in the SEC's Release No. 50098 at paragraph E.
 4. Charter's CEO shall announce this policy through a company-wide publication, broadcast, or email, and shall issue quarterly written reminders to all employees regarding Charter's "zero tolerance policy" for holding or "managing disconnects" in order to deliberately inflate subscriber numbers in accordance with paragraph D of the SEC's Release No. 50098.
- B. Charter's Corporate Director, Credit and Collections shall monitor the implementation of this policy.
1. The Corporate Director, Credit and Collections shall develop reports that monitor bad debt on a monthly basis, at a company wide and division level.
 2. These reports shall be provided to the Company's Chief Operating Officer and to the Legal Department.
- C. Charter shall institute an employee bonus program in which subscriber growth is not a factor in bonus consideration.

- D. Charter shall include a disclosure in its quarterly and annual filings with the SEC as to the number of active subscribers whose accounts are more than 60 days, 90 days, and 120 days overdue.
- E. Charter shall instruct its internal auditors to review compliance with Charter's formal disconnect procedures on a quarterly basis and report the findings to its public auditors in connection with its annual audit.
- F. In connection with its budgeting process, Charter shall institute a bottom-up budget process that eliminates industry analysts' projections as a component of setting Charter's budget goals.

II. Corporate Compliance Program

- A. Charter will provide a copy of its Code of Conduct to all its employees, who shall be instructed to review its contents and to sign a form acknowledging their responsibilities to read and comply with the policies set forth in the Code of Conduct.
- B. All Corporate-level employees who are given new employee training or orientation shall be given ethics training, in which they shall be given a copy of the Code of Conduct.
- C. The Code of Conduct will reflect the Company's "zero tolerance policy" on holding disconnects, consistent with the policy undertakings set forth in Section I above.
- D. The Code of Conduct will require that employees report violations of the Code or other behavior that they believe might be unethical or illegal.
- E. Charter will establish a secure website and toll-free number for employees to report suspected violations of the Code of Conduct.
 - 1. The website and toll-free number will be accessible to any Charter employee seven days per week.
 - 2. The website and toll-free number will be managed by an outside company.
 - 3. Reports will be kept anonymous or open, depending on the reporter's preference.
 - 4. The Chief Compliance Officer shall have overall responsibility for the website and toll-free number.
- F. The Corporate Compliance Committee
 - 1. Charter will institute a Corporate Compliance Committee to oversee the Corporate Compliance Program.

2. The Committee will meet on a quarterly basis.
3. The Committee will evaluate complaints, conduct investigations with the assistance of outside counsel, and when necessary make disciplinary recommendations.
4. The Committee will be chaired by the Chief Compliance Officer, who shall be the Company's General Counsel or another senior officer, as selected by the Chief Executive Officer.
5. Other members of the Committee may include a Deputy Compliance Officer appointed by the Chief Compliance Officer, the head of Charter's Human Resources Department, some selected divisional vice presidents in charge of Human Resources, and the head of Corporate Audit Services.
6. The Chief Compliance Officer will report quarterly on the activities of the Compliance Committee to the Board of Directors' Audit Committee and, as necessary, to the Disclosure Committee.

III. Disclosure Committee

- A. Charter will institute and maintain a Disclosure Committee to better ensure that the Company's SEC filings are materially correct and in material compliance with SEC regulations.
 1. The Company's Chief Financial Officer or some other senior executive to be selected by the CEO will be the Chairman of the Disclosure Committee.
 2. The Chairman will select the other members of the Committee, who shall have access to individuals representing the operations, legal, financial, financial reporting, internal audit, and government relations functions. As needed, the Chairman may seek assistance from outside counsel.
 3. The Chairman of the Disclosure Committee shall appoint monitors who shall interview key executives with respect to their areas of responsibility with a view to its disclosure requirements, including without limitation, identification of known trends and uncertainties in the Company's business that are reasonably likely to have a material effect on its financial condition and results of operations.
- B. The Disclosure Committee will meet at least on a quarterly basis to review the Company's periodic filings with the SEC. The Disclosure Committee should also meet in connection with any registration statements filed under the Securities Act of 1933 by the Company (other than those on Form S-8 or other similar filings).

IV. Audit Committee

A. Committee Membership

1. The Audit Committee shall consist of no fewer than three members of the Board of Directors. Requirements for membership on the Audit Committee shall be as follows: (a) each member shall satisfy applicable SEC, regulatory, and statutory independence, non-affiliation, maximum stock ownership and financial literacy requirements and shall not have a relationship with the Company which would impair his or her independence; and (b) if required by NASDAQ rules, at least one member shall satisfy the financial expert requirements. When appointing the members of the Audit Committee, the Board shall make an affirmative determination as to satisfaction of these requirements.
2. The Board shall appoint the members of the Audit Committee annually and shall designate the Chairman of the Audit Committee. The members of the Audit Committee shall serve until their successors are appointed and qualified. The Board shall have the power at any time to change the membership of the Audit Committee and to fill vacancies in it, subject to such new member(s) satisfying the requirements for Audit Committee membership.

B. Administrative Matters

1. Audit Committee members may not receive, directly or indirectly, any consulting, advisory or other compensatory fees (as proscribed by applicable SEC or NASDAQ rules) from the Company or any subsidiary thereof, other than for Board or Board committee service.
2. The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee shall meet in executive session separately with management and a representative of the Company's internal audit at least annually, and with the registered public accountants at least quarterly. The Audit Committee may request that any officer or employee of the Company or the Company's outside counsel or registered public accountants attend a meeting of the Audit Committee or meet with any members of, or consultants to, the Audit Committee. The Audit Committee shall make regular reports to the Board.
3. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall periodically review the Audit Committee's own performance, but in no event less frequently than required by any applicable NASDAQ rules.

4. The Audit Committee shall have the authority, at the Company's expense, and to the extent it deems necessary or appropriate, to retain and determine funding for special legal, accounting or other consultants to advise the Audit Committee with respect to its duties and obligations and to conduct or authorize investigations into any matters within its scope of responsibilities.
5. The Audit Committee shall prepare the audit committee report required by the rules of the SEC to be included in the Company's annual proxy statement.
6. The Audit Committee shall receive 4 hours of training related to corporate governance issues each year.

C. Committee Authority And Responsibilities

2. The Audit Committee shall have the sole authority to appoint, retain, compensate and oversee the registered public accountants (subject, if applicable, to Board and/or shareholder ratification), and shall approve in advance all fees and terms for both the audit engagement and all non-audit engagements with registered public accountants, provided that any such non-audit services shall not be prohibited by Section 10A of the Securities Exchange Act of 1934, as amended. Pre-approvals of non-audit services may be delegated to a single member of the Audit Committee provided that any pre-approvals made by the Audit Committee's designee shall be presented at the Audit Committee's next regularly scheduled meeting. The Audit Committee shall consult with management but shall not delegate these responsibilities to management.
3. In its capacity as a committee of the Board, the Audit Committee shall be directly responsible for the oversight of the work of the registered public accounting firm (including resolution of disagreements between management and the public accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services, and the registered public accounting firm shall report directly to the Audit Committee.
4. In performing its functions, the Audit Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Audit Committee. The following functions are some of the common recurring activities of the Audit Committee:
 - (a) Periodic Reports and the Disclosure Process. On a quarterly basis, review and discuss with management, internal audit and the registered public accountants: the Company's annual

audited financial statements; the registered public accountants' reviews of the quarterly financial statements; disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations;" the matters required to be discussed pursuant to Statement on Auditing Standards No. 61; significant deficiencies and material weaknesses in the design or operation of internal controls and procedures for financial reporting, any changes made or proposed to such controls and procedures, and any fraud by any person involved therewith; and any reports of the registered independent accountants and disclosures concerning internal controls and procedures for financial reporting and disclosure controls and procedures and offer certifications required by SEC rules and the underlying matters related to such disclosures.

- (b) Review of Accounting Matters. Review and discuss with management and the registered public accountants, as applicable: (1) major issues regarding accounting principles, alternative accounting treatments, accounting estimates and financial statement presentations and disclosures; (2) major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (3) any material written communications between the registered public accounting firm and management; (4) any problems, difficulties or differences (including adjustments) encountered in the course of the audit work and management's response.
- (c) Financial Risk Exposure. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- (d) Internal Audit Review. With respect to the Company's internal auditing and controls, on an annual basis, the Audit Committee shall review: (1) the composition of the Company's internal audit staff; (2) the risk assessment process, scopes and procedures to determine whether they are adequate to attain the internal audit objectives, as determined by management; (3) the internal audit plan developed by the Company and explanations of deviations therefrom and proposed changes thereto; (4) significant fraud or regulatory non-compliance; and (5) any difficulties encountered by internal audit in the course of their audits.
- (e) Tax Matters. Review tax compliance and issues with internal tax staff and external advisors, as needed.

