CHARTER COMMUNICATIONS INC /MO/
Form 424B3
September 13, 2006

Table of Contents

EXCHANGE OFFER PROSPECTUS **Filed Pursuant to Rule 424(b)(3)**
Registration No. 333-136508

CCHC, LLC, CCH II, LLC and CCH II Capital Corp.
Offer to Exchange up to $450,000,000 Principal Amount Outstanding of
Charter Communications, Inc. s
5.875% Convertible Senior Notes due 2009
(CUSIP Nos. 16117MAE7 and 16117MAD9)

The Exchange Consideration offered per $1,000 principal amount of Charter Communications, Inc. s (Charter) 5.875% convertible senior notes due 2009 (the Convertible Notes) validly tendered for exchange and not validly withdrawn on or prior to the Expiration Date (as defined below) consists of:

$417.75 in cash,

100 shares of Charter s Class A Common Stock, par value $0.001 (the Class A Common Stock) and

$325.00 principal amount of 10.25% Senior Notes due 2010 issued by CCH II (the CCH II Notes), as an add-on to its currently outstanding series.

This Exchange Offer expired at 11:59 p.m., New York City time, on September 8, 2006 (the Expiration Date). Holders of Convertible Notes (as defined below) must tender their Convertible Notes for exchange on or prior to the Expiration Date to receive the Exchange Consideration (as defined below).

CCHC, LLC (CCHC) and CCH II, LLC and CCH II Capital Corp. (collectively, CCH II and, together with CCHC, the Offerors) hereby offer up to $187,987,500 in cash, 45,000,000 shares of Class A Common Stock and $146,250,000 principal amount of CCH II Notes to holders (the Holders) of up to $450,000,000 of Charter s $862,500,000 principal amount outstanding Convertible Notes who elect to exchange their Convertible Notes upon the terms and subject to the conditions set forth in this Exchange Offer Prospectus (this Exchange Offer Prospectus) and in the accompanying Letter of Transmittal (the Letter of Transmittal and together with this Exchange Offer Prospectus, the Exchange Offer). The Convertible Notes are not listed on any national securities exchange but are eligible for trading on the PORTAL Market.

The Exchange Offer is not conditioned on a minimum amount of Convertible Notes being tendered. The Offerors will not accept for exchange more than $450,000,000 principal amount of Convertible Notes (the Maximum Amount). As a result, if more than the Maximum Amount of Convertible Notes is validly tendered and not validly withdrawn, the Offerors will accept Convertible Notes from each Holder pro rata, based on the total principal amount of Convertible Notes validly tendered and not validly withdrawn.

The CCH II Notes being offered as part of the Exchange Consideration will be issued under a temporary CUSIP number until the next interest payment date, which is expected to be September 15, 2006, at which time it is expected that they will be mandatorily merged into the existing CUSIP number of approximately $1.6 billion outstanding principal amount of CCH II Notes. The CCH II Notes are not listed on any national securities exchange but are eligible for trading on the PORTAL Market.

The Class A Common Stock is traded on the Nasdaq Global Market under the symbol CHTR.

In addition to the Exchange Consideration, we will pay accrued interest on the Convertible Notes from and after the last interest payment date (which was May 16, 2006) up to, but not including, the Settlement Date.

The Settlement Date in respect of any Convertible Notes that are validly tendered for exchange and not validly withdrawn is expected to be not later than the fourth day following the Expiration Date.

Exchange of the Convertible Notes and an investment in our Class A Common Stock and CCH II Notes involves risks. See Recent Events on page 1 and Risk Factors on page 23 for a discussion of issues that you should consider with respect to the Exchange Offer.

You must make your own decision whether to exchange any Convertible Notes pursuant to the Exchange Offer, and, if you wish to exchange Convertible Notes, the principal amount of Convertible Notes to tender. In addition, you must make your own decision as to whether to unwind any hedged positions you hold with respect to your Convertible Notes. Neither Charter, CCHC, CCH II, their subsidiaries nor their respective Boards of Directors make any

recommendation as to whether Holders should exchange their Convertible Notes or unwind any hedged positions with respect to the Convertible Notes.

Neither this transaction nor the securities to be issued upon exchange of the Convertible Notes have been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the fairness or merits of this transaction or upon the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offense.

The Dealer Managers for the Exchange Offer are:

Citigroup **Banc of America Securities LLC**

The Date of this Exchange Offer Prospectus is September 13, 2006.

TABLE OF CONTENTS

	Page
IMPORTANT	ii
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	iv
SUMMARY	1
RISK FACTORS	23
QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER	45
PRICE RANGE OF COMMON STOCK	51
BOOK VALUE PER COMMON SHARE	51
USE OF PROCEEDS	51
CAPITALIZATION	52
UNAUDITED PRO FORMA CONSOLIDATED FINANCIALS	57
SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA	73
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CCH II, LLC	110
CCHC, LLC, CCH II, LLC AND CCH II CAPITAL CORP.	141
DESCRIPTION OF THE EXCHANGE OFFER	142
BUSINESS	149
REGULATION AND LEGISLATION	165
MANAGEMENT	170
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	193
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	197
DESCRIPTION OF OTHER INDEBTEDNESS	210
DESCRIPTION OF CAPITAL STOCK AND MEMBERSHIP UNITS	232
SHARES ELIGIBLE FOR FUTURE SALE	242
DESCRIPTION OF THE CCH II NOTES	244
BOOK ENTRY, DELIVERY AND FORM	278
DESCRIPTION OF THE CONVERTIBLE NOTES	281
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES	304
INTEREST OF DIRECTORS AND OFFICERS IN THE TRANSACTION	312
DEALER MANAGERS	312
INFORMATION AGENT	312
EXCHANGE AGENT	312
FEES AND EXPENSES	312
LEGAL MATTERS	313
EXPERTS	313
WHERE YOU CAN FIND MORE INFORMATION	313
PART II	
INFORMATION NOT REQUIRED IN PROSPECTUS	II-1
SIGNATURES	S-1
POWER OF ATTORNEY	S-1
SIGNATURES	S-3
POWER OF ATTORNEY	S-3
SIGNATURES	S-5
POWER OF ATTORNEY	S-5

Unless otherwise stated, the discussion in this Exchange Offer Prospectus of our business and operations includes the business of Charter Communications, Inc. (Charter) and its direct and indirect subsidiaries. Unless otherwise stated or the context otherwise requires, the terms we, us and our refer to Charter and its direct and indirect subsidiaries on a consolidated basis.

IMPORTANT

Convertible Notes tendered for exchange may be validly withdrawn at any time up until 11:59 p.m., New York City time, on the Expiration Date. In the event of a termination of the Exchange Offer, the Convertible Notes tendered for exchange pursuant to the Exchange Offer will be promptly returned to the tendering Holders. Likewise, any Convertible Notes not accepted for exchange because the Maximum Amount has been exceeded will be promptly returned to the tendering Holders.

Convertible Notes tendered for exchange, along with completed Letters of Transmittal and any other required documents should be directed to the Exchange Agent (as defined below). Any requests for assistance in connection with the Exchange Offer or for additional copies of this Exchange Offer Prospectus or related materials should be directed to the Information Agent (as defined below). Any additional questions regarding the Exchange Offer should be directed to either of the Dealer Managers (as defined below). Contact information for the Information Agent, the Exchange Agent and the Dealer Managers is set forth on the back cover of this Exchange Offer Prospectus. Neither we nor any of the Dealer Managers, the Trustee (as defined below), the Information Agent or the Exchange Agent make any recommendation as to whether or not Holders should tender their Convertible Notes for exchange pursuant to the Exchange Offer.

The Information Agent for the Exchange Offer is Global Bondholder Services Corporation (the Information Agent). The Exchange Agent for the Exchange Offer is Global Bondholder Services Corporation (the Exchange Agent). Citigroup and Banc of America Securities LLC (the Dealer Managers) are acting as dealer managers in connection with the Exchange Offer.

Subject to the terms and conditions set forth in the Exchange Offer, the Exchange Consideration to which a tendering Holder is entitled pursuant to the Exchange Offer will be paid on the Settlement Date. Under no circumstances will any interest be payable because of any delay in the transmission of the Exchange Consideration to Holders by the Exchange Agent.

Notwithstanding any other provision of the Exchange Offer, the Offerors obligation to pay the Exchange Consideration for Convertible Notes validly tendered for exchange and not validly withdrawn pursuant to the Exchange Offer is subject to, and conditioned upon, the satisfaction or waiver of, the conditions described below under Description of the Exchange Offer Conditions to the Exchange Offer.

The Offerors reserve the right, in their sole discretion, to waive any one or more of the conditions to the Exchange Offer at any time. See Description of the Exchange Offer Conditions to the Exchange Offer.

The Offerors reserve the right to extend the Exchange Offer, if necessary, so that the Expiration Date occurs upon or shortly after the satisfaction of the conditions to the Exchange Offer.

Subject to applicable securities laws and the terms set forth in this Exchange Offer, the Offerors reserve the right:

- to waive any and all conditions to the Exchange Offer;
- to extend the Exchange Offer;
- to terminate the Exchange Offer, but only if any condition to the Exchange Offer is not satisfied (see Description of the Exchange Offer Conditions to the Exchange Offer); or
- otherwise to amend the Exchange Offer in any respect; however, the Offerors do not currently intend to change the amount of Class A Common Stock offered to more than 134 shares or less than 67 shares per $1,000 principal amount of Convertible Notes.

In accordance with applicable securities laws, if a material change occurs in the information published, sent or given to Holders, the Offerors will promptly disclose the change in a manner reasonably calculated to inform Holders of the change.

In the event that the Exchange Offer is withdrawn or otherwise not completed, the Exchange Consideration will not be paid or become payable to Holders of the Convertible Notes who have validly tendered their Convertible Notes for exchange in connection with the Exchange Offer and the Convertible Notes tendered for exchange pursuant to the Exchange Offer will be promptly returned to the tendering Holders.

Any Holder who desires to tender Convertible Notes pursuant to the Exchange Offer and who holds physical certificates evidencing such Convertible Notes must complete and sign a Letter of Transmittal in accordance with the instructions therein, have the signature thereon guaranteed (if required by Instruction 4 of the Letter of Transmittal) and send or deliver such manually signed Letter of Transmittal (or a manually signed facsimile thereof), together with certificates evidencing such Convertible Notes being tendered and any other required documents to the Exchange Agent at its address set forth on the back cover of this Exchange Offer Prospectus. Only Holders of Convertible Notes are entitled to tender Convertible Notes for exchange.

Beneficial owners of Convertible Notes that are held of record by a broker, dealer, commercial bank, trust company or other nominee must instruct such nominee to tender the Convertible Notes for exchange on the beneficial owner s behalf. A letter of instructions is included in the materials provided along with this Exchange Offer Prospectus, which may be used by a beneficial owner in this process to effect the tender of Convertible Notes for exchange. See Description of the Exchange Offer Procedure for Tendering Convertible Notes.

The Depository Trust Company (DTC) has authorized DTC participants that hold Convertible Notes on behalf of beneficial owners of Convertible Notes through DTC to tender their Convertible Notes for exchange as if they were Holders. To tender their Convertible Notes for exchange, DTC participants may, in lieu of physically completing and signing the Letter of Transmittal, transmit their acceptance to DTC through the DTC Automated Tender Offer Program (ATOP), for which the transaction will be eligible, and follow the procedure for book-entry transfer set forth in Description of the Exchange Offer Procedure for Tendering Convertible Notes.

Converting Holders will not be obligated to pay brokerage fees or commissions to the Dealer Managers, the Exchange Agent, the Information Agent, the Trustee or the Offerors.

Any requests for assistance in connection with the Exchange Offer or for additional copies of this Exchange Offer Prospectus or related materials should be directed to the Information Agent. Any additional questions regarding the Exchange Offer should be directed to either of the Dealer Managers. Contact information for the Information Agent and the Dealer Managers is set forth on the back cover of this Exchange Offer Prospectus. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees through which they hold the Convertible Notes with questions and requests for assistance.

This Exchange Offer Prospectus and the Letter of Transmittal contain important information that should be read before any decision is made with respect to a exchange of Convertible Notes.

The delivery of this Exchange Offer shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or in the affairs of Charter or any of its subsidiaries or affiliates since the date hereof.

This Exchange Offer does not constitute an offer to sell or exchange or a solicitation of an offer to buy or exchange securities in any jurisdiction where it is unlawful to make such an offer or solicitation.

No one has been authorized to give any information or to make any representations with respect to the matters described in this Exchange Offer Prospectus, other than those contained in this Exchange Offer Prospectus. If given or made, such information or representation may not be relied upon as having been authorized by us.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Exchange Offer Prospectus includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. 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. Many of the forward-looking statements contained in this Exchange Offer Prospectus may be identified by the use of forward-looking words such as believe, expect, anticipate, should, planned, wil intend, estimated, aim, on track and potential, among others. Important factors that could cause actual results to materially from the forward-looking statements we make in this Exchange Offer Prospectus are set forth in this Exchange Offer Prospectus and in other reports or documents that we file from time to time with the SEC and include, but are not limited to:

- the availability, in general, 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 and, in particular, our ability to be able to provide under applicable debt instruments and applicable law such funds (by dividend, investment or otherwise) to the applicable obligor of such debt;
- 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 prior to or when it becomes due and/or to take advantage of market opportunities and market windows to refinance that debt through new issuances, exchange offers or otherwise, including restructuring our balance sheet and leverage position;
- our ability to sustain and grow revenues and cash flows from operating activities by offering video, high-speed Internet, telephone and other services and to maintain and grow a stable customer base, particularly in the face of increasingly aggressive competition from other service providers;
- 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 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.

SUMMARY

The following summary is provided solely for the convenience of the Holders of the Convertible Notes. This summary is not intended to be complete and is qualified in its entirety by reference to the full text and more specific details contained elsewhere in this Exchange Offer Prospectus, the Letter of Transmittal and any amendments or supplements hereto or thereto. Holders of the Convertible Notes are urged to read this Exchange Offer Prospectus in its entirety. Each of the capitalized terms used in this summary and not defined herein has the meaning set forth elsewhere in this Exchange Offer Prospectus.

CCHC, LLC (CCHC) is an indirect subsidiary of Charter Communications, Inc. (Charter). CCHC is a holding company with no operations of its own. CCH II, LLC is a wholly-owned indirect subsidiary of CCHC. CCH II, LLC is a holding company with no operations of its own. CCH II Capital Corp. (together with CCH II, LLC, CCH II) is a wholly-owned subsidiary of CCH II, LLC. CCH II Capital Corp. is a company with no operations of its own and no subsidiaries. For a chart showing our ownership structure, see page 3.

The Company

We are a broadband communications company operating in the United States, with approximately 5.81 million customers at June 30, 2006, pro forma for the asset sales discussed below. 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 Internet access, advanced broadband cable services (such as video on demand (VOD), high definition television service, and interactive television) and, in some of our markets, telephone service. See Business Products and Services for further description of these terms, including customers.

At June 30, 2006, pro forma for the asset sales discussed below, we served approximately 5.52 million analog video customers, of which approximately 2.73 million were also digital video customers. We also served approximately 2.26 million high-speed Internet customers (including approximately 266,700 who received only high-speed Internet services). We also provided telephone service to approximately 257,600 customers (including approximately 24,100 who received telephone service only).

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. The information posted or linked on this website is not part of the Exchange Offer or this Exchange Offer Prospectus and you should rely solely on the information contained in this Exchange Offer Prospectus and the related documents to which we refer herein when deciding whether or not to tender your Convertible Notes.

The Offerors are offering to pay the Exchange Consideration with respect to up to $450,000,000 of the Convertible Notes tendered for exchange upon the terms and subject to the conditions set forth in this Exchange Offer Prospectus and the related Letter of Transmittal. The Exchange Offer and the payment of the Exchange Consideration are conditioned upon, among other things, the satisfaction of certain conditions. See Description of the Exchange Offer Conditions to the Exchange Offer.

Recent Events

Results of the Exchange Offer. The Exchange Offer expired at 11:59 p.m., Eastern Time, on September 8, 2006. As of the expiration of the Exchange Offer, $499.9 million aggregate principal amount of Convertible Notes were validly tendered. The Offerors accepted $450.0 million of the Convertible Notes tendered for exchange, representing approximately 52.2% of the total principal amount of Convertible Notes outstanding.

Since the amount of Convertible Notes tendered exceeded the maximum amount of Convertible Notes that the Offerors would accept, the Offerors pro rated the amount of Convertible Notes accepted from participating Holders as described in this Exchange Offer Prospectus. The Offerors accepted 90.0% of

the amount tendered by each holder. Following the consummation of the Convertible Exchange Offer, $412.5 million of Convertible Notes will remain outstanding.

On the Settlement Date, which the Offerors expect to be September 14, 2006, Holders of accepted Convertible Notes will receive the following consideration per $1,000 principal amount of Convertible Notes accepted:

- $417.75 in cash,
- 100 shares of Class A Common Stock,
- $325.00 principal amount of CCH II Notes, and
- an additional $19.26 in cash for accrued interest from the last interest payment date up to, but not including the Settlement Date.

Contribution of CC VIII, LLC Interests to CCH I, LLC. As part of the Private Exchange Offers (as defined below), CCHC will contribute its 70% interest (the CC VIII Interest) in the Class A preferred equity interests of CC VIII, LLC (CC VIII), a majority-owned indirect subsidiary of Charter Communications Operating, LLC (Charter Operating), to CCH I, LLC (CCH I). The CC VIII Interest will be pledged as security for all CCH I notes, including those that may be issued in the Private Exchange Offers described below. The CC VIII preferred interests are entitled to a 2% accreting priority return on the priority capital. The CC VIII Interest represents approximately 13% of the total equity interests in CC VIII at June 30, 2006. CC VIII owns systems with approximately 934,000 analog video customers at June 30, 2006. The CC VIII Interests are being pledged as security for the CCH I notes in order to provide an additional asset supporting the CCH I notes.

Charter Communications Holdings, LLC (Charter Holdings) Exchange Offers. Concurrently with the Exchange Offer, CCH II and CCH I commenced private offers (the Private Exchange Offers) in which certain holders of certain of Charter Holdings outstanding notes were offered the right to exchange those notes for up to $250 million principal amount of 10.25% Senior Notes due 2013 of CCH II (CCH II 2013 notes) and up to $625 million principal amount of 11% Senior Secured Notes due 2015 of CCH I (CCH I notes). The CCH I notes to be issued in the Private Exchange Offers will be of the same class as the currently outstanding $3.525 billion principal amount of CCH I notes. Charter Holdings will unconditionally guarantee the CCH II 2013 notes. Charter Holdings guarantees the currently outstanding CCH I notes and will guarantee the CCH I notes to be issued in the Private Exchange Offers. As noted above, the CC VIII Interest to be held by CCH I will be pledged as security for any CCH I notes to be issued in the Private Exchange Offers and all outstanding CCH I notes. The CCH I notes currently outstanding are, and the CCH I Notes to be issued in the Private Exchange Offers also will be secured by a pledge of CCH I s equity interests in CCH II.

As of 5:00 PM New York City time on September 12, 2006, approximately $791.3 million in aggregate principal amount of Charter Holdings outstanding notes had been validly tendered, consisting of approximately $307.9 million in aggregate principal amount of notes with maturities in 2009 and 2010 (the 2009-2010 notes) and approximately $483.4 million in aggregate principal amount of notes with maturities in 2011 and 2012 (the 2011-2012 notes). Based upon the amount tendered and subject to consummation of the Private Exchange Offers $250.0 million aggregate principal amount of CCH II 2013 notes and approximately $456.6 million in aggregate principal amount of CCH I notes will be issued. Approximately $468.4 million aggregate principal amount of 2009-2010 notes and approximately $400.0 million aggregate principal amount of 2011-2012 notes will remain outstanding.

The Exchange Offer and the Private Exchange Offers are independent, however they are both being conducted at the present time based on our current ability to incur indebtedness and the current trading prices of the subject securities in each offer. In addition, neither consummation of the Exchange Offer nor the Private Exchange Offers is conditioned upon consummation of the other offer.

Charter Investment, Inc., a wholly-owned corporation of Mr. Paul G. Allen, Charter s Chairman and controlling stockholder, holds approximately $56 million of Charter Holdings notes that are the subject of

Table of Contents

the Private Exchange Offers. Mr. Allen has agreed to cause this entity to tender these notes in the Private Exchange Offers. We are not aware that any of our other officers, directors or affiliates own the Charter Holdings notes that are the subject of the Private Exchange Offers.

Asset Sales. Earlier in 2006, we signed three separate definitive agreements to sell certain cable television systems serving a total of approximately 356,000 analog video customers in (1) West Virginia and Virginia to Cebridge Connections, Inc. (Cebridge), (2) Illinois and Kentucky to Telecommunications Management, LLC, doing business as New Wave Communications (New Wave) and (3) Nevada, Colorado, New Mexico and Utah to Orange Broadband Holding Company, LLC (Orange) for a total of approximately $971 million. The sale of the systems to Cebridge and New Wave closed on July 1, 2006, and the sale of the systems to Orange is scheduled to close in the third quarter of 2006. Proceeds from the sales to Cebridge and New Wave that closed on July 1, 2006 were used to reduce the amount outstanding on our revolving credit facility to zero, without reducing commitments, and the remainder to fund our business. Proceeds from the sale to Orange are expected to be used for general corporate purposes, including to fund the cash consideration to be paid in the Exchange Offer. Because the West Virginia and Virginia systems meet the criteria for presentation as discontinued operations, on August 10, 2006, Charter and CCH II each filed current reports on Form 8-K reflecting revenues and expenses related to the West Virginia and Virginia systems for each of the three years ended December 31, 2005 as discontinued operations.

Purpose of the Exchange Offer

The purpose of the Exchange Offer is to exchange up to $450,000,000 of Charter s outstanding Convertible Notes to extend maturities and reduce our overall indebtedness.

Table of Contents

Organizational Structure

The chart below sets forth our organizational structure as of June 30, 2006 and that of our direct and indirect subsidiaries after giving effect to the contribution of the CC VIII Interest to CCH I. This chart does not include all of our affiliates and subsidiaries and, in some cases, we have combined separate entities for presentation purposes. The equity ownership, voting percentages and indebtedness amounts shown below are approximations as of June 30, 2006 after giving effect to the contribution of the CC VIII Interest to CCH I and do not give effect to any exercise, conversion or exchange of then outstanding options, preferred stock, convertible notes and other convertible or exchangeable securities. Indebtedness amounts shown below are accreted values for financial reporting purposes as of June 30, 2006. See Description of Other Indebtedness, which also includes the principal amount of the indebtedness described below.

(1) Charter acts as the sole manager of Charter Holdco and its direct and indirect limited liability company subsidiaries, including CCHC and CCH II.