- (f) Relationship With Registered Independent Accountants. Evaluate the qualifications, performance and independence of the registered public accountants. The Audit Committee shall establish procedures for the engagement of the registered public accountants to provide non-audit services.
- (g) Related Party Transactions. Review and approve all related party transactions, unless otherwise approved by the Board of Directors or a committee thereof in accordance with applicable law and NASDAQ rules.

V. Other Provisions

- A. Charter will be required to implement and maintain these reforms for a period of three years following approval of the settlement.
- B. In the event the Company determines, in the exercise of its fiduciary duties, that maintaining any of the foregoing undertakings is having or could have a negative impact on the Company, it shall be empowered to modify or eliminate such reform, provided, however, that any modification shall be approved by a majority of the independent members of the Board of Directors or a committee thereof, which shall propose, within 30 days following the Board's determination, a good faith alternative to the reform that has been modified or eliminated, should the circumstances dictate that such maintenance is inappropriate.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ARTHUR J. COHN, Derivatively on Behalf of
Nominal Defendant CHARTER
COMMUNICATIONS, INC.,

Plaintiffs,

v.

RONALD L. NELSON, PAUL G. ALLEN,
MARC B. NATHANSON, NANCY B.
PERETSMAN, WILLIAM D. SAVOY, JOHN H.
TORY, CARL E. VOGEL, and LARRY W.
WANGBERG,

No. 4:03-CV-00177-ERW

Defendants,

and

CHARTER COMMUNICATIONS, INC.,

Nominal Defendant.

[PROPOSED] ORDER PRELIMINARILY APPROVING SETTLEMENT
AND APPROVING THE FORM AND MANNER OF NOTICE

EXHIBIT E

The Court has received the Stipulation of Settlement (the "Stipulation"), dated as of January 24, 2005 that has been entered into by the Settling Derivative Parties. The Court has reviewed the Stipulation and its attached exhibits, and, good cause appearing,

IT IS HEREBY ORDERED as follows:

1. The Court, for purposes of this preliminary order (the "Notice Order"), adopts all defined terms as set forth in the Stipulation.

2. The Court preliminarily approves the settlement of the Derivative Actions as set forth in the Stipulation.

3. The Court approves as to form and content, and for distribution to Settlement Class Members, the Notice of Pendency and Settlement of Derivative Actions (the "Notice"), substantially in the form of Exhibit E-1 hereto, and for publication of a Summary Notice of Proposed Settlement of Derivative Actions (the "Summary Notice"), substantially in the form of Exhibit E-2.

4. Pending resolution of these settlement proceedings, Settling Derivative Plaintiffs and all other Charter stockholders, whether directly, representatively, or in any other capacity, whether or not such persons have appeared in any of the Derivative Actions, shall not institute or prosecute any claims against the Settling Derivative Defendants, Andersen, or the Released Derivative Parties which have been or could have been asserted in the Derivative Actions, or that arise out of all or any part of the subject matter of this litigation.

5. Derivative Plaintiffs' Counsel is hereby authorized to retain the firm of Berdon LLP as Claims Administrator to supervise and administer the notice procedures.

6. Derivative Plaintiffs' Counsel shall make reasonable efforts to identify all Persons who are Charter stockholders, including beneficial owners whose shares of Charter common stock are held by banks, brokerage firms, or other nominees. Derivative Plaintiffs' Counsel shall cause the Claims Administrator to send the Notice by first class mail to all Persons who are holders of Charter common stock as of January 24, 2005. The mailing of the Notice form shall commence on or before _____, 2005 (the "Notice Date"). Pursuant to the Notice, each nominee shall either: (1) send the Notice to the Charter stockholders for which they act as nominee by first class mail within ten (10) days after the nominee receives the Notice; or (2) send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten (10) days after the nominee receives the Notice and, in the event of the latter, the Claims Administrator shall send by first class mail the Notice to all Charter stockholders who are on the list received from the nominee. The Claims Administrator shall, if requested, reimburse banks, brokerage houses or other nominees out of the Class Action Settlement Cash (such payments to be charged against the contribution of each Class Action Settling Defendant in proportion to the contribution of each to the Class Action Settlement Cash) solely for their reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are Charter stockholders, which expenses would not have been incurred except for the sending of such notice, subject to further order of this Court with respect to any dispute concerning such compensation.

Derivative Plaintiffs' Counsel shall file with the Court and serve upon Settling Derivative Defendants' counsel no later than seven (7) days prior to the Settlement Hearing an affidavit or declaration describing the efforts taken to comply with this order and stating that the mailings have been completed in accordance with the terms of this Notice Order.

7. Within ten (10) business days of the Notice Date, Derivative Plaintiffs' Counsel shall publish a Summary Notice substantially in the form of Exhibit E-2 hereto once in The Wall Street Journal, and shall distribute said Summary Notice twice through an Internet wire service. Derivative Plaintiffs' Counsel shall file with the Court and serve upon Settling Derivative Defendants' counsel no later than seven (7) days prior to the Settlement Hearing an affidavit or declaration stating that the Summary Notice has been published in accordance with the terms of this order.

8. The Court finds that dissemination of the Notice and Proof of Claim in the manner required by 6 herein, and publication of the Summary Notice in the manner required by 7 herein, constitute the best notice practicable under the circumstances to Charter stockholders and meet the requirements of Missouri law, due process under the United States Constitution, and any other applicable law.

9. Any Charter stockholder who objects to the settlement of the Derivative Actions or the adequacy of representation by Derivative Plaintiffs' Counsel shall have a right to appear and be heard at the Settlement Hearing. Any Charter stockholder may enter an appearance through counsel of such stockholder's own choosing and at such stockholder's own expense or may appear on their own. However, no Charter stockholder shall be heard at the Settlement Hearing unless, on or before _____, 2005, such Person has filed with the Court a written notice of objection, and the grounds for opposing the Settlement or application for attorneys' fees, costs and expenses, along with proof of ownership of Charter stock, and delivered a copy to the following counsel: Wechsler Harwood LLP, Robert I. Harwood, Esq., 488 Madison Avenue, 8th Floor, New York, NY 10022; Schiffrin & Barroway, LLP, Eric L. Zagar, Esq., Three Bala Plaza East, Suite 400, Bala Cynwyd, PA 19004; Irell & Manella LLP, David Siegel, Esq., David Schwarz, Esq., Craig Varnen, Esq., 1800 Avenue of the Stars, Suite 900, Los Angeles, CA 90067; and Mayer, Brown, Rowe & Maw LLP, Jonathan C. Medow, Esq., John J. Tharp, Jr., Esq., 190 South LaSalle St., Chicago, IL 60603. The manner in which a notice of objection must be prepared, filed, and delivered shall be stated in the Notice. Only Charter stockholders who have filed and delivered valid and timely written notices of objection will be entitled to be heard at the Settlement Hearing unless the Court orders otherwise.

10. All costs of notice associated with the implementation of the Settlement shall be paid out of the Class Action Settlement Cash paid by or on behalf of Settling Class Action Defendants, in proportion to their contribution thereto.

11. A Settlement Hearing will be held on _____, 2005, at _____ .m. before this Court to determine whether the proposed settlement of the Derivative Actions as set forth in the Stipulation, should be approved as fair, just, reasonable and adequate as to each of the Settling Derivative Parties, and whether the Final Judgment approving the

Settlement should be entered. The Court may adjourn or continue the Settlement Hearing without further notice to the Charter stockholders.

12. Derivative Plaintiffs' Counsel's application for an award of attorneys' fees, costs, and expenses will be heard by the Court in connection with the Class Action Settlement.

13. No later than seven (7) days before the Settlement Hearing, all briefs supporting the Settlement shall be served and filed.

14. Neither the Stipulation nor the settlement contained therein, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the settlement: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Settling Derivative Defendants, Andersen, or their Related Parties; or (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Settling Derivative Defendants or Andersen in any civil, criminal or administrative proceeding in any court, administrative agency or other tribunal.

15. All proceedings in the Federal Court Derivative Action as to the Settling Derivative Defendants are stayed until further order of the Court, except as may be necessary to implement the settlement or comply with the terms of the Stipulation.

16. The Court may, for good cause, extend any of the deadlines set forth in this order without further notice to Charter stockholders.

DATED: _____

THE HONORABLE CHARLES A. SHAW
UNITED STATES DISTRICT JUDGE

Submitted by:

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John J. Tharp, Esq.
190 South LaSalle St.
Chicago, IL 60603

Attorneys for Defendant Arthur Andersen LLP

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ARTHUR J. COHN, Derivatively on Behalf of
Nominal Defendant CHARTER
COMMUNICATIONS, INC.,

Plaintiffs,

v.

RONALD L. NELSON, PAUL G. ALLEN,
MARC B. NATHANSON, NANCY B.
PERETSMAN, WILLIAM D. SAVOY, JOHN H.
TORY, CARL E. VOGEL, and LARRY W.
WANGBERG,

No. 4:03-CV-00177-ERW

Defendants,

and

CHARTER COMMUNICATIONS, INC.,
Nominal Defendant.

NOTICE OF PENDENCY AND SETTLEMENT OF DERIVATIVE ACTIONS

EXHIBIT E-1

NOTICE OF PENDENCY AND SETTLEMENT OF DERIVATIVE ACTIONS

TO: ALL HOLDERS OF CHARTER COMMUNICATIONS, INC. COMMON STOCK AS OF JANUARY 24, 2005:

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF SHAREHOLDERS' DERIVATIVE ACTIONS AND CLAIMS ASSERTED THEREIN.

HOLDERS OF CHARTER COMMUNICATIONS, INC. COMMON STOCK AS OF JANUARY 24, 2005 ARE ENTITLED TO OBJECT, IF THEY DESIRE, TO THE SETTLEMENT OF THE DERIVATIVE CLAIMS AS DESCRIBED HEREIN. IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE BARRED FROM CONTESTING THE FAIRNESS, REASONABLENESS, OR ADEQUACY OF THE PROPOSED SETTLEMENT, AND FROM PURSUING THE SETTLED CLAIMS, INCLUDING THE RELEASED CLAIMS.

This Notice has been sent to you pursuant to an Order of the United States District Court, Eastern District of Missouri (the "Court"). The purpose of this notice is to inform you that the above-entitled action is now pending in the Court and the parties thereto have reached a settlement which would fully, finally and forever resolve the Released Claims (including Unknown Claims), as defined herein, on the terms and conditions summarized in this Notice and as set forth in full in the Stipulation of Settlement dated as of _____, 2005 (the "Stipulation").

This Notice is not intended and should not be construed as an expression of any opinion by the Court with respect to the truth of the allegations of the claims in the Derivative Actions or the merits of the claims or defenses asserted. This Notice is merely to advise you of the pendency and proposed settlement of the Derivative Actions and of your rights thereunder.

For further information regarding this settlement you may contact: Robert I. Harwood, Esq., Wechsler Harwood LLP, 488 Madison Avenue, 8th Floor, New York, New York 10022; or Eric L. Zagar, Esq., Schiffrin & Barroway, LLP, Three Bala Plaza East, Suite 400, Bala Cynwyd, PA 19004.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on _____, 2005, at _____, .m., before the Honorable Charles A. Shaw, United States District Judge, at the United States Courthouse, 111 South 10th Street, Suite 12.148, St. Louis, MO 63102 (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the proposed settlement of the Derivative Actions, as set forth in the Derivative Stipulation on file with the Court, should be approved by the Court as fair, reasonable and adequate to Charter and its

shareholders; and (2) whether judgment should be entered, dismissing the Federal Court Derivative Action with prejudice as against all Settling Derivative Defendants (which judgment will also require and be conditioned upon the dismissal of the State Court Derivative Actions with prejudice). The Settlement Hearing may be continued or adjourned from time to time by the Court at the Settlement Hearing or any continued or adjourned session thereof without further notice.

II. DEFINITIONS USED IN THIS NOTICE

1. "Andersen" shall mean Defendant Arthur Andersen LLP, AWSC Societe Cooperative, en liquidation, and all of their past and present member firms, and all of their respective current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, insurers, reinsurers, attorneys, accountants, representatives, parent companies, subsidiaries, related entities, divisions, affiliates, predecessors, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such persons or entities.

2. "Class Action Settlement Cash" shall mean the principal amount of \$66.25 million in cash to be paid for and on behalf of the Settling Class Action Defendants pursuant to the settlement of the Class Action.

3. "Company" or "Charter" shall mean defendant Charter Communications, Inc., a Delaware corporation, and all of its predecessors, successors, present and former parents, subsidiaries, divisions, and related or affiliated entities.

4. "Derivative Plaintiffs' Counsel" shall mean all counsel of record who entered an appearance in the Derivative Actions.

5. "Derivative Settlement Counsel" shall mean Wechsler Harwood LLP and Schiffrin & Barroway, LLP.

6. "Final" shall mean, with respect to the Judgment, the stipulated judgment dismissing with prejudice the State Court Derivative Actions, or the judgment(s) entered dismissing the Class Action with prejudice (collectively, the "Judgments"), that one of the following events has occurred: (1) the time for appealing the Judgments has expired; (2) following a final affirmance on appeal of the Judgments, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the Judgments are finally affirmed on discretionary review; or (3) following a final dismissal of an appeal from the Judgments, the time to seek further discretionary review (including, without limitation, from the United States Supreme Court) has expired, or if discretionary review is allowed, such discretionary review proceedings are subsequently dismissed with prejudice or the dismissal being challenged is itself finally affirmed on discretionary review. Any proceeding or order, or any appeal or appeal for a writ of certiorari pertaining solely to any plan of allocation and/or

application for attorneys' fees, costs or expenses, shall not in any way delay or preclude the Judgments from becoming Final.

7. "Judgment" shall mean the judgment to be rendered by the Court dismissing the Federal Court Derivative Action with prejudice, substantially in the form and content attached to the Stipulation as Exhibit B.

8. "Person" shall mean an individual, corporation (including all divisions and subsidiaries), partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, and assigns.

9. "Released Claims" shall collectively mean all claims (including "Unknown Claims" as defined in 16 below), demands, rights, liabilities and causes of action of every nature and description whatsoever, known or unknown, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or that might have been asserted in this or any other forum or proceeding, including, without limitation, claims for negligence, gross negligence, indemnification, breach of duty of care and/or breach of duty of loyalty, fraud, misrepresentation, breach of fiduciary duty, negligent misrepresentation, unfair competition, insider trading, professional negligence, mismanagement, corporate waste, breach of contract, or violations of any state or federal statutes, rules or regulations, including but not limited to any claims that arise from or relate to the matters or occurrences that were or could have been alleged in the Derivative Actions, or any claims related to the public disclosures or the transactions referenced therein, however described, through and including the period of time from the alleged date of the commencement of the class period (as set forth in the Class Action Settlement) until the date of the execution of the Stipulation by Settling Derivative Plaintiffs against the Released Derivative Parties (as defined in 10 below) which have been or could have been alleged in any of the Derivative Actions up through and including the date the Stipulation is signed.

10. "Released Derivative Parties" shall mean each and every one of the following: the Settling Derivative Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families, and Andersen.

11. "Settling Class Action Defendants" shall mean Charter, Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, and Andersen (to the extent the Court approves the Settlement with Andersen in the Class Action (the "Andersen Settlement") and the Andersen Settlement becomes Final pursuant to its terms).

12. "Settling Class Action Parties" shall mean Class Action Plaintiff and Settling Class Action Defendants.

13. "Settling Derivative Defendants" shall mean Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg.

14. "Settling Derivative Parties" shall mean Settling Derivative Defendants, Settling Derivative Plaintiffs, and Andersen.

15. "Settling Derivative Plaintiffs" shall mean Arthur J. Cohn, Kenneth Stacey, Aaron Cane, and Thomas Schimmel on behalf of themselves and derivatively on behalf of Charter.

16. "Unknown Claims" shall mean any Released Claims which the Settling Derivative Plaintiffs do not know or suspect to exist in his, her or its favor at the time of the release of the Released Derivative Parties which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Derivative Parties, or might have affected his, her or its decision not to object to, or opt out of, this Settlement. With respect to any and all Released Claims, the Settling Derivative Parties stipulate and agree that the Settling Derivative Plaintiffs expressly waive and relinquish, and by operation of the Judgment shall have expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The Settling Derivative Plaintiffs expressly waive, and by operation of the Judgment shall have waived, any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Section 1542 of the California Civil Code. The Settling Derivative Plaintiffs may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but each of them hereby stipulate and agree that the Settling Derivative Plaintiffs do settle and release, and by operation of the Judgment shall have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Settling Derivative Parties acknowledge that the foregoing waiver was bargained for and a key element of the Settlement of which this release is a part.

III. SUMMARY OF THE DERIVATIVE ACTIONS AND RELATED LITIGATION

1. BACKGROUND

Charter is a broadband communications company. The Company provides analog video, digital video, cable modem, and telephony services to more than 6 million customers residing in 37 different states. Charter is headquartered in St. Louis, Missouri. Andersen served as Charter's outside auditor for fiscal years 1999-2001.

On July 18, 2002, a Merrill Lynch analyst issued a report that questioned several of Charter's accounting practices, including the capitalization of certain customer service representative costs. The following day, the price of Charter's common stock declined from \$4.06 per share to \$3.50 per share.