(2) Without giving effect to the Exchange Offer. Concurrently with the Exchange Offer, CCH II and CCH I have commenced the Private Exchange Offers.

(3) Held by Charter Investment, Inc. (CII) and Vulcan Cable III Inc., each of which is 100% owned by Paul G. Allen, Charter s Chairman and controlling shareholder. They are exchangeable at any time on a one-for-one basis for shares of Class A Common Stock.

(4) The percentages reflect the issuance of the 116.9 million shares of Class A Common Stock issued in 2005 and February 2006 and the corresponding issuance of an equal number of mirror membership units by Charter Holdco to Charter. However, for accounting purposes, Charter s common equity interest in Charter Holdco is 48%, and Paul G. Allen s ownership of Charter Holdco is 52%. These percentages exclude the 116.9 million mirror membership units issued to Charter due to the required return of the issued mirror units upon return of the shares offered pursuant to the share lending agreement.

(5) Represents an exchangeable accreting note issued by CCHC related to the settlement of the CC VIII dispute. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII .

(6) Without giving effect to the Private Exchange Offers or the Exchange Offer. In the Private Exchange Offers, CCH I is offering up to $675 million of the CCH I notes.

(7) Without giving effect to the Private Exchange Offers or the Exchange Offer. In the Private Exchange Offers, CCH II is expected to offer up to $200 million of the CCH II 2013 notes. In the Exchange Offer, CCH II is offering up to $146 million of CCH II Notes.

(8) Giving pro forma effect to the asset sales described under Recent Events Asset Sales, the aggregate principal amount of loans under Charter Operating s senior credit facilities is $5.0 billion.

(9) This subsidiary guarantees the Charter Operating senior credit facilities and senior second lien notes, which guarantee is secured by substantially all assets of this subsidiary.

The Exchange Offer

Exchange Offer	The Offerors are offering to pay the Exchange Consideration to Holders of up to $450,000,000 aggregate principal amount of the Convertible Notes who elect to exchange their Convertible Notes upon the terms and subject to the conditions of the Exchange Offer.
Offerors	CCHC and CCH II are the entities making the Exchange Offer. See Organizational Structure.
Exchange Consideration	The Exchange Consideration offered per $1,000 principal amount of Convertible Notes validly tendered for exchange and not validly withdrawn on or prior to the Expiration Date consists of: $417.75 in cash, 100 shares of Class A Common Stock, and $325.00 principal amount of CCH II Notes. Subject to applicable securities laws and the terms set forth in the Exchange Offer Prospectus, the Offerors reserve the right to amend the Exchange Offer in any respect; however, the Offerors do not currently intend to change the amount of Class A Common Stock offered to more than 134 shares or less than 67 shares per $1,000 principal amount of Convertible Notes. CCH II Notes will be issued only in minimum denominations of $1,000 and integral multiples of $1,000. See Description of the Exchange Offer.
No Minimum Condition	The Exchange Offer is not conditioned on a minimum principal amount of Convertible Notes being tendered.
Maximum Amount	The Offerors will not accept for exchange more than the Maximum Amount. As a result, if more than the Maximum Amount of Convertible Notes is validly tendered and not validly withdrawn, the Offerors will accept Convertible Notes from each Holder pro rata based on the total principal amount of Convertible Notes validly tendered and not validly withdrawn.
Accrued Interest on the Convertible Notes	In addition to the Exchange Consideration, the Offerors will pay accrued interest on the Convertible Notes from and after the last interest payment date (which was May 16, 2006) up to, but not including, the Settlement Date.
Consequences of Failure to Exchange	For a description of certain risks of continuing to own Convertible Notes after the Settlement Date because such Holder elects not to tender Convertible Notes or Convertible Notes tendered are not accepted (as a result of the Maximum Amount or otherwise) see Risk Factors Risks to Continuing Holders of Convertible Notes After the Settlement Date. In particular, you should note that as part of the Private Exchange Offers CCHC will contribute the CC VIII Interest to CCH I. The CC VIII Interest will be pledged as security for all CCH I notes, including those to be issued in the Private Exchange

6

	Offers. Any claim Holders of the Convertible Notes have against those assets will become subordinate to claims of the holders of CCH I notes, as well as the creditors of CCHC, Charter Holdings and CIH.
Expiration Date	September 8, 2006.
Settlement Date	The Settlement Date in respect of any Convertible Notes that are validly tendered for exchange prior to 11:59 p.m., New York City time, on the Expiration Date is expected to be not later than the fourth day following the Expiration Date.
Accounting Treatment	Charter will consider the fair value of consideration to be issued versus the book value of Convertible Notes tendered and will record the resulting anticipated gain on the transaction on our consolidated statement of operations in the period the transaction closes. CCH II will record the fair value of CCH II Notes issued in long-term debt and will record the fair value of the Convertible Notes received by CCH II as a reduction of member s equity of CCH II. See Unaudited Pro Forma Consolidated Financials.
How to Tender Convertible Notes	See Description of the Exchange Offer Procedure for Tendering Convertible Notes. For further information, call the Information Agent or the Exchange Agent at the respective telephone numbers set forth on the back cover of this Exchange Offer Prospectus or consult your broker, dealer, commercial bank, trust company or other nominee for assistance.
Withdrawal and Revocation Rights	Convertible Notes may be validly withdrawn at any time up until 11:59 p.m., New York City time, on the Expiration Date. In the event of a termination of the Exchange Offer, which can only occur if a condition to the Exchange Offer is not satisfied, the Convertible Notes tendered pursuant to the Exchange Offer will be promptly returned to the tendering Holders. In addition, even after the Expiration Date, if the Offerors have not accepted for payment any validly tendered Convertible Notes, such Convertible Notes may be withdrawn 60 days after commencement of the Exchange Offer.
Purpose of the Exchange Offer	The purpose of the Exchange Offer is to exchange up to $450,000,000 of Charter s outstanding Convertible Notes to extend maturities and reduce our overall indebtedness.
Background of the Exchange Offer	This Exchange Offer and the Private Exchange Offer are being conducted at the present time based on our current ability to incur indebtedness under the financial covenants contained in our various debt instruments and the current trading prices of the subject securities in each offer. See Background of the Exchange Offer.

Certain Conditions Precedent to the Exchange Offer	The Offerors obligation to pay the Exchange Consideration in respect of Convertible Notes validly tendered for exchange pursuant to the Exchange Offer is conditioned upon the satisfaction of certain conditions including effectiveness of the registration statement. See Description of the Exchange Offer Conditions to the Exchange Offer.
Optional Settlement Procedure	As described under Description of Capital Stock and Membership Units Share Lending Agreement below, as of June 30, 2006, Charter has loaned to Citigroup Global Markets Limited (CGML) 116.9 million shares of Class A Common Stock to facilitate the placement of the Convertible Notes. To the extent you tender Convertible Notes in the Exchange Offer, and you have entered into a share loan agreement with CGML pursuant to which you have, as of the Acceptance Date (as defined below) of the Exchange Offer, an open borrow position thereunder, you may, at your option, elect the settlement of Class A Common Stock to be issued by Charter as part of the Exchange Consideration through the settlement procedure described below. Any such election may be made: (i) if you hold your Convertible Notes in book-entry form through DTC, by instructing your nominee to make such an election on your behalf in accordance with DTC procedures; or (ii) otherwise, by making such an election in the Letter of Transmittal and delivery of such Letter of Transmittal in accordance with the procedures described under Procedures for Tendering Convertible Notes below. If you validly make such an election as described above, any Class A Common Stock you are entitled to receive as a component of the Exchange Consideration will be issued by Charter to CGML, or an affiliate, and used, to the extent you have, as of the date we accept your Convertible Notes pursuant to the Exchange Offer (the Acceptance Date) an outstanding obligation to return shares of our Class A Common Stock under the share loan agreement, to satisfy a corresponding portion of such return obligation to CGML. Such share deliveries will be deemed to occur on the Acceptance Date and will be used, on such date, to satisfy your return obligation to CGML. Although it has no obligation to do so, we anticipate that CGML will contemporaneously return such shares to Charter under the Share Lending Agreement on such date. In lieu of actual issuances of shares by Charter to CGML or an affiliate, and return of those shares to CGML under our share loan agreement, CGML and Charter may agree to deem your obligation to deliver those shares to CGML and CGML s obligation to deliver those shares to Charter to be mutually satisfied as of the Acceptance Date.

Certain U.S. Federal Income Tax Consequences	For a summary of the material U.S. federal income tax consequences of the Exchange Offer, see Certain U.S. Federal Income Tax Consequences.
Use of Proceeds	Neither the Offerors, Charter nor any of their subsidiaries will receive any proceeds from the Exchange Offer.
Brokerage Commissions	No brokerage commissions are payable by Holders of the Convertible Notes to the Dealer Managers, the Information Agent, the Offerors, the Trustee or the Exchange Agent.
Dealer Managers	Citigroup and Banc of America Securities LLC are the Dealer Managers for the Exchange Offer. Their respective addresses and telephone numbers are set forth on the back cover of this Exchange Offer Prospectus.
Information Agent	Global Bondholder Services Corporation is the Information Agent for the Exchange Offer. Its address and telephone number are set forth on the back cover of this Exchange Offer Prospectus.
Exchange Agent	Global Bondholder Services Corporation is the Exchange Agent for the Exchange Offer. Its address and telephone number are set forth on the back cover of this Exchange Offer Prospectus.
Regulatory Approvals	The Offerors are not aware of any other material regulatory approvals necessary to complete the Exchange Offer, other than the obligation to file a Schedule TO with the SEC and otherwise comply with applicable securities laws.
No Appraisal Rights	No appraisal rights are available to the Holders in connection with the Exchange Offer.
Further Information	Any requests for assistance in connection with the Exchange Offer or for additional copies of this Exchange Offer Prospectus or related materials should be directed to the Information Agent. Any questions regarding the Exchange Offer should be directed to either of the Dealer Managers. Contact information for the Information Agent and the Dealer Managers is set forth on the back cover of this Exchange Offer Prospectus. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees through which they hold the Convertible Notes with questions and requests for assistance.

The CCH II Notes

Issuers	CCH II, LLC and CCH II Capital Corp.
Maturity	September 15, 2010.
Interest	Interest will accrue from and including the Settlement Date and is payable in cash semi-annually, in arrears, on March 15 and September 15 of each year.
Interest Rate	The per annum interest rate on the CCH II Notes equals 10.25%.
CCH II Notes Offered/ CUSIP	The CCH II Notes offered hereby will be pari passu with, of the same class as, will vote on any matter submitted to bondholders with and otherwise be substantially identical in all respects to approximately $2.1 billion principal amount of currently outstanding CCH II Notes. However, the currently outstanding CCH II Notes trade under two CUSIP numbers, which are not fungible. The CCH II Notes being offered as part of the Exchange Consideration will be issued under a temporary CUSIP number until the next interest payment date, which is expected to be September 15, 2006 at which time it is expected that they will be mandatorily merged into the existing CUSIP number of approximately $1.6 billion outstanding principal amount of CCH II Notes.
Ranking	The CCH II Notes are the senior unsecured obligations of CCH II and rank pari passu to all of CCH II s existing and future unsecured senior indebtedness, including approximately $2.1 billion aggregate principal amount of CCH II notes that are outstanding and up to $200 million of CCH II 2013 notes that are being offered in the Private Exchange Offers. In addition, the CCH II Notes are structured to be effectively senior to any indebtedness of any parent of CCH II. However, the CCH II Notes are effectively subordinated to all existing and future obligations of CCH II s subsidiaries. As of June 30, 2006, CCH II had stand-alone indebtedness and other obligations outstanding of $2.1 billion, and its consolidated subsidiaries had approximately $11.3 billion of indebtedness and other liabilities outstanding on their consolidated balance sheet. See Capitalization.
Optional Redemption	CCH II may redeem, at its option, the CCH II Notes in whole or in part from time to time as described in the section Description of the CCH II Notes Optional redemption.
Change of Control	Upon the occurrence of a Change of Control (as defined herein under Description of the CCH II Notes), each holder of the CCH II Notes will have the right to require CCH II to repurchase all or any part of that holder s CCH II Notes at a repurchase price equal to 101% of the aggregate principal amount of the CCH II Notes repurchased plus accrued and unpaid interest thereon, if any, to the date of purchase. There can be no assurance that CCH II will have sufficient funds available at the time of any Change of Control to make any required debt repayment (including repurchases of the CCH II

	Notes). See Description of the CCH II Notes Repurchase at the Option of Holders Change of Control.
Restrictive Covenants	The indenture under which the CCH II Notes will be issued, which we refer to as the CCH II indenture , restricts the ability of CCH II and CCH II s restricted subsidiaries to: (1) incur indebtedness; (2) create liens; (3) pay dividends or make distributions in respect of capital stock and other restricted payments; (4) make investments; (5) sell assets; (6) create restrictions on the ability of restricted subsidiaries to make certain payments; (7) enter into transactions with affiliates; or (8) consolidate, merge or sell all or substantially all assets. However, such covenants are subject to a number of important qualifications and exceptions as described under Description of the CCH II Notes Certain Covenants , including provisions allowing CCH II and its restricted subsidiaries, as long as CCH II s leverage ratio is not greater than 5.5 to 1.0, to incur additional indebtedness and make investments. CCH II is also permitted under these covenants to provide funds to its parent companies, to repay intercompany debt and to pay interest on and, subject to meeting its leverage ratio test, to retire or repurchase their debt obligations.
Events of Default	For a discussion of events that will permit acceleration of the payment of the principal of and accrued interest on the CCH II Notes, see Description of the CCH II Notes Events of Default and Remedies.

Differences between CCH II Notes and Convertible Notes

Restrictive Covenants	The indenture under which the CCH II Notes will be issued includes a number of covenants restricting the actions of CCH II and CCH II s restricted subsidiaries. See Description of the CCH II Notes Certain Covenants. The indenture under which the Convertible Notes were issued does not include such covenants, with the exception of a covenant relating to fundamental changes. See Description of the Convertible Notes Consolidation, Merger and Sale of Assets.
Conversion Rights	Holders of Convertible Notes may convert their Convertible Notes into shares of Charter s Class A Common Stock. See Description of the Convertible Notes Organizational Structure. Holders of the CCH II Notes have no such conversion rights.
Interest Rate	The per annum interest rate on the CCH II Notes equals 10.25%. The per annum interest rate on the Convertible Notes is 5.875%.
Maturity	The maturity date of the CCH II Notes is September 15, 2010. The maturity date of the Convertible Notes is November 16, 2009.

Table of Contents

Summary Consolidated Financial Data

Charter is a holding company whose principal assets are a controlling common equity interest in Charter Holdco and mirror notes that are payable by Charter Holdco to Charter which have the same principal amount and terms as those of Charter s convertible senior notes. Charter Holdco is a holding company whose primary assets are equity interests in our cable operating subsidiaries and intercompany loan receivables. Charter consolidates Charter Holdco as a variable interest entity under Financial Accounting Standards Board (FASB) Interpretation (FIN) 46(R) *Consolidation of Variable Interest Entities*. Charter Holdco s limited liability agreement provides that so long as Charter s Class B common stock retains its special voting rights, Charter will maintain 100% voting interest in Charter Holdco. Voting control gives Charter full authority and control over the operations of Charter Holdco.

CCH II, LLC is a holding company whose primary assets are equity interests in our cable operating subsidiaries. CCH II, LLC was formed in March 2003 and is a direct subsidiary of CCH I, which is an indirect subsidiary of Charter Holdings. Charter Holdings is an indirect subsidiary of Charter.

Historical Financial Data. The following tables present summary financial and other data for Charter and CCH II and their subsidiaries and has been derived from the audited consolidated financial statements of Charter and CCH II and their subsidiaries as of December 31, 2005 and 2004 and for the three years ended December 31, 2005 and the unaudited consolidated financial statements of Charter and CCH II and their subsidiaries as of June 30, 2006 and for the six months ended June 30, 2006 and 2005. The consolidated financial statements of Charter and CCH II and their subsidiaries as of December 31, 2005 and 2004, and for the three years ended December 31, 2005 have been audited by KPMG LLP, an independent registered public accounting firm.

The following information should be read in conjunction with Selected Historical Consolidated Financial Data, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter, Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC and the historical consolidated financial statements and related notes of Charter and CCH II included elsewhere in this Exchange Offer Prospectus.

Charter Communications, Inc.

	Year Ended December 31,			Six Months Ended June 30,	
	2003	**2004**	**2005**	**2005**	**2006**
			(Dollars in millions)		
Statement of Operations Data:					
Revenues:					
Video	$ 3,306	$ 3,217	$ 3,248	$ 1,623	$ 1,684
High-speed Internet	535	712	875	425	506
Telephone	14	18	36	14	49
Advertising sales	254	279	284	135	147
Commercial	196	227	266	128	149
Other	311	307	324	156	168
Total revenues	4,616	4,760	5,033	2,481	2,703
Costs and Expenses:					
Operating (excluding depreciation and amortization)	1,873	1,994	2,203	1,081	1,215
Selling, general and administrative	909	965	1,012	483	551
Depreciation and amortization	1,396	1,433	1,443	730	690
Impairment of franchises		2,297			
Asset impairment charges			39	39	99
Other operating (income) expenses, net	(46)	13	32	6	10
Total costs and expenses	4,132	6,702	4,729	2,339	2,565
Operating income (loss) from continuing operations	484	(1,942)	304	142	138
Interest expense, net	(1,557)	(1,670)	(1,789)	(871)	(943)
Gain (loss) on extinguishment of debt and preferred stock	267	(31)	521	8	(27)
Other income, net	49	49	72	47	18
Loss from continuing operations before minority interest, income taxes and cumulative effect of accounting change	(757)	(3,594)	(892)	(674)	(814)

Minority interest	394	19	1	(6)	(1)
Loss from continuing operations before income taxes and cumulative effect of accounting change	(363)	(3,575)	(891)	(680)	(815)
Income tax benefit (expense)	122	134	(112)	(56)	(60)
Loss from continuing operations before cumulative effect of accounting change	(241)	(3,441)	(1,003)	(736)	(875)
Income (loss) from discontinued operations, net of tax	3	(135)	36	29	34
Loss before cumulative effect of accounting change	(238)	(3,576)	(967)	(707)	(841)
Cumulative effect of accounting change, net of tax		(765)			
Net loss	(238)	(4,341)	(967)	(707)	(841)
Dividends on preferred stock-redeemable	(4)	(4)	(3)	(2)	
Net loss applicable to common stock	$ (242)	$ (4,345)	$ (970)	$ (709)	$ (841)
Loss per common share, basic and diluted:					
Loss from continuing operations before cumulative effect of accounting change per common share, basic and diluted	$ (0.83)	$ (11.47)	$ (3.24)	$ (2.43)	$ (2.76)
Net loss	$ (0.82)	$ (14.47)	$ (3.13)	$ (2.34)	$ (2.65)
Weighted-average common shares outstanding, basic and diluted	294,597,519	300,291,877	310,159,047	303,465,474	317,531,492

Table of Contents

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
Other Financial Data:					
Capital expenditures	$ 854	$ 924	$ 1,088	$ 542	$ 539
Deficiency of earnings to cover fixed charges(a)	725	3,698	853	655	776
Operating Data:					
(end of period)(b):					
Analog video customers	6,431,300	5,991,500	5,884,500	5,943,100	5,876,100
Digital video customers	2,671,900	2,674,700	2,796,600	2,685,600	2,889,000
Residential high-speed Internet customers	1,565,600	1,884,400	2,196,400	2,022,200	2,375,100
Telephone customers	24,900	45,400	121,500	67,800	257,600

14

Table of Contents

CCH II, LLC

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
	(Dollars in millions)				
Statement of Operations Data:					
Revenues:					
Video	$ 3,306	$ 3,217	$ 3,248	$ 1,623	$ 1,684
High-speed Internet	535	712	875	425	506
Telephone	14	18	36	14	49
Advertising sales	254	279	284	135	147
Commercial	196	227	266	128	149
Other	311	307	324	156	168
Total revenues	4,616	4,760	5,033	2,481	2,703
Costs and Expenses:					
Operating (excluding depreciation and amortization)	1,873	1,994	2,203	1,081	1,215
Selling, general and administrative	909	965	1,012	483	551
Depreciation and amortization	1,396	1,433	1,443	730	690
Impairment of franchises		2,297			
Asset impairment charges			39	39	99
Other operating (income) expenses, net	(46)	13	32	6	10
Total costs and expenses	4,132	6,702	4,729	2,339	2,565
Operating income (loss) from continuing operations	484	(1,942)	304	142	138
Interest expense, net	(545)	(726)	(858)	(408)	(488)
Other income (expense), net	27	71	99	35	(19)
Loss from continuing operations before income taxes and cumulative effect of accounting change	(34)	(2,597)	(455)	(231)	(369)
Income tax benefit (expense)	(13)	35	(9)	(8)	(4)
Loss from continuing operations before cumulative effect of accounting change	(47)	(2,562)	(464)	(239)	(373)
Income (loss) from discontinued operations, net of tax	32	(104)	39	19	38
Loss before cumulative effect of accounting change	(15)	(2,666)	(425)	(220)	(335)
Cumulative effect of accounting change, net of tax		(840)			
Net loss	$ (15)	$ (3,506)	$ (425)	$ (220)	$ (335)

	Year Ended December 31,			Six Months Ended June 30,	
	2003	**2004**	**2005**	**2005**	**2006**
Other Financial Data:					
Capital expenditures	$ 804	$ 893	$ 1,088	$ 542	$ 539
Ratio of earnings to cover fixed charges	1.05	NA	NA	NA	NA
Deficiency of earnings to cover fixed charges(a)	NA	2,721	449	206	321
Operating Data:					
(end of period)(b):					
Analog video customers	6,431,300	5,991,500	5,884,500	5,943,100	5,876,100
Digital video customers	2,671,900	2,674,700	2,796,600	2,685,600	2,889,000
Residential high-speed Internet customers	1,565,600	1,884,400	2,196,400	2,022,200	2,375,100
Telephone customers	24,900	45,400	121,500	67,800	257,600

As Adjusted and Pro Forma Financial Data. The as adjusted data set forth below represent our unaudited consolidated financial statements after giving effect to the following transactions as if they occurred on January 1, 2005 for the statement of operations data and other financial data and as of the last day of the respective period for the operating and balance sheet data:

(1) the redemption in March, 2005 of all (approximately $113 million principal amount) of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 with cash on hand;

(2) the issuance and sale of $300 million of $8^{3}/4$% CCO Holdings senior notes in August, 2005 and the use of a portion of such proceeds to pay financing costs and accrued interest in the September, 2005 exchange transaction referenced below;

(3) the exchange in September, 2005 of approximately $3.4 billion principal amount of Charter Holdings notes scheduled to mature in 2009 and 2010 for CCH I notes and the exchange of approximately $3.4 billion principal amount of Charter Holdings notes scheduled to mature in 2011 and 2012 for CIH notes and CCH I notes;

(4) the issuance and sale of $450 million principal amount of CCH II Notes in January, 2006 and the use of such proceeds to pay down credit facilities;

(5) the refinancing of the Charter Operating credit facilities in April, 2006 and the related reductions in interest rate margins on the term loan;

(6) the acquisition of certain assets in January, 2006 for approximately $42 million;

(7) the completed and scheduled disposition of certain assets for total proceeds of $971 million and the temporary use of such proceeds to reduce amounts outstanding under our revolving credit facility to zero; and

(8) the Private Exchange Offers Pro Forma Adjustments (defined in the section entitled Unaudited Pro Forma Consolidated Financials below).