On August 16, 2002, Charter announced that the U.S. Attorney's Office for the Eastern District of Missouri had initiated a grand jury investigation into certain of Charter's operations. The day after this announcement, the price of Charter's common stock declined from \$2.71 per share to \$2.53 per share.

On April 1, 2003, Charter announced that it was restating its financial reports for 2000 and 2001, and the first three quarters of 2002.

On July 24, 2003, a Grand Jury indicted David G. Barford, Kent Kalkwarf, David L. McCall, and James H. Smith, III for a conspiracy allegedly carried out from May 2001 through March 2002 to inflate Charter's subscriber numbers and subscriber growth numbers. It further charged Messrs. Barford and Kalkwarf with causing Charter to enter into allegedly sham agreements with Scientific-Atlanta, Inc. ("Scientific-Atlanta") and Motorola, Inc. ("Motorola") in the Fall of 2000. Messrs. McCall, Barford, Smith, and Kalkwarf pled guilty to one count of conspiracy to commit wire fraud to inflate Charter's subscriber numbers.

On July 27, 2004, the Securities and Exchange Commission ("SEC") filed an Order Instituting Cease-And-Desist Proceedings, Making Findings, And Imposing A Cease-And-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934 (the "SEC Order") on the consent of Charter, which neither admitted nor denied the allegations therein, regarding certain subscriber count practices and accounting for certain agreements with Motorola and Scientific-Atlanta. The SEC Order did not allege any wrongdoing regarding Charter's accounting, except with respect to the agreements with Motorola and Scientific-Atlanta.

2. THE DERIVATIVE ACTIONS

On or after September 12, 2002, three shareholder derivative actions were filed in the Circuit Court for the City of St. Louis (the "State Court"), captioned Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel v. Paul Allen, et al., and Charter Communications, Inc., No. 044-00858 (the "State Court Derivative

Actions"). On December 17, 2002, the Court granted Stacey and Cane's motion to: (1) consolidate the State Court Derivative Actions; and (2) appoint Schiffrin & Barroway, LLP, as Lead Counsel in the State Court Derivative Actions.

On February 12, 2003, a shareholder derivative action was filed in the United States District Court for the Eastern District of Missouri, captioned Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW (the "Federal Court Derivative Action," and together with the State Court Derivative Actions, the "Derivative Actions").

The Complaints in the Derivative Actions named as defendants the following former and/or current officers and members of Charter's Board of Directors: Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg. The Complaints in the State Court Derivative Actions also named Andersen as a defendant. Generally, Plaintiffs in the Derivative Actions alleged that the Charter Board of Directors breached fiduciary duties owed to Charter and its shareholders by, among other things, causing or allowing the Company to disseminate to the market materially misleading inaccurate information, placing their own personal interests above the Company's, failing to prevent the Company and its officers and directors from committing acts which would, and did, injure the Company, and failing to establish and maintain adequate internal accounting controls at the Company.

By agreement of all the parties, all formal proceedings in the Derivative Actions were voluntarily stayed pending resolution of Motions to Dismiss in the Class Action (as defined below).

3. THE CLASS ACTION

On or after July 31, 2002, fourteen federal securities class action complaints, including StoneRidge Investment Partners LLC v. Charter Communications, Inc., No. 4:02-CV-1186 CAS, were filed against Charter and various other defendants, including Paul G. Allen, Jerald L. Kent, Carl E. Vogel, Kent Kalkwarf, David G. Barford, Paul E. Martin, David L. McCall, Bill Shreffler, Chris Fenger, James H. Smith III, Scientific-Atlanta, Motorola, and Andersen. These complaints were consolidated, pursuant to order of the Multi-District Litigation Panel, in the U.S. District Court for the Eastern District of Missouri, and captioned In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action").

By Order dated April 16, 2003, the Court appointed StoneRidge Investment Partners, LLC as lead plaintiff (hereinafter "Class Action Plaintiff"), and appointed Pomerantz Haudek Block Grossman & Gross LLP as lead counsel (hereinafter "Class Action Plaintiff's Counsel").

Class Action Plaintiff filed an Amended Consolidated Class Action Complaint (the "Class Action Complaint") on August 5, 2003. The Class Action Complaint asserted claims against Charter, various individual defendants, Andersen, Scientific-Atlanta, and Motorola for alleged violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934,

and Rule 10b-5 promulgated thereunder, and sections 11, 12, and 15 of the Securities Act of 1933. The Class Action Complaint sought recovery for purchasers of Charter common stock during the period of November 8, 1999 through July 17, 2002, and damages through August 16, 2002.

On August 26, 2003, Charter filed a Motion to Dismiss the Class Action, which Class Action Plaintiff opposed. Other defendants in the Class Action filed Motions to Dismiss between September 8, 2003 to October 17, 2003, which the Class Action Plaintiff also opposed. The hearing on these Motions to Dismiss has been taken off-calendar in light of the Settlement of the Class Action.

By Memorandum Decision dated October 12, 2004, the Honorable Charles A. Shaw denied the Motion to Dismiss the Amended Complaint against Arthur Andersen LLP, but granted the Motions to Dismiss by Scientific-Atlantic and Motorola. Class Action Plaintiff filed a motion for reconsideration on October 26, 2004, which was denied on December 20, 2004. Class Action Plaintiff has appealed this decision.

4. SETTLEMENT NEGOTIATIONS AND MEDIATION

In or around March 2004, Settling Derivative Plaintiffs and their counsel agreed to coordinate their litigation efforts going forward. At approximately this same time, Derivative Settlement Counsel began a dialogue with counsel for the Settling Derivative Defendants regarding the possible settlement of the Derivative Actions. These discussions, which commenced in or around April 2004, lasted throughout the Summer of 2004. During the course of these discussions, the Settling Derivative Parties exchanged certain non-public information with each other. Thereafter, on August 2, 2004, the Settling Derivative Parties (except Andersen) participated in a joint mediation session with the Settling Class Action Parties (except Andersen). The Honorable Edward A. Infante (Ret.) presided over this joint mediation, which occurred after extensive briefing of Judge Infante by the Settling Class Action Parties and the Settling Derivative Parties. At the August 2, 2004 mediation, all settling parties and Judge Infante discussed, among other things, the respective claims and defenses, expert damages analyses, legal analyses, the discovery and motion practice conducted and expected to be conducted in the Class Action and the Derivative Actions, the evidence expected to be offered by the parties at trial, and other important factual and legal issues and matters relating to the merits of the Class Action and the Derivative Actions.

The Settling Derivative Plaintiffs and the Settling Derivative Defendants were able to reach an agreement in principle following the August 2, 2004 mediation, which was memorialized in a Memorandum of Understanding (the "MOU") dated August 5, 2004. The substance of the MOU is reflected in and superseded by the Stipulation. Also on August 5, 2004, the Settling Class Action Parties agreed to a Memorandum of Understanding regarding settlement of the Class Action.

Subsequent to the Court's October 12, 2004 decision, negotiations took place between the Class Action Plaintiff and Andersen that resulted in the agreement whereby all claims and potential claims in the Class Action and the Derivative Actions against Andersen were settled.

Concurrently with the submission of the Stipulation, the Settling Class Action Parties will submit Stipulations of Settlement for the Class Action to the Court, signed on January 13, 2005 and attached hereto as Exhibit A (without exhibits). The Class Action Settlement is conditioned, among other things, upon this Settlement being approved by the Court, a Judgment being entered that becomes Final, and the dismissal of each of the Derivative Actions with prejudice.

5. DISCOVERY, INVESTIGATION, AND RESEARCH CONDUCTED BY DERIVATIVE PLAINTIFF

Derivative Settlement Counsel has conducted a thorough investigation of the facts and legal issues associated with the prosecution and Settlement of the Derivative Actions. This discovery and investigation has included, inter alia: (1) the retention of a private investigator to assist in ascertaining the nature of the relationships among the Defendants; (2) consultations with various experts, including a corporate governance expert; (3) a comprehensive review of Charter's public filings, annual reports, and other public statements; (4) research into the applicable law with respect to the claims asserted in the Derivative Actions and the potential defenses thereto; (5) inspection of tens of thousands pages of documents produced by Settling Derivative Defendants pursuant to agreement reached during the August 2, 2004 mediation and in the MOU; and (6) participation in various interviews with current and former Charter employees and a current member of Charter's Board of Directors.