The pro forma data set forth below represent our unaudited pro forma consolidated financial statements after giving effect to the as adjusted transactions described above and the Exchange Offer Pro Forma Adjustments (defined in the section entitled Unaudited Pro Forma Consolidated Financials below) as if they occurred on January 1, 2005 for the statement of operations data and other financial data and as of the last day of the respective period for the operating and balance sheet data.

The following information should be read in conjunction with Selected Historical Consolidated Financial Data, Capitalization, Unaudited Pro Forma Consolidated Financials, Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter and Management s Discussion Analysis of Financial Condition and Results of Operations of CCH II, LLC and the historical consolidated financial statements and related notes of Charter and CCH II included elsewhere in this Exchange Offer Prospectus.

The pro forma data are based on information available to us as of the date of this Exchange Offer Prospectus and certain assumptions that we believe are reasonable under the circumstances. The financial data required allocation of certain revenues and expenses and such information has been presented for comparative purposes and is not intended to provide any indication of what our actual financial position, including actual cash balances and revolver borrowings, or results of operations would have been had the transactions described above been completed on the dates indicated or to project our results of operations for any future date.

Table of Contents

Charter Communications, Inc.

	Year Ended December 31,		Six Months Ended June 30,			
	2005 As Adjusted	2005 Pro Forma	2005 As Adjusted	2005 Pro Forma	2006 As Adjusted	2006 Pro Forma
	(Dollars in millions)					
Statement of Operations Data:						
Revenues:						
Video	$ 3,195	$ 3,195	$ 1,596	$ 1,596	$ 1,655	$ 1,655
High-speed Internet	868	868	422	422	499	499
Telephone	41	41	17	17	49	49
Advertising sales	280	280	133	133	145	145
Commercial	260	260	125	125	145	145
Other	319	319	153	153	165	165
Total revenues	4,963	4,963	2,446	2,446	2,658	2,658
Costs and Expenses:						
Operating (excluding depreciation and amortization)	2,172	2,172	1,066	1,066	1,191	1,191
Selling, general and administrative	1,003	1,003	476	476	544	544
Depreciation and amortization	1,432	1,432	730	730	685	685
Other operating expenses, net	32	32	6	6	10	10
Total costs and expenses	4,639	4,639	2,278	2,278	2,430	2,430
Operating income (loss) from continuing operations	324	324	168	168	228	228

Interest expense, net	(1,707)	(1,687)	(833)	(823)	(906)	(896)
Other income, net	109	109	54	54	17	17
Loss from continuing operations before income taxes	(1,274)	(1,254)	(611)	(601)	(661)	(651)
Income tax expense	(110)	(110)	(55)	(55)	(79)	(79)
Loss from continuing operations	$ (1,384)	$ (1,364)	$ (666)	$ (656)	$ (740)	$ (730)
Loss from continuing operations per common share, basic and diluted	$ (4.47)	$ (3.87)	$ (2.20)	$ (1.90)	$ (2.33)	$ (2.02)
Weighted-average common shares outstanding, basic and diluted	310,159,047	353,284,047	303,465,474	346,590,474	317,531,492	360,656,492

	Year Ended December 31,		**Six Months Ended June 30,**			
	2005 As Adjusted	**2005 Pro Forma**	**2005 As Adjusted**	**2005 Pro Forma**	**2006 As Adjusted**	**2006 Pro Forma**
Other Financial Data:						
Capital expenditures	$ 1,051	$ 1,051	$ 524	$ 524	$ 524	$ 524
Deficiency of earnings to cover fixed charges(a)	1,275	1,255	605	595	660	650
Operating Data:						
(end of period)(b):						
Analog video customers	5,542,100	5,542,100	5,570,000	5,570,000	5,520,100	5,520,100
Digital video customers	2,650,500	2,650,500	2,532,300	2,532,300	2,730,000	2,730,000
	2,106,000	2,106,000	1,937,000	1,937,000	2,264,200	2,264,200

Residential high-speed Internet customers						
Telephone customers	136,000	136,000	82,600	82,600	257,600	257,600

Table of Contents

	As of June 30, 2006	
	As Adjusted	Pro Forma
	(Dollars in millions)	
Balance Sheet Data:		
(end of period):		
Cash and cash equivalents	$ 175	$
Total assets	15,496	15,310
Long-term debt	18,935	18,668
Note payable-related party	53	53
Minority interest(c)	189	189
Shareholders deficit	(5,444)	(5,359)

(a) Earnings include net loss plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

(b) See Business Products and Services for definitions of the terms contained in this section.

(c) Minority interest represents preferred membership interests in CC VIII. This preferred interest arises from approximately $630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000 and was the subject of a dispute between Charter and Mr. Allen, Charter s Chairman and controlling shareholder that was settled October 31, 2005. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

CCH II, LLC

	Year Ended December 31,		Six Months Ended June 30,			
	2005 As Adjusted	2005 Pro Forma	2005 As Adjusted	2005 Pro Forma	2006 As Adjusted	2006 Pro Forma
	(Dollars in millions)					
Statement of Operations Data:						
Revenues:						
Video	$ 3,195	$ 3,195	$ 1,596	$ 1,596	$ 1,655	$ 1,655
High-speed Internet	868	868	422	422	499	499
Telephone	41	41	17	17	49	49
Advertising sales	280	280	133	133	145	145
Commercial	260	260	125	125	145	145
Other	319	319	153	153	165	165
Total revenues	4,963	4,963	2,446	2,446	2,658	2,658
Costs and Expenses:						
Operating (excluding depreciation and amortization)	2,172	2,172	1,066	1,066	1,191	1,191
Selling, general and administrative	1,003	1,003	476	476	544	544
Depreciation and amortization	1,432	1,432	730	730	685	685
Other operating expenses, net	32	32	6	6	10	10
Total costs and expenses	4,639	4,639	2,278	2,278	2,430	2,430
Income (loss) from continuing operations	324	324	168	168	228	228
Interest expense, net	(847)	(862)	(412)	(419)	(465)	(472)
Other income, net	104	104	40	40	8	8
Loss from continuing operations before income taxes and cumulative effect of accounting change	(419)	(434)	(204)	(211)	(229)	(236)
Income tax expense	(9)	(9)	(8)	(8)	(4)	(4)
Loss from continuing operations before cumulative effect of accounting change	$ (428)	$ (443)	$ (212)	$ (219)	$ (233)	$ (240)

	Year Ended December 31,		Six Months Ended June 30,			
	2005 As Adjusted	2005 Pro Forma	2005 As Adjusted	2005 Pro Forma	2006 As Adjusted	2006 Pro Forma
Other Financial Data:						
Capital expenditures	$ 1,051	$ 1,051	$ 524	$ 524	$ 524	$ 524
Deficiency of earnings to cover fixed charges(a)	452	467	198	205	219	226
Operating Data:						
(end of period)(b):						
Analog video customers	5,542,100	5,542,100	5,570,000	5,570,000	5,520,100	5,520,100
Digital video customers	2,650,500	2,650,500	2,532,300	2,532,300	2,730,000	2,730,000
Residential high-speed Internet customers	2,106,000	2,106,000	1,937,000	1,937,000	2,264,200	2,264,200
Telephone customers	136,000	136,000	82,600	82,600	257,600	257,600

	As of June 30, 2006	
	As Adjusted	Pro Forma
	(Dollars in millions)	
Balance Sheet Data:		
(end of period):		
Cash and cash equivalents	$ 168	$
Total assets	15,219	15,056
Long-term debt	10,462	10,619
Loans payable-related party	109	109
Minority interest(c)	631	631
Member s equity	2,621	2,301

(a) Earnings include net loss plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

(b) See Business Products and Services for definitions of the terms contained in this section.

(c) Minority interest represents preferred membership interests in CC VIII. This preferred interest arises from approximately $630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000 and was the subject of a dispute between Charter and Mr. Allen, Charter s Chairman and controlling shareholder that was settled October 31, 2005. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

Table of Contents

Charter Communications, Inc. and Subsidiaries
Ratio of Earnings to Fixed Charges Calculation
(in millions)

	Year Ended December 31,					Six Months Ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Earnings							
Loss before Minority Interest, Income Taxes and Cumulative Effect of Accounting Change	$ (2,630)	$ (5,944)	$ (725)	$ (3,698)	$ (853)	$ (655)	$ (776)
Fixed Charges	1,316	1,510	1,564	1,677	1,796	874	946
Total Earnings	$ (1,314)	$ (4,434)	$ 839	$ (2,021)	$ 943	$ 219	$ 170
Fixed Charges							
Interest Expense	$ 1,045	$ 1,149	$ 1,186	$ 1,406	$ 1,567	$ 817	$ 920
Amortization of Debt Costs	265	354	371	264	222	54	23
Interest Element of Rentals	6	7	7	7	7	3	3
Total Fixed Charges	$ 1,316	$ 1,510	$ 1,564	$ 1,677	$ 1,796	$ 874	$ 946
Ratio of Earnings to Fixed Charges(1)							

(1) Earnings for the years ended December 31, 2001, 2002, 2003, 2004 and 2005 and the six months ended June 30, 2005 and 2006 were insufficient to cover fixed charges by $2,630, $5,944, $725, $3,698, $853, $655 and $776, respectively. As a result of such deficiencies, the ratios are not presented above.

Table of Contents

CCH II, LLC and Subsidiaries
Ratio of Earnings to Fixed Charges Calculation
(in millions)

	Year Ended December 31,					Six Months Ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
Earnings							
Loss before Minority Interest, Income Taxes and Cumulative Effect of Accounting Change	$ (1,838)	$ (4,946)	$ 27	$ (2,721)	$ (449)	$ (206)	$ (321)
Fixed Charges	531	519	552	733	865	411	491
Total Earnings	$ (1,307)	$ (4,427)	$ 579	$ (1,988)	$ 416	$ 205	$ 170
Fixed Charges							
Interest Expense	$ 517	$ 502	$ 532	$ 702	$ 829	$ 394	$ 474
Amortization of Debt Costs	8	10	13	24	29	14	14
Interest Element of Rentals	6	7	7	7	7	3	3
Total Fixed Charges	$ 531	$ 519	$ 552	$ 733	$ 865	$ 411	$ 491
Ratio of Earnings to Fixed Charges(1)			1.05				

(1) Earnings for the years ended December 31, 2001, 2002, 2004 and 2005 and the six months ended June 30, 2005 and 2006 were insufficient to cover fixed charges by $1,838, $4,946, $2,721, $449, $206 and $321, respectively. As a result of such deficiencies, the ratios are not presented above.

Book Value per Common Share

The book value per share of Class A Common Stock as of June 30, 2006 was $(13.14). Pro forma for the Exchange Offer, the book value per share of Class A Common Stock as of June 30, 2006 was $(11.13).