IV. CLAIMS OF THE SETTLING DERIVATIVE PLAINTIFFS AND BENEFITS OF SETTLEMENT

The Settling Derivative Plaintiffs believe that the claims asserted in the Derivative Actions have merit and that the evidence developed to date in the Derivative Actions supports the claims asserted. The Settling Derivative Plaintiffs assert and believe they would present supporting evidence at trial, that the Charter Board of Directors breached fiduciary duties owed to Charter and its shareholders by, among other things, causing or allowing the Company to disseminate to the market materially misleading inaccurate information through public statements, placing their own personal interests above the Company's, failing to prevent the Company and its officers and directors from committing acts which would, and did, injure the Company, and failing to establish and maintain adequate internal accounting controls at the Company, and failing to adequately supervise Company personnel in the performance of duties relating to, among other things, the public disclosures of the Company, the accounting of certain transactions, including those relating to the purchase of set top boxes from third party suppliers and related party transactions, including those referenced in the Company's public disclosures.

However, Derivative Settlement Counsel recognize and acknowledge the expense and length of continued proceedings, trial, and appeals. Derivative Settlement Counsel also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Derivative Actions, as Derivative Settlement Counsel are also mindful of the inherent problems of proof under and possible defenses to the claims asserted in the Derivative Actions, including the defenses asserted by the Settling Derivative

Defendants and Andersen during the litigation, in settlement negotiations, and in the mediation proceedings.

In light of the foregoing, Derivative Settlement Counsel believe that the Settlement set forth in the Stipulation confers substantial benefits upon Charter. Based on its evaluation, and its substantial experience in this area of the law, Derivative Settlement Counsel has determined that the Settlement set forth in the Stipulation is in the best interests of the Settling Derivative Plaintiffs and Charter.

V. SETTling DERIVATIVE DEFENDANTS' AND ANDERSEN'S STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

The Settling Derivative Defendants and Andersen have denied and continue to deny each and all of the claims and contentions alleged by the Settling Derivative Plaintiffs. The Settling Derivative Defendants and Andersen assert that their conduct was proper and that there was no breach of fiduciary or other duties, deny any liability or wrongdoing whatsoever, including, but not limited to, each of the allegations asserted in the Derivative Actions, assert that the Derivative Actions are subject to a number of procedural defenses, and further assert that Charter has not sustained any damages as a result thereof. Settling Derivative Defendants and Andersen have further asserted, and continue to assert, that at all relevant times, they acted in good faith, and in a manner they reasonably believed to be in the best interests of Charter and its shareholders.

Nonetheless, the Settling Derivative Defendants and Andersen have concluded that further conduct of the Derivative Actions would be protracted and expensive, and that it is desirable that the Derivative Actions be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation in order to limit further expense, inconvenience and distraction, to dispose of the burden of protracted litigation, and (on the part of the Settling Derivative Defendants) to permit the operation of the Company's business without further distraction and diversion of the Company's executive personnel with respect to matters at issue in the Derivative Actions. The Settling Derivative Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this litigation.

The Settling Derivative Defendants and Andersen have, therefore, determined that it is desirable and beneficial to them that the Derivative Actions be settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settling Derivative Defendants and Andersen enter into the Stipulation and Settlement without in any way acknowledging any fault, liability, or wrongdoing of any kind. There has been no adverse determination by any court against any of the Settling Derivative Defendants or Andersen on the merits of the claims asserted by the Settling Derivative Plaintiffs. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by any of the Settling Derivative Defendants or Andersen of the merit or truth of any of the allegations or wrongdoing of any kind on the part of any of the Settling Derivative Defendants or Andersen. The Settling Derivative Defendants and Andersen enter into the Stipulation and Settlement based upon, among other things, the parties' agreement herein that, to the fullest extent permitted by law, neither the Stipulation nor any of the terms or provisions, nor any

of the negotiations or proceedings connected therewith, shall be offered as evidence in the Derivative Actions or in any pending or future civil, criminal, or administrative action or other proceeding to establish any liability or admission by any of the Settling Derivative Defendants, Andersen, or to any of their respective Related Entities or any other matter adverse to any of the Settling Derivative Defendants, Andersen, or any of their respective Related Entities, except as expressly set forth herein.

VI. SUMMARY OF TERMS OF THE PROPOSED SETTLEMENT

In full and final settlement of all claims asserted or referred to in the Derivative Actions, and all claims that have been and could be asserted against the Settling Derivative Defendants and Andersen in the Derivative Actions, the Settling Derivative Defendants agree that the Board of Directors of Charter by amendment to Charter's bylaws, or other means as appropriate, shall adopt the changes regarding corporate governance set forth in Exhibit C to the Stipulation. In addition, the Settling Derivative Plaintiffs helped to confer substantial financial benefits upon Charter, including: (1) helping to preserve and advance payment to Charter of funds from Charter's insurers for payment of defense costs that otherwise may have been borne by Charter and in connection with the resolution of the Class Action; (2) helping to effectuate a global resolution of actions pending against Charter through participation in the mediation and settlement discussions; and (3) helping to ensure that the settlement of the Class Action provided a possibility of a financial benefit to the Company should the price of Charter stock increase above the valuation used for purposes of pricing the equity portion of the consideration in the Class Action settlement.

The Company and its Board of Directors are satisfied that the foregoing constitutes reasonably equivalent value for the dismissal of the Derivative Actions with prejudice and the release of the Released Claims, and is a fair, reasonable and adequate resolution of the Derivative Actions and the Released Claims on the Company's behalf and is in the best interests of the Company and the Company's shareholders.

VII. SUMMARY OF DISMISSAL AND RELEASES

If the proposed Settlement is approved by the Court, the Court will enter Judgment. The Judgment will dismiss the Released Claims (including "Unknown Claims"), with prejudice as to all of the Released Derivative Parties. Claims for violation of the Stipulation (including any exhibits) are preserved.

The Judgment will further provide for the release of the Released Derivative Parties from all claims (including "Unknown Claims"), arising out of, relating to, or in connection with the defense, or resolution of the Derivative Actions or the Released Claims with prejudice, and for the release of the Settling Derivative Plaintiffs and Derivative Plaintiffs' Counsel from the filing and prosecution of any lawsuit or claim by the Settling Derivative Defendants based on any claims (including "Unknown Claims") alleged or which could have been alleged in the Derivative Actions against the Settling Derivative Plaintiffs or Derivative Plaintiffs' Counsel arising out of, relating to, or in connection with the commencement, prosecution, assertion or resolution of the Derivative Actions or the Released Claims. Finally, the Judgment will provide for the release by Charter and the Settling Derivative Defendants of Andersen from all claims arising out of, relating to, or in

connection with the defense, or resolution of the Derivative Actions, and for the release by Andersen of Charter and the Settling Derivative Defendants and all entities owned, affiliated or controlled by them, all current and former Charter directors and officers and each of their respective agents, employees, consultants, insurers, attorneys, advisors, successors, heirs, assigns, executors, personal representatives, marital communities and immediate families from all claims arising out of, relating to, or in connection with the defense, or resolution of the Derivative Actions.

Upon approval of the Settlement, the State Court Derivative Actions will be dismissed with prejudice, pursuant to a stipulated judgment.

VIII. DERIVATIVE PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND REIMBURSEMENT OF COSTS AND EXPENSES

The Settling Derivative Parties have agreed that an amount up to but no greater than \$2.25 million shall be paid to Derivative Plaintiffs' Counsel from the Class Action Settlement Cash, subject to Court approval. Charter and the Settling Derivative Defendants shall not otherwise be liable for any fees or costs incurred by Derivative Plaintiffs' Counsel. Charter agrees that it will not oppose any application submitted in the Class Action by Derivative Plaintiffs' Counsel for attorneys fees, costs and expenses (the "Fee and Expense Application") up to \$2.25 million.

IX. CONDITIONS OF SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) the entry of the Judgment by the Court, as provided for in the Stipulation; (2) Judgment has become Final; and (3) the dismissal of the Derivative Actions with prejudice. If any of the conditions is not met, the Stipulation might be terminated, and, if terminated, will become null and void, and the Settling Derivative Parties will be restored to their respective positions as of August 4, 2004 (as to the Settling Derivative Defendants) and as of October 12, 2004 (as to Andersen).

X. THE RIGHT TO BE HEARD AT THE HEARING

Any Charter stockholder may appear at the Settlement Hearing to show cause why the proposed settlement should not be approved or why a judgment should or should not be entered thereon. Any such Person must submit a written notice of objection including the basis therefore, together with proof of current ownership of Charter common stock, postmarked on or before _____, 2005, to each of the following:

Clerk of the Court
United States District Court
Eastern District of Missouri
111 S. 10th Street, Suite 3.300
St. Louis, MO 63102

WECHSLER HARWOOD LLP
Robert I. Harwood, Esq.
488 Madison Avenue, 8th Floor
New York, NY 10022

Attorneys for Plaintiff Arthur J. Cohn

SCHIFFRIN & BARROWAY, LLP
Eric L. Zagar, Esq.
Three Bala Plaza East, Suite 400
Bala Cynwyd, PA 19004
Attorneys for Plaintiff Kenneth R. Stacey

IRELL & MANELLA LLP
David Siegel, Esq.
David Schwarz, Esq.
Craig Varnen, Esq.
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90067-4276

Attorneys for Nominal Defendant Charter Communications,
Inc. and current for former directors Ronald L. Nelson,
Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy,
John H. Tory, Carl E. Vogel, and Larry W. Wangberg

MAYER, BROWN, ROWE & MAW LLP
Jonathan C. Medow, Esq.
John J. Tharp, Jr., Esq.
190 South LaSalle St.
Chicago, IL 60603

Attorneys for Defendant Arthur Andersen LLP

Unless otherwise ordered by the Court, any shareholder of Charter who does not make his, her or its notice of objection in the manner provided shall be deemed to have waived all objections and opposition to the fairness, reasonableness and adequacy of the proposed settlement of the Derivative Actions.

XI. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may desire to review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, 111 S. 10th Street, Suite 3.300, St. Louis, MO 63102.

If you have any questions about the settlement of the Derivative Actions, you may contact Derivative Plaintiffs' Counsel by writing:

WECHSLER HARWOOD LLP
Robert I. Harwood, Esq.
488 Madison Avenue, 8th Floor
New York, NY 10022

Attorneys for Plaintiff Arthur J. Cohn

SCHIFFRIN & BARROWAY, LLP
Eric L. Zagar, Esq.
Three Bala Plaza East, Suite 400
Bala Cynwyd, PA 19004

Attorneys for Plaintiff Kenneth R. Stacey

DO NOT TELEPHONE THE COURT OR ANY REPRESENTATIVE OF CHARTER REGARDING THIS
NOTICE.

DATED: _____

BY ORDER OF THE UNITED STATES DISTRICT COURT,
EASTERN DISTRICT OF MISSOURI

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

ARTHUR J. COHN, Derivatively on Behalf of
Nominal Defendant CHARTER
COMMUNICATIONS, INC.,

Plaintiffs,

v.

RONALD L. NELSON, PAUL G. ALLEN, No. 4:03-CV-00177-ERW
MARC B. NATHANSON, NANCY B.
PERETSMAN, WILLIAM D. SAVOY, JOHN H.
TORY, CARL E. VOGEL, and LARRY W.
WANGBERG,

Defendants,

and

CHARTER COMMUNICATIONS, INC.,
Nominal Defendant.

SUMMARY NOTICE OF PROPOSED SETTLEMENT
OF DERIVATIVE ACTIONS

EXHIBIT E-2

TO: ALL PERSONS WHO ARE CURRENT HOLDERS OF CHARTER COMMON STOCK

YOU ARE HEREBY NOTIFIED that the parties to the actions pending in the Circuit Court for the City of St. Louis, entitled Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 044-0858 (consolidated as In re Charter Communications, Inc. Shareholder Derivative Litigation, Index No. 022-10625), and the parties to the action pending in the United States District Court for the Eastern District of Missouri, entitled Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW (collectively, the "Derivative Actions") have entered into a Stipulation of Settlement (the "Derivative Stipulation") to resolve the claims asserted therein.

PLEASE BE FURTHER ADVISED that pursuant to a Court order, a hearing will be held on _____, 2005, at _____.m., before the Honorable Charles A. Shaw, Judge of the United States District Court, at the United States Courthouse, 111 South 10th Street, Suite 12.148, St. Louis, MO 63102, for the purpose of determining (1) whether the proposed settlement of the Derivative Actions against the defendants therein (the "Derivative Defendants"), as set forth in the Derivative Stipulation on file with the Court, should be approved by the Court as fair, reasonable and adequate to Charter and its shareholders, and (2) whether judgment should be entered, dismissing the Federal Court Derivative Action with prejudice as against the Settling Derivative Defendants (which judgment will also require and be conditioned upon the dismissal of the State Court Derivative Actions with prejudice).

If you are a current shareholder of Charter, your rights may be affected by the settlement of the Derivative Actions.

If you currently own Charter common stock and have not received a "Notice of Hearing on Proposed Settlement of Derivative Actions," you may obtain copies by contacting the following: Charter Derivative Litigation, c/o Claims Administrator, _____.

Any objection to the settlement must be filed no later than _____, 2005 and show due proof of service on each of:

WECHSLER HARWOOD LLP
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488 Madison Avenue, 8th Floor
New York, NY 10022

Attorneys for Plaintiff Arthur J. Cohn

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Eric L. Zagar, Esq.
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Bala Cynwyd, PA 19004

Attorneys for Plaintiff Kenneth R. Stacey

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Craig Varnen, Esq.
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90067-4276

Attorneys for Nominal Defendant Charter Communications, Inc.
and current or former directors Ronald L. Nelson,
Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy,
John H. Tory, Carl E. Vogel, and Larry W. Wangberg,
and

MAYER, BROWN, ROWE & MAW LLP
Jonathan C. Medow, Esq.
John J. Tharp, Jr., Esq.
190 South LaSalle St.
Chicago, IL 60603

Attorneys for Defendant Arthur Andersen LLP

Any inquiries about the Derivative Actions can be made in writing to
Derivative Plaintiffs' Counsel: Wechsler Harwood LLP, 488 Madison Avenue, 8th
Floor, New York, NY 10022, and Schiffrin & Barroway LLP, Three Bala Plaza East,
Suite 400, Bala Cynwyd, PA 19004.

DO NOT TELEPHONE THE COURT OR ANY REPRESENTATIVE OF CHARTER REGARDING THIS
NOTICE.

DATED: _____

BY ORDER OF THE UNITED STATES DISTRICT COURT,
EASTERN DISTRICT OF MISSOURI

CHARTER COMMUNICATIONS, INC.,)
)
 Nominal Defendant.)
)
 THOMAS SCHIMMEL, Derivatively on) No. 044-00858
 Behalf of Nominal Defendant)
 CHARTER COMMUNICATIONS, INC.,) Division No. 1
)
 Plaintiff,)
)
 v.)
)
 RONALD L. NELSON, PAUL G. ALLEN,)
)
 MARC B. NATHANSON, NANCY B.)
 PERETSMAN, WILLIAM D. SAVOY,)
)
 JOHN H. TORY, CARL E. VOGEL,)
)
 LARRY W. WANGBERG, and)
)
 ARTHUR ANDERSEN, LLP,)
)
 Defendants,)
)
)
 and)
)
 CHARTER COMMUNICATIONS, INC.,)
)
 Nominal Defendant.)

JOINT MOTION TO DISMISS SHAREHOLDER DERIVATIVE ACTIONS

COME NOW, the undersigned parties, and jointly and respectfully request pursuant to Missouri Supreme Court Rule 52.9 that this Court dismiss the above-entitled consolidated actions with prejudice.

1. On or after September 12, 2002, three shareholder derivative actions were filed in this Court, captioned Kenneth Stacey, Derivatively on Behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-10625, Aaron Cane, Derivatively on behalf of Nominal Defendant Charter Communications, Inc., v. Ronald L. Nelson, et al., and Charter Communications, Inc., No. 022-11450, and Thomas Schimmel v. Paul Allen, et al., and Charter Communications, Inc., No. 044-00858 (the "State Court Derivative Actions").

2. On December 17, 2002, the Court granted Stacey and Cane's motion to: (1) consolidate the State Court Derivative Actions; and (2) appoint Schifffrin & Barroway, LLP, as Lead Counsel in the State Court Derivative Actions. On July 14, 2004, the action brought by Thomas Schimmel was consolidated into this action.

3. On February 12, 2003, a shareholder derivative action was filed in the United States District Court for the Eastern District of Missouri, captioned Arthur J. Cohn, Derivatively on behalf of Nominal Defendant Charter Communications, Inc. v. Ronald L. Nelson, et al., and Charter Communications, Inc., Case No. 4:03CV00177 ERW, (the "Federal Court Derivative Action," and together with the State Court Derivative Actions, the "Derivative Actions"). The allegations in the Federal Court Derivative Action were substantively identical to those in the State Court Derivative Actions.

4. The underlying factual allegations of the Derivative Actions relate to a previously filed consolidated federal securities class action in the United States District Court for the Eastern District of Missouri, captioned In re Charter Communications, Inc. Securities Litigation, MDL Docket No. 1506 (CAS) (the "Class Action").

5. The Complaints in the Derivative Actions named as defendants the following former and/or current officers and members of Charter's Board of Directors: Ronald L. Nelson, Paul G. Allen, Marc B. Nathanson, Nancy B. Peretsman, William D. Savoy, John H. Tory, Carl E. Vogel, and Larry W. Wangberg (the "Settling Derivative Defendants"). The Complaints in the State Court Derivative Actions also named Arthur Andersen LLP as a defendant.