22

RISK FACTORS

Your decision whether to tender your Convertible Notes pursuant to the Exchange Offer, and to acquire the Exchange Consideration, including the Class A Common Stock and CCH II Notes, involves risk. You should be aware of, and carefully consider, the following risk factors, along with all of the other information provided or referred to in this Exchange Offer Prospectus, before deciding whether to tender your Convertible Notes pursuant to the Exchange Offer.

Risks to Continuing Holders of Convertible Notes After the Settlement Date

The following risks specifically apply to the extent a Holder continues to own Convertible Notes after the Settlement Date because such Holder elects not to tender Convertible Notes or because Convertible Notes tendered are not accepted for exchange (as a result of the Maximum Amount or otherwise). There are additional risks attendant to being an investor in our equity and debt securities that you should review, whether or not you elect to tender your Convertible Notes. These risks are described elsewhere in this Risk Factors section under the headings Risks Related to Our and Our Subsidiaries Significant Indebtedness, Risks Related to Our Business, Risks Related to Mr. Allen s Controlling Position and Risks Related to Regulatory and Legislative Matters .

The preferred equity interests of CC VIII currently held by CCHC will be contributed to CCH I and pledged as security for all outstanding CCH I notes, including those to be issued in the Private Exchange Offers, and any claims that Holders of the Convertible Notes have against those assets will become subordinated to claims of the holders of CCH I notes, as well as the creditors of CCHC, Charter Holdings and CIH.

In addition to its equity interests in Charter Holdings, CCHC currently holds a direct interest in certain Class A preferred equity of CC VIII, LLC, an indirect subsidiary of Charter Operating representing 70% of all outstanding Class A preferred units in CC VIII. As part of the Private Exchange Offers, CCHC will contribute its preferred equity interest in CC VIII to CCH I. This interest in CC VIII will be pledged as security for all outstanding CCH I notes, including those to be issued in the Private Exchange Offers. As a result, any claim that Holders of the Convertible Notes have against those CC VIII assets will become subordinated to claims of the holders of CCH I notes, as well as creditors of certain of Charter s subsidiaries, including CCHC, Charter Holdings and CIH. The subordination of the claims of the Holders of Convertible Notes not exchanged against the CC VIII preferred equity interests could materially and adversely affect the value of any Convertible Notes not exchanged and, in the event of a bankruptcy, liquidation or insolvency of Charter, the extent of a Holder s recovery. CC VIII owns systems with approximately 934,000 analog video customers at June 30, 2006. CC VIII has guaranteed, on a secured basis, the credit facility and senior second lien notes of Charter Operating.

If the Offerors consummate the Exchange Offer, claims with respect to any Convertible Notes not exchanged will be structurally subordinated to claims with respect to the CCH II Notes.

The Convertible Notes are obligations of Charter and the CCH II Notes will be issued by, and obligations of, its indirect subsidiary CCH II. All of our consolidated operations are conducted through indirect subsidiaries of CCH II. To the extent that the Exchange Offer is consummated, holders of the CCH II Notes will have direct claims against the assets of CCH II and, in the event of a bankruptcy, liquidation or insolvency of CCH II, will be entitled to payment before any funds are available to creditors of Charter, including the Holders of Convertible Notes not exchanged. The structural subordination and unsecured nature of the claims of the Holders of Convertible Notes not exchanged could materially and adversely affect the value of such Convertible Notes and, in the event of a bankruptcy, liquidation or insolvency of Charter or any of its subsidiaries, the extent of such Holder s recovery.

Restrictions in Charter s subsidiaries debt instruments and under applicable law limit those subsidiaries ability to provide funds to Charter to pay principal of and interest on the Convertible Notes

Charter s subsidiaries ability to make distributions to Charter is subject to their compliance with the terms of their credit facilities and indentures and restrictions under applicable law. Under the Delaware limited liability company act, Charter s subsidiaries may only pay dividends to Charter if they have surplus as defined in the act. Under fraudulent transfer laws, our subsidiaries may not pay dividends to us if they are insolvent or are rendered insolvent thereby. There can be no assurance that these subsidiaries will be permitted to make distributions in the future in compliance with these restrictions in the amounts needed to service the Convertible Notes. See Risks Related to Our and Our Subsidiaries Significant Indebtedness Because of our holding company structure, our outstanding notes are structurally subordinated in right of payment to all liabilities of our subsidiaries. Restrictions in our subsidiaries debt instruments and under applicable law limit their ability to provide funds to us.

Liquidity of the market for non-tendered Convertible Notes likely will be decreased, and the market prices for any Convertible Notes not exchanged may therefore be reduced.

If the Exchange Offer is consummated, the aggregate principal amount of outstanding Convertible Notes will be reduced, which will likely adversely affect the liquidity of any Convertible Notes not exchanged. An issue of securities with a small outstanding principal amount available for trading, or float, generally commands a lower price than does a comparable issue of securities with a greater float. Therefore, the market price for Convertible Notes that are not exchanged may be adversely affected. The reduced float also may tend to make the trading prices of any Convertible Notes that are not exchanged more volatile. The market prices for any Convertible Notes not exchanged may also be negatively affected by their structural subordination to new notes.

If shares of our Class A common stock are returned to us under our Share Lending Agreement with an affiliate of Citigroup, the liquidity of our Class A Common Stock will likely be affected, which may affect the market value of the Convertible Notes.

As described under Description of Capital Stock and Membership Units Share Lending Agreement below, we have loaned to Citigroup Global Markets Limited (CGML) 116.9 million shares of our Class A common stock to facilitate the placement of the Convertible Notes. CGML, or its affiliates, have sold such loaned shares short in a series of registered offerings and concurrently entered into swap transactions or share lending agreements with Holders of Convertible Notes. Because it is likely that Holders of Convertible Notes who tender their Convertible Notes in the Exchange Offer will terminate all or a portion of the swap transactions or share lending agreements upon tender of their Convertible Notes, we expect CGML to return shares of our Class A common stock to us under the Share Lending Agreement. In addition, as described under Description of the Exchange Offer Optional Settlement Procedure, we are offering holders the election to use shares to be issued by us as part of the Exchange Consideration, to the extent such holder has, as of the Settlement Date of the Exchange Offer, an open borrow position with CGML under a share lending agreement, to close such borrow position with CGML. Although it has no obligation to do, we expect that CGML will return such shares to us under the Share Lending Agreement.

Any such shares we receive from CGML pursuant to the Share Lending Agreement will be retired and no longer outstanding for corporate law purposes, which will likely adversely affect the liquidity of our Class A common stock and, accordingly, the market prices for non-tendered Convertible Notes.

We do not intend to distribute Convertible Notes received in the Exchange Offer to Charter for cancellation. As a result, the exchanged Convertible Notes will remain outstanding and held by CCHC, which will be entitled to the benefit of the U.S. government securities held in escrow for the payment of interest and principal to the same extent as Holders of Convertible Notes not exchanged.

With some of the proceeds from the initial sale of the Convertible Notes, we purchased and pledged to the trustee under the indenture for the Convertible Notes as security for the benefit of the Holders,

approximately $144 million of U.S. government securities. These securities were pledged to provide for the payment of the first six scheduled interest payments due on the original principal amount of the Convertible Notes. So that CCHC will receive any benefit from these U.S. government securities on the same pro rata basis as any Holders of Convertible Notes not exchanged, we intend that, following the closing of the Exchange Offer, CCHC will hold the Convertible Notes accepted for exchange. As a result, Holders of Convertible Notes not exchanged will not be entitled to any increase in the pro rata share of these pledged U.S. government securities. However, there can be no assurance that the cash received by CCHC as interest on the Convertible Notes will be available to pay either principal or interest on any Convertible Notes not exchanged. See Description of the Convertible Notes.

We cannot assure you that, if the Offerors consummate the Exchange Offer, existing ratings for the Convertible Notes will be maintained.

We cannot assure you that, as a result of the Exchange Offer, the rating agencies, including Standard & Poor s Ratings Service, Moody s Investors Service and Fitch Ratings, will not downgrade or negatively comment upon the ratings for Convertible Notes.

Risks to Tendering Holders of Convertible Notes

The following risks specifically apply to the extent a Holder elects to tender Convertible Notes pursuant to the Exchange Offer and such Convertible Notes are accepted for Exchange and should be considered, along with the other risk factors. There are additional risks attendant to being an investor in our equity and debt securities that you should review, whether or not you elect to tender your Convertible Notes. These risks are described elsewhere in this Risk Factors section under the headings Risks Related to Our and Our Subsidiaries Significant Indebtedness, Risks Related to Our Business, Risks Related to Mr. Allen s Controlling Position and Risks Related to Regulatory and Legislative Matters.

Claims with respect to the Class A Common Stock issued as part of the Exchange Consideration, as equity, will be junior to claims with respect to the non-tendered Convertible Notes.

A significant portion of the Exchange Consideration is in the form of Class A Common Stock. The Class A Common Stock is the most junior security outstanding of any Charter entity. As result, any claims with respect to the Class A Common Stock against the assets of Charter will be junior to claims with respect to the non-tendered Convertible Notes, and in the event of a bankruptcy, liquidation or insolvency of Charter, the Convertible Notes will be entitled to payment before any funds are available to holders of the Class A Common Stock. This could materially and adversely affect the value of the Class A Common Stock and, in the event of a bankruptcy, liquidation or insolvency of Charter, the extent of recovery by a holder of the Class A Common Stock.

During the pendency of this Exchange Offer, it is likely that the market prices of the Class A Common Stock will be volatile.

It is likely that during the pendency of the Exchange Offer, the market price of the Class A Common Stock will be volatile. Holders of Convertible Notes will likely terminate all or a portion of any hedging arrangement they have entered into in respect of their Convertible Notes (including swap transactions or share lending agreements with an affiliate of Citigroup), which may lead to increased purchase activity by or on behalf of such Holders during the Exchange Offer. Such purchase activity may temporarily increase, or retard a decline in, the price of the Class A Common Stock, or may lead to unusually high trading volumes.

Table of Contents

Failure to close the Exchange Offer may adversely affect the market price and borrow availability of the Class A Common Stock and, consequently, the market value of the Convertible Notes.

If for any reason the Exchange Offer fails to close, the market value of the Class A Common Stock and the Convertible Notes may be adversely affected. Holders of Convertible Notes who elect to terminate all or a portion of any hedging transaction in respect of the Convertible Notes may not be able to re-establish such transaction if the Exchange Offer does not close for any reason. In addition, if the Exchange Offer fails to close, such Holders of Convertible Notes may seek to re-establish a short position in the Class A Common Stock against the Convertible Notes, which may adversely affect the market price of the Class A Common Stock. These activities are likely to adversely affect the value of the Convertible Notes.

We have not committed to provide any loans of shares of Class A Common Stock, other than as described under Description of Capital Stock and Membership Units Share Lending Agreement.

If shares of Class A Common Stock are returned to Charter under the Share Lending Agreement with an affiliate of Citigroup, the liquidity of the Class A common stock will likely be affected.

As described above under Risks to Continuing Holders of Convertible Notes After the Settlement Date If shares of our Class A common stock are returned to us under our Share Lending Agreement with an affiliate of Citigroup, the liquidity of our Class A Common Stock will likely be affected which may affect the market value of the Convertible Notes, liquidity of the Class A Common Stock may be adversely affected through the return of shares under the Share Lending Agreement. As a result, the market price of any shares of Class A Common Stock that the Offerors issue as Exchange Consideration will also likely be adversely affected.