6. The plaintiffs in the Derivative Actions, the Settling Derivative Defendants, and Arthur Andersen LLP (collectively, the "Settling Derivative Parties") have reached an agreement to settle the Derivative Actions. That agreement is embodied in the Stipulation of Settlement dated as of January 24, 2005, and attached hereto as Exhibit A (the "Derivative Settlement").

7. Lead plaintiff in the Class Action, Charter and its current and former officers and directors who had been named as defendants in the Class Action, and Arthur Andersen LLP have also reached an agreement to settle the Class Action. That agreement is embodied in the Stipulations of Settlement dated as of January 24, 2005, and attached hereto as Exhibit B and C (the "Class Action Settlement").

8. The effectiveness of both the Derivative Settlement and the Class Action Settlement is conditioned upon, among other things, the dismissal of the State Court Derivative Actions with prejudice after approval of the Derivative Settlement.

9. After notice to members of the settlement class in the Class Action and a hearing regarding whether the Class Action Settlement should be approved, the Court in the Class Action approved the Class Action Settlement as fair, reasonable, and adequate to all members of the settlement class on _____, 2005. A copy of the Notice that was sent to members of the settlement class is attached hereto as Exhibit D. A copy of the Summary Notice is attached hereto as Exhibit E. A copy of the Court's _____, 2005 Order is attached hereto as Exhibit F.

10. After notice to Charter shareholders and a hearing regarding whether to approve the Derivative Settlement, the Court in the Federal Court Derivative Action approved the Derivative Settlement as being fair, just, reasonable and adequate as to each of the Settling Derivative Parties on _____, 2005. A copy of the Notice that was sent to Charter shareholders is attached hereto as Exhibit G. A copy of the Summary Notice is attached hereto as Exhibit H. A copy of the Court's _____, 2005 Order is attached hereto as Exhibit I.

11. The notice sent to Charter shareholders detailed that the State Court Derivative Cases would be dismissed with prejudice upon approval of the Derivative Settlement. Accordingly, the requirements of Missouri Supreme Court Rule 52.09 have been satisfied.

WHEREFORE, the undersigned parties hereby request that the Court dismiss the State Court Derivative Actions with prejudice as to all parties.

Dated: _____, 2005

Roman Wuller, Esq., Bar Number _____
Stephen B. Higgins, Esq., Bar Number _____
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Edward L. Dowd, Jr., Esq.
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One Metropolitan Square
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St. Louis, Missouri 63102-2750
(314) 259-2000
(314) 259-2020 Fax

CO-COUNSEL FOR DEFENDANT CARL E. VOGEL.

Dated: _____, 2005

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ANTONIOU & ANTONIOU, L.L.C.
8008 Carondelet, Suite 314
St. Louis, Missouri 63105
Telephone: (314) 725-1996
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LIAISON COUNSEL FOR PLAINTIFFS

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Bala Cynwyd, Pennsylvania 19004
Telephone: (610) 667-7706
Facsimile: (610) 667-7056

LEAD COUNSEL FOR PLAINTIFFS

Dated: _____, 2005

Barry A. Short, Esq., Bar Number: _____
LEWIS, RICE & FINGERSH, L.C.
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(206) 903-8820 Fax
Timothy J. Filer, Esq.
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Seattle, Washington 98101-3299
(206) 447-4400
(206) 447-9700 Fax

COUNSEL FOR DEFENDANT PAUL G. ALLEN

Dated: _____, 2005

Jonathan C. Medow, Esq., Bar Number: _____
John J. Tharp, Jr., Esq., Bar Number: _____
MAYER, BROWN, ROWE & MAW LLP
190 South LaSalle St.
Chicago, Illinois 60603
(312) 782-0600
(312) 701-7711

ATTORNEYS FOR DEFENDANT ARTHUR ANDERSEN LLP

SO ORDERED:

Dated this _____ day of _____, 2005

DAVID L. DOWD, J.

Description of Charter Communications, Inc.
2005 Executive Bonus Plan

Executive Officers of Charter Communication, Inc. ("Charter") and certain other managerial and professional employees of Charter and its subsidiaries are eligible to participate in Charter's 2005 Executive Bonus Plan. Bonuses for eligible employees for 2005 will be determined based on the extent to which Charter's (or, if applicable, a divisional employee's particular division's) performance during 2005 meets or exceeds budgeted goals with respect to four performance measures. These measures, and the percentage of an employee's bonus allocated to each measure, are Revenue (40%), Operating Cash Flow (20%), Free Cash Flow (20%) and Customer Satisfaction (20%). Customer Satisfaction will be measured against quantifiable statistics to be determined by the board of directors or compensation committee, which are expected to include items such as installation completion rate, repeat service rate for trouble calls, trouble service rate within 30 days of installation, total service rate, percent of disconnects following installation and certain call center measures.

With respect to each performance measure listed above, the eligible employee would receive 100% of the portion of his or her target bonus allocated to that performance measure if Charter's (or such employee's division's) performance reaches the budgeted goal for that measure. Also, for each performance measure, the employee would receive a portion of the allocated percentage if the performance exceeds 95% of the budgeted goal, and could receive as much as 150% of the allocated percentage if the performance exceeds the applicable budgeted goal by 5%. Each employee's target bonus is determined based on market data and position within the company. Target bonuses for executive officers range from 40% to 50% of base salary, subject to applicable employment agreements.

Entity Jurisdiction and Type

Entity Name	Jurisdiction and Type
212 Seventh Street, Inc.	a Missouri corporation
American Cable Entertainment Company, LLC	a Delaware limited liability company
ARH, Ltd.	a Colorado corporation
Athens Cablevision, Inc.	a Delaware corporation
Ausable Cable TV, Inc.	a New York corporation
Cable Equities Colorado, LLC	a Delaware limited liability company
Cable Equities of Colorado Management Corp.	a Colorado corporation
Cable Systems, Inc.	a Kansas corporation
CC 10, LLC	a Delaware limited liability company
CC Fiberlink, LLC	a Delaware limited liability company
CC Holdco I, LLC	a Delaware limited liability company
CC Michigan, LLC	a Delaware limited liability company
CC New England, LLC	a Delaware limited liability company
CC Systems, LLC	a Delaware limited liability company
CC V Holdings Finance, Inc.	a Delaware corporation
CC V Holdings, LLC	a Delaware limited liability company
CC VI Fiberlink, LLC	a Delaware limited liability company
CC VI Holdings, LLC	a Delaware limited liability company
CC VI Operating, LLC	a Delaware limited liability company
CC VI Purchasing, LLC	a Delaware limited liability company
CC VII Fiberlink, LLC	a Delaware limited liability company
CC VII Lease, Inc.	a Delaware corporation
CC VII Leasing, LLC	a Delaware limited liability company
CC VII Purchasing, LLC	a Delaware limited liability company
CC VIII Fiberlink, LLC	a Delaware limited liability company
CC VIII Holdings, LLC	a Delaware limited liability company
CC VIII Operating, LLC	a Delaware limited liability company
CC VIII Purchasing, LLC	a Delaware limited liability company
CC VIII, LLC	a Delaware limited liability company
CCH I, LLC	a Delaware limited liability company
CCH I Capital Corp.	a Delaware corporation
CCH II, LLC	a Delaware limited liability company
CCH II Capital Corp.	a Delaware corporation
CCHC Lease, Inc.	a Delaware corporation
CCHC Leasing, LLC	a Delaware limited liability company
CCHC Mortgage, LLC	a Delaware limited liability company
CCO Fiberlink, LLC	a Delaware limited liability company
CCO Holdings, LLC	a Delaware limited liability company
CCO Holdings Capital Corp.	a Delaware corporation
CCO Lease, Inc.	a Delaware corporation
CCO Leasing, LLC	a Delaware limited liability company
CCO NR Holdings, LLC	a Delaware limited liability company
CCO Property, LLC	a Delaware limited liability company
CCO Purchasing, LLC	a Delaware limited liability company
CCOH Sub, LLC	a Delaware limited liability company
CCONR Sub, LLC	a Delaware limited liability company
CCV.com, LLC	a Delaware limited liability company
Cencom Cable Entertainment, LLC	a Delaware limited liability company
CF Finance LaGrange, Inc.	a Georgia corporation
Charter Advertising of Saint Louis, LLC	a Delaware limited liability company
Charter Cable Operating Company, L.L.C.	a Delaware limited liability company

Entity Name	Jurisdiction and Type
Charter Cable Partners, L.L.C.	a Delaware limited liability company
Charter Communications Entertainment I, LLC	a Delaware limited liability company
Charter Communications Entertainment II, LLC	a Delaware limited liability company
Charter Communications Entertainment, LLC	a Delaware limited liability company
Charter Communications Holding Company, LLC	a Delaware limited liability company
Charter Communications Holdings Capital Corporation	a Delaware corporation
Charter Communications Holdings LLC	a Delaware limited liability company
Charter Communications Operating Capital Corp.	a Delaware corporation
Charter Communications Operating, LLC	a Delaware limited liability company
Charter Communications Properties LLC	a Delaware limited liability company
Charter Communications Services, LLC	a Delaware limited liability company
Charter Communications V, LLC	a Delaware limited liability company
Charter Communications Ventures, LLC	a Delaware limited liability company
Charter Communications VI, LLC	a Delaware limited liability company
Charter Communications VII, LLC	a Delaware limited liability company
Charter Communications, LLC	a Delaware limited liability company
Charter Distribution, LLC	a Delaware limited liability company
Charter Fiberlink AL-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Alabama, LLC	a Delaware limited liability company
Charter Fiberlink — AR-CCO, LLC	a Delaware limited liability company
Charter Fiberlink — AR-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — AZ-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink CA-CCO, LLC	a Delaware limited liability company
Charter Fiberlink CA-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink CO-CCO, LLC	a Delaware limited liability company
Charter Fiberlink CO-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink CT-CCO, LLC	a Delaware limited liability company
Charter Fiberlink GA-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Georgia, LLC	a Delaware limited liability company
Charter Fiberlink ID-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Illinois, LLC	a Delaware limited liability company
Charter Fiberlink IN-CCO, LLC	a Delaware limited liability company
Charter Fiberlink — Kentucky, LLC	a Delaware limited liability company
Charter Fiberlink KS-CCO, LLC	a Delaware limited liability company
Charter Fiberlink KS-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink LA-CCO, LLC	a Delaware limited liability company
Charter Fiberlink LA-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink MA-CCO, LLC	a Delaware limited liability company
Charter Fiberlink — Michigan, LLC	a Delaware limited liability company
Charter Fiberlink — Missouri, LLC	a Delaware limited liability company
Charter Fiberlink MS-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink MS-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink NC-CCO, LLC	a Delaware limited liability company
Charter Fiberlink NC-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink NC-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink NH-CCO, LLC	a Delaware limited liability company
Charter Fiberlink NM-CCO, LLC	a Delaware limited liability company
Charter Fiberlink NV-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink NY-CCO, LLC	a Delaware limited liability company
Charter Fiberlink NY-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Nebraska, LLC	a Delaware limited liability company
Charter Fiberlink OH-CCO, LLC	a Delaware limited liability company

Entity Name	Jurisdiction and Type
Charter Fiberlink OK-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink OR-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink PA-CCO, LLC	a Delaware limited liability company
Charter Fiberlink PA-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink SC-CCO, LLC	a Delaware limited liability company
Charter Fiberlink SC-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Tennessee, LLC	a Delaware limited liability company
Charter Fiberlink TX-CCO, LLC	a Delaware limited liability company
Charter Fiberlink UT-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink VA-CCO, LLC	a Delaware limited liability company
Charter Fiberlink VA-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink VA-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink VT-CCO, LLC	a Delaware limited liability company
Charter Fiberlink WA-CCVII, LLC	a Delaware limited liability company
Charter Fiberlink — Wisconsin, LLC	a Delaware limited liability company
Charter Fiberlink WV-CCO, LLC	a Delaware limited liability company
Charter Fiberlink WV-CCVI, LLC	a Delaware limited liability company
Charter Fiberlink, LLC	a Delaware limited liability company
Charter Gateway, LLC	a Delaware limited liability company
Charter Helicon, LLC	a Delaware limited liability company
Charter LaGrange, LLC	a Georgia limited liability company
Charter Online, L.P.	a Delaware limited partnership
Charter Rascals, L.L.C.	a Delaware limited liability company
Charter RMG, LLC	a Delaware limited liability company
Charter Stores FCN, LLC	a Delaware limited liability company
Charter Telephone of Minnesota, LLC	a Delaware limited liability company
Charter Video Electronics, Inc.	a Minnesota corporation
Charter/TWEAN Birmingham Cable Advertising, LLC	a Delaware limited liability company
Chat TV, LLC	a Delaware limited liability company
Dalton Cablevision, Inc.	a Delaware corporation
DBroadband Holdings, LLC	a Delaware limited liability company
Enstar Cable Corporation	a Georgia corporation
Enstar Communications Corporation	a Georgia corporation
Enstar Finance Company, LLC	a Delaware limited liability company
Falcon Cable Communications, LLC	a Delaware limited liability company
Falcon Cable Media, a California Limited Partnership	a California limited partnership
Falcon Cable Systems Company II, L.P.	a California limited partnership
Falcon Cablevision, a California Limited Partnership	a California limited partnership
Falcon Community Cable, L.P.	a Delaware limited partnership
Falcon Community Ventures I, LP	a California limited partnership
Falcon First Cable of New York, Inc.	a Delaware corporation
Falcon First Cable of the Southeast, Inc.	a Delaware corporation
Falcon First, Inc.	a Delaware corporation
Falcon Telecable, a California Limited Partnership	a California limited partnership
Falcon Video Communications, L.P.	a California limited partnership
Helicon Group, L.P., The	a Delaware limited partnership
Helicon Partners I, L.P.	a Delaware limited partnership
Hometown TV, Inc.	a New York corporation
Hornell Television Services, Inc.	a New York corporation
HPI Acquisition Co., L.L.C.	a Delaware limited liability company
Interlink Communications Partners, LLC	a Delaware limited liability company
Long Beach, LLC	a Delaware limited liability company

Entity Name	Jurisdiction and Type
Marcus Cable Associates, L.L.C.	a Delaware limited liability company
Marcus Cable of Alabama, L.L.C.	a Delaware limited liability company
Marcus Cable, Inc.	a Delaware limited liability company
Midwest Cable Communications, Inc.	a Minnesota corporation
Peachtree Cable TV, L.P.	a Georgia limited partnership
Peachtree Cable T.V., LLC	a Delaware limited liability company
Plattsburgh Cablevision, Inc.	a Delaware corporation
Renaissance Media (Louisiana) LLC	a Delaware limited liability company
Renaissance Media (Tennessee) LLC	a Delaware limited liability company
Renaissance Media Capital Corporation	a Delaware limited liability company
Renaissance Media Group LLC	a Delaware limited liability company
Renaissance Media LLC	a Delaware limited liability company
Rifkin Acquisition Capital Corporation	a Colorado corporation
Rifkin Acquisition Partners, LLC	a Delaware limited liability company
Robin Media Group, Inc.	a Nevada corporation
Scottsboro TV Cable, Inc.	an Alabama corporation
Tennessee, LLC	a Delaware limited liability company
Tioga Cable Company, Inc.	a Pennsylvania corporation
Vista Broadband Communications, LLC	a Delaware limited liability company
Wilcat Transmission Co., Inc.	a Delaware corporation

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Charter Communications, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-56850 on Form S-3 and No. 333-61358, 333-36628, and 333-110808 on Form S-8 of Charter Communications, Inc. and subsidiaries of our report dated March 1, 2005, with respect to the consolidated balance sheets of Charter Communications, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2004, which report appears in the December 31, 2004 annual report on Form 10-K of Charter Communications, Inc.

As discussed in note 3 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

As discussed in note 7 to the consolidated financial statements, effective September 30, 2004, the Company adopted EITF Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*.

As discussed in note 19 to the consolidated financial statements, effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123*.

/s/ KPMG LLP

St. Louis, Missouri
March 1, 2005

I, Robert P. May, certify that:

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

Date: March 1, 2005

/s/ Robert P. May

Robert P. May

Interim President and Chief Executive Officer

I, Paul E. Martin, certify that:

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

Date: March 1, 2005

/s/ Paul E. Martin

Paul E. Martin

Interim Co-Chief Financial Officer

(Co-Principal Financial Officer)

I, Derek Chang, certify that:

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

Date: March 1, 2005

/s/ Derek Chang

Derek Chang

Interim Co-Chief Financial Officer

(Co-Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS**

I, Robert P. May, the Interim President and Chief Executive Officer of Charter Communications, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Robert P. May

Robert P. May

Interim President and Chief Executive Officer

March 1, 2005

**CERTIFICATION OF CHIEF FINANCIAL
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS**

I, Paul E. Martin, the Interim Co-Chief Financial Officer of Charter Communications, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Paul E. Martin

Paul E. Martin

Interim Co-Chief Financial Officer

(Co-Principal Financial Officer)

March 1, 2005

**CERTIFICATION OF CHIEF FINANCIAL
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS**

I, Derek Chang, the Interim Co-Chief Financial Officer of Charter Communications, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Derek Chang

Derek Chang

Interim Co-Chief Financial Officer

(Co-Principal Financial Officer)

March 1, 2005