The market price of the Class A Common Stock and CCH II Notes may be volatile, which could affect the value of your investment.

It is impossible to predict whether the price of the Class A Common Stock and CCH II Notes will rise or fall. Trading prices of the Class A Common Stock and CCH II Notes will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors, as well as by this Exchange Offer and/or the Private Exchange Offer. General market conditions, including the level of, and fluctuations in, the prices of stocks and high-yield notes, will also have an impact. In addition, sales of substantial amounts of the Class A Common Stock and CCH II Notes after this Exchange Offer, or the perception that such sales may occur, could affect the price of the Class A Common Stock and CCH II Notes. Furthermore, the Exchange Offer may cause a significant number of investors in the Convertible Notes to purchase the Class A Common Stock, which may temporarily increase its price. As a result, because the price of the Convertible Notes is linked to the price of the Class A Common Stock, the price of the Convertible Notes may exceed the Exchange Consideration after the Expiration Date.

The market price of the Class A Common Stock could be adversely affected by the large number of additional shares of Class A Common Stock eligible for issuance in the future.

As of June 30, 2006, 438,474,028 shares of Class A Common Stock were issued and outstanding, and 50,000 shares of Class B common stock were issued and outstanding. This includes 116,900,000 shares of Class A Common Stock that were issued in previous share borrow transactions related to the original issuance of the Convertible Notes. An additional 339,132,031 shares of Class A Common Stock are issuable upon conversion of outstanding units of Charter Holdco and an additional 26,418,908 shares are issuable as of June 30, 2006 if Mr. Allen were to exchange the CCHC subordinated accreting note that he holds as a result of the settlement of the CC VIII dispute, into Charter Holdco units and exchange Charter Holdco units into Class A Common Stock. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII . Also 28,571,485 shares were issuable upon the exercise of outstanding options under our option plans and, assuming 50% of the outstanding Convertible Notes are tendered pursuant to the Exchange Offer, approximately 178 million shares will still

be issuable upon conversion of the Convertible Notes. All of the 365,550,939 shares of Class A Common Stock issuable upon exchange of Charter Holdco membership units and all shares of the Class A Common Stock issuable upon conversion of shares of the Class B common stock will have demand and/or piggyback registration rights attached to them. All of the shares issuable upon conversion of the Convertible Notes are eligible for resale pursuant to a shelf registration statement. The sale of a substantial number of shares of Class A Common Stock or the perception that such sales could occur could adversely affect the market price for the Class A Common Stock because the sale could cause the amount of the Class A Common Stock available for sale in the market to exceed the demand for the Class A Common Stock and could also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we deem appropriate. This could adversely affect our ability to fund our current and future obligations. See Shares Eligible for Future Sale.

The failure to maintain a minimum share price of $1.00 per share of Class A Common Stock could result in delisting of Charter s shares on the Nasdaq Global Market, which would harm the market price of the Class A Common Stock.

In order to retain Charter s listing on the Nasdaq Global Market we are required to maintain a minimum bid price of $1.00 per share. Although, as of September 12, 2006, the trading price of the Class A Common Stock was $1.47 per share, Charter s stock has traded below this $1.00 minimum in the recent past. If the bid price falls below the $1.00 minimum for more than 30 consecutive trading days, we will have 180 days to satisfy the $1.00 minimum bid price for a period of at least 10 trading days. If we are unable to take action to increase the bid price per share (either by reverse stock split or otherwise), we could be subject to delisting from the Nasdaq Global Market.

The failure to maintain Charter s listing on the Nasdaq Global Market would harm the liquidity of the Class A Common Stock and would have an adverse effect on the market price of Charter s common stock. In addition, Charter s common stock would become subject to the low-priced security or so-called penny stock rules that impose additional sales practice requirements on broker-dealers who sell such securities.

The Offerors will not be able to determine whether the Maximum Amount has been exceeded until after the Expiration Date, and, therefore, tendering Holders of Convertible Notes will not know the percentage of such notes accepted for exchange until after the Expiration Date.

If the amount of Convertible Notes validly tendered and not validly withdrawn exceeds the Maximum Amount, the Offerors will accept Convertible Notes from each Holder pro rata based on the total principal amount of Convertible Notes validly tendered and not validly withdrawn. The Offerors will not be able to determine whether the Maximum Amount has been exceeded, and the principal amount of Convertible Notes accepted for exchange from each Holder, until after the Expiration Date.

The Exchange Consideration does not reflect any independent valuation of the Convertible Notes.

We have not obtained or requested a fairness opinion from any banking or other firm as to the fairness of the Exchange Consideration or the value of the Convertible Notes. If you tender your Convertible Notes, you may or may not receive more or as much value than if you choose to keep them.

To the extent that a Holder of Convertible Notes is tendering Convertible Notes for CCH II Notes with a later maturity, such holder may ultimately find that we would have been able to repay the non-tendered Convertible Notes when they otherwise would have matured, but are unable to repay or refinance the CCH II Notes when they mature.

If you tender your Convertible Notes, you will receive CCH II Notes, which have a later maturity than the Convertible Notes that you presently own. It is possible that tendering Holders of such Convertible Notes will be adversely affected by the extension of maturity. Following the maturity date of the Convertible Notes, but prior to the maturity date of the CCH II Notes, we may become subject to a

bankruptcy or similar proceeding. If so, Holders of the Convertible Notes who opted not to participate in the Exchange Offer may have been paid in full, and there is a risk that the holders of the CCH II Notes will not be paid in full. If you decide to tender Convertible Notes, you will be exposed to the risk of nonpayment for a longer period of time.

Because of our holding company structure, the CCH II Notes are structurally subordinated in right of payment to all liabilities of CCH II s subsidiaries. Restrictions in CCH II s subsidiaries debt instruments limit their ability to provide funds to CCH II.

CCH II s sole assets are its equity interests in its subsidiaries. Its operating subsidiaries are separate and distinct legal entities and are not obligated to make funds available to CCH II for payments on the CCH II Notes or other obligations in the form of loans, distributions or otherwise. CCH II s subsidiaries ability to make distributions to CCH II is subject to their compliance with the terms of their credit facilities and indentures. CCH II s direct or indirect subsidiaries include the borrowers and guarantors under the Charter Operating credit facilities. Several of CCH II s subsidiaries are also obligors under other senior high yield notes. See Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Liquidity and Capital Resources Debt Covenants. CCH II s notes are structurally subordinated in right of payment to all of the debt and other liabilities of its subsidiaries. As of June 30, 2006, CCH II s total consolidated debt was approximately $11.1 billion, of which approximately $9.0 billion was structurally senior to the CCH II Notes.

In the event of bankruptcy, liquidation or dissolution of one or more of CCH II s subsidiaries, that subsidiary s assets would first be applied to satisfy its own obligations, and following such payments, such subsidiary may not have sufficient assets remaining to make payments to CCH II as an equity holder or otherwise. In that event the lenders under Charter Operating s credit facilities and the holders of CCH II s subsidiaries other debt instruments will have the right to be paid in full before CCH II from any of its subsidiaries assets. Furthermore, because the CC VIII Interest will be held by CCH I, holders of the CCH II Notes will not have any claim against those assets.

In addition, the CCH II Notes are unsecured and therefore will be effectively subordinated in right of payment to all existing and future secured debt CCH II may incur to the extent of the value of the assets securing such debt.

Any failure by CCH II s direct and indirect parent companies to satisfy their substantial debt obligations could have a material adverse effect on the CCH II notes.

Because Charter is CCH II s sole manager, and because CCH II is directly and indirectly wholly owned by certain parent entities, financial or liquidity problems of Charter and CCH II s parent companies could cause serious disruption to CCH II s business and could have a material adverse effect on its operations and results. To the extent Charter or any other parent company relies on receiving distributions from its subsidiaries, it is subject to compliance with the terms of their credit facilities and indentures and restrictions under applicable law. Under the Delaware limited liability company act, these subsidiaries may only pay dividends to their parent if they have surplus as defined in the act. Under fraudulent transfer laws, these subsidiaries may not pay dividends to their parent if they are insolvent or are rendered insolvent thereby. See Risks to Tendering Holders of Convertible Notes Under certain circumstances, federal and state laws may allow courts to avoid or subordinate claims with respect to the CCH II Notes for the meaning of insolvent in this context. While we believe that the relevant Charter subsidiaries currently have surplus and are not insolvent, there can be no assurance that these subsidiaries will be permitted to make distributions in the future in compliance with these restrictions in amounts needed to service parent company indebtedness.

A failure by Charter Holdings or any parent of CCOH that is a subsidiary of Charter Holdings to satisfy certain of its respective debt payment obligations or a bankruptcy filing with respect to such parent with respect to indebtedness in an outstanding aggregate principal amount which exceeds $200 million would give the lenders under the Charter Operating credit facilities the right to accelerate the payment

obligations under these facilities. Any such acceleration would be a default under the indentures governing the CCH II Notes. In addition, if such parent companies were to default under their respective debt obligations and that default were to result in a change of control of any of them (whether through a bankruptcy, receivership or other reorganization, or otherwise), such a change of control could result in an event of default under the Charter Operating credit facilities and require a change of control repurchase offer under the new notes, the old notes and our parent companies and subsidiaries other outstanding notes. See Risks Related to Our and Our Subsidiaries Significant Indebtedness All of our and our subsidiaries outstanding debt is subject to change of control provisions. We may not have the ability to raise the funds necessary to fulfill our obligations under our indebtedness following a change of control, which would place us in default under the applicable debt instruments.

Furthermore, the Charter Operating credit facilities provide that an event of default would occur if certain of Charter Operating s parent companies have indebtedness in excess of $500 million aggregate principal amount which remains undefeased three months prior to its final maturity. The parent company indebtedness subject to this provision will mature in 2009 and 2010, respectively. The inability of those parent companies to refinance or repay their indebtedness would result in a default under those credit facilities.

There is currently no public market for the CCH II Notes, and an active trading market may not develop for the CCH II Notes. The failure of a market to develop for the CCH II Notes could adversely affect the liquidity and value of the CCH II Notes.

There is no public market for the currently outstanding CCH II Notes. In addition, until September 15, 2007, the CCH II Notes being offered hereby will trade with a separate CUSIP and will not be fungible with the currently outstanding CCH II Notes. Further, although the Offerors intend to apply for the CCH II Notes to be eligible for trading in the PORTAL[sm] Market, the Offerors do not intend to apply for listing of the CCH II Notes on any securities exchanges or for quotation of the CCH II Notes on any automated dealer quotation system. Accordingly, notwithstanding any existing market for our existing high-yield notes, a market may not develop for the CCH II Notes, and if a market does develop, it may not be sufficiently liquid for your purposes. If an active, liquid market does not develop for the CCH II Notes, the market price and liquidity of such issue of the CCH II Notes may be adversely affected.

The liquidity of the trading market, if any, and future trading prices of the CCH II Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. The market for the CCH II Notes may be subject to disruptions that could have a negative effect on the holders of the CCH II Notes, regardless of our operating results, financial performance or prospects.

We may not have the ability to raise the funds necessary to fulfill our obligations under the CCH II Notes following a change of control, which would place us in default under the indenture governing the CCH II Notes.

Under the indenture governing the CCH II Notes, upon the occurrence of specified change of control events, we will be required to offer to repurchase all of the outstanding CCH II Notes. However, we may not have sufficient funds at the time of the change of control event to make the required repurchases of the CCH II Notes. In addition, a change of control would require the repayment of borrowings under credit facilities and an offer to repurchase publicly held debt of our subsidiaries. Our failure to make or complete an offer to repurchase the CCH II Notes would place us in default under the indenture governing the CCH II Notes.

Table of Contents

If we do not fulfill our obligations to you under the CCH II Notes, you will not have any recourse against Charter, Charter Holdco, CCHC, Mr. Allen or their affiliates.

None of our direct or indirect equity holders, directors, officers, employees or affiliates, including, without limitation, Charter, Charter Holdco, CCHC, Charter Holdings, CIH, CCH I, and Mr. Allen, will be an obligor or guarantor under the CCH II Notes. The indenture governing the CCH II Notes expressly provides that these parties will not have any liability for our obligations under the CCH II Notes or the indenture governing the CCH II Notes. By accepting the CCH II Notes, you waive and release all such liability as consideration for issuance of the CCH II Notes. If we do not fulfill our obligations to you under the CCH II Notes, you will have no recourse against any of our direct or indirect equity holders, directors, officers, employees or affiliates including, without limitation, Charter, Charter Holdco, CCHC, Charter Holdings, CIH, CCH I, and Mr. Allen.

Your receipt of the Exchange Consideration offered hereby could be wholly or partially voided as a preferential transfer.

If we become the subject of a bankruptcy proceeding within 90 days after we consummate the Exchange Offer (or, with respect to any insiders specified in the bankruptcy law who are Holders of the Convertible Notes, within one year after consummation of the Exchange Offer), and the court determines that we were insolvent at the time of the Exchange Offer, the court could find that the issuance of the cash and the CCH II Note consideration involved a preferential transfer. If the court determined that the Exchange Offer was a preferential transfer which did not qualify for a bankruptcy law defense, then the value of any consideration Holders received with respect to the Convertible Notes could be recovered from such holders and possibly from subsequent transferees, and such persons might be returned to the same position they would have held as holders of the Convertible Notes so exchanged.

Under certain circumstances, federal and state laws may allow courts to avoid or subordinate claims with respect to the CCH II Notes.

Under the federal Bankruptcy Code and comparable provisions of state fraudulent transfer laws, a court could void claims with respect to the CCH II Notes or subordinate them, if, among other things, at the time CCH II issued the CCH II Notes it:

- received less than reasonably equivalent value or fair consideration for the CCH II Notes; and
- was insolvent or rendered insolvent by reason of the incurrence;
- was engaged in a business or transaction for which its remaining assets constituted an unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they became due.

The measures of insolvency for purposes of these fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, CCH II would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature; or
- it could not pay its debts as they became due.

In addition, if there were to be a bankruptcy of Charter or its subsidiaries, creditors of Charter and its subsidiaries, or the trustee in bankruptcy on behalf of such companies, may attempt to make claims

against CCH II and its subsidiaries, which (if successful) could have an adverse effect on the holders of the CCH II Notes and their recoveries in any bankruptcy proceeding.

Risks Related to Our and Our Subsidiaries Significant Indebtedness

We may not generate (or, in general, have available to the applicable obligor) sufficient cash flow or access to additional external liquidity sources to fund our capital expenditures, ongoing operations and debt obligations, including our payment obligations under the Convertible Notes and the CCH II Notes, which could have a material adverse effect on you as holders of the Convertible Notes and the CCH II Notes.

Our ability to service our debt (including payments on the Convertible Notes and the CCH II Notes) and to fund our planned capital expenditures and ongoing operations will depend on both our ability to generate cash flow and our access to additional external liquidity sources, and in general our ability to provide (by dividend or otherwise), such funds to the applicable issuer of the debt obligation. Our ability to generate cash flow is dependent on many factors, including:

- our future operating performance;
- the demand for our products and services;
- general economic conditions and conditions affecting customer and advertiser spending;
- competition and our ability to stabilize customer losses; and
- legal and regulatory factors affecting our business.

Some of these factors are beyond our control. If we are unable to generate sufficient cash flow or access additional external liquidity sources, we may not be able to service and repay our debt, operate our business, respond to competitive challenges or fund our other liquidity and capital needs. Although CCH II sold $450 million principal amount of the CCH II Notes in January 2006 and our subsidiary, Charter Operating, completed a $6.85 billion refinancing of its credit facilities in April 2006, we may not be able to access additional sources of external liquidity on similar terms, if at all. We expect that cash on hand, cash flows from operating activities, proceeds from sales of assets and the amounts available under our credit facilities will be adequate to meet our cash needs through 2007. We believe that cash flows from operating activities and amounts available under our credit facilities may not be sufficient to fund our operations and satisfy our interest and principal repayment obligations in 2008 and will not be sufficient to fund such needs in 2009 and beyond. To the extent we use cash to purchase Convertible Notes in the Exchange Offer, our liquidity will be adversely impacted. See Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter Liquidity and Capital Resources and Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Liquidity and Capital Resources in this Exchange Offer Prospectus.

Charter Operating may not be able to access funds under its credit facilities if it fails to satisfy the covenant restrictions in its credit facilities, which could adversely affect our financial condition and our ability to conduct our business.

Our subsidiaries have historically relied on access to credit facilities in order to fund operations and to service parent company debt, and we expect such reliance to continue in the future. Our total potential borrowing availability under the Charter Operating credit facilities was approximately $900 million as of June 30, 2006, none of which was limited by covenant restrictions. In the past, our actual availability under our credit facilities has been limited by covenant restrictions. There can be no assurance that our actual availability under our credit facilities will not be limited by covenant restrictions in the future. However, pro forma for the closing of the asset sales on July 1, 2006, and the related application of net proceeds to repay amounts outstanding under our revolving credit facility, potential availability under our

credit facilities as of June 30, 2006 would have been approximately $1.7 billion, although actual availability would have been limited to $1.3 billion because of limits imposed by covenant restrictions.

One of the conditions to the availability of funding under Charter Operating s credit facilities is the absence of a default under the credit facilities, including as a result of any failure to comply with the covenants under the facilities. Among other covenants, the facilities require Charter Operating to maintain specific financial ratios. The facilities also provide that Charter Operating has to obtain an unqualified audit opinion from its independent accountants for each fiscal year, which among other things requires Charter Operating to demonstrate that it has adequate access to liquidity. There can be no assurance that Charter Operating will be able to continue to comply with these or any other of the covenants under the credit facilities.

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.

Because of our holding company structure, our outstanding notes are structurally subordinated in right of payment to all liabilities of our subsidiaries. Restrictions in our subsidiaries debt instruments and under applicable law limit their ability to provide funds to us.

Our sole assets are our equity interests in our subsidiaries. Our operating subsidiaries are separate and distinct legal entities and are not obligated to make funds available to us for payments on our notes or other obligations in the form of loans, distributions or otherwise. Our subsidiaries ability to make distributions to us is subject to their compliance with the terms of their credit facilities and indentures and restrictions under applicable law. Under the Delaware limited liability company act, our subsidiaries may only pay dividends to us if they have surplus as defined in the act. Under fraudulent transfer laws, our subsidiaries may not pay dividends to us if they are insolvent or are rendered insolvent thereby. See Risks to Tendering Holders of Convertible Notes Under certain circumstances, federal and state laws may allow courts to avoid or subordinate claims with respect to the CCH II Notes for the meaning of insolvent in this context. While we believe that our relevant subsidiaries currently have surplus and are not insolvent, there can be no assurance that these subsidiaries will be permitted to make distributions in the future in compliance with these restrictions in amounts needed to service our indebtedness, including the Convertible Notes.

Our direct or indirect subsidiaries include the borrowers and guarantors under the Charter Operating credit facilities. Several of our subsidiaries are also obligors under other senior high yield notes. See Management s Discussion and Analysis of Financial Conditions and Results of Operations of Charter Liquidity and Capital Resources Recent Financing Transactions and Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Liquidity and Capital Resources Debt Covenants in this Exchange Offer Prospectus. Our notes are structurally subordinated in right of payment to all of the debt and other liabilities of the subsidiaries of the respective issuers. However, because the CC VIII Interest will be held by CCH I, holders of CCH I notes, through CCH I, will have a preferred equity claim against the CC VIII assets and holders of the CCH II Notes will not have any claim against, or interest in, those preferred equity interests. As of June 30, 2006, taking into account the Exchange Offer Pro Forma Adjustments and the Private Exchange Offers Pro Forma Adjustments, Charter s total debt was approximately $18.7 billion, of which approximately $18.2 billion was structurally senior to the Convertible Notes and CCH II s total debt was approximately $10.6 billion of which approximately $8.2 billion was structurally senior to the CCH II Notes.

In the event of bankruptcy, liquidation or dissolution of one or more of our subsidiaries, that subsidiary s assets would first be applied to satisfy its own obligations, and following such payments, such

subsidiary may not have sufficient assets remaining to make payments to us as an equity holder or otherwise. In that event:

- the lenders under Charter Operating s credit facilities and the holders of our subsidiaries other debt instruments will have the right to be paid in full before us from any of our subsidiaries assets; and

- the other holders of preferred membership interests in CCH I s subsidiary, CC VIII, would have a claim on a portion of its assets that may reduce the amounts available for repayment to holders of our outstanding notes.

We and our subsidiaries have a significant amount of existing debt and may incur significant additional debt, including secured debt, in the future, which could adversely affect our financial health and our ability to react to changes in our business.

Charter and its subsidiaries have a significant amount of debt and may (subject to applicable restrictions in their debt instruments) incur additional debt in the future. As of June 30, 2006, Charter s total debt was approximately $19.9 billion, Charter s shareholders deficit was approximately $5.8 billion and the deficiency of earnings to cover fixed charges for the six months ended June 30, 2006 was $776 million. As of June 30, 2006, CCH II s total debt was approximately $11.1 billion, its member s equity was approximately $2.6 billion and the deficiency of earnings to cover fixed charges for the six months ended June 30, 2006 was $321 million.

As of June 30, 2006, Charter had outstanding approximately $863 million aggregate principal amount of Convertible Notes, Charter Holdings had outstanding approximately $1.8 billion aggregate principal amount of notes, CIH had outstanding approximately $2.5 billion aggregate principal amount of notes, CCH I had outstanding approximately $3.5 billion aggregate principal amount of notes and CCH II had outstanding approximately $2.1 billion aggregate principal amount of notes. Charter will need to raise additional capital and/or receive distributions or payments from its subsidiaries in order to satisfy its debt obligations in 2009. CCH II will need to raise additional capital and/or receive distributions or payments from its subsidiaries in order to satisfy its debt obligations in 2010, including the CCH II Notes. However, because of our significant indebtedness, our ability to raise additional capital at reasonable rates or at all is uncertain, and the ability of our subsidiaries to make distributions or payments to their parent companies is subject to availability of funds and restrictions under our and our subsidiaries applicable debt instruments as more fully described in the section entitled Description of Other Indebtedness. If we were to raise capital through the issuance of additional equity or to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution.

Our significant amount of debt could have other important consequences. For example, the debt will or could:

- require us to dedicate a significant portion of our cash flow from operating activities to make payments on our debt, which will reduce our funds available for working capital, capital expenditures and other general corporate expenses;

- limit our flexibility in planning for, or reacting to, changes in our business, the cable and telecommunications industries and the economy at large;

- place us at a disadvantage as compared to our competitors that have proportionately less debt;

- make us vulnerable to interest rate increases, because a significant portion of our borrowings are, and will continue to be, at variable rates of interest;

- expose us to increased interest expense as we refinance all existing lower interest rate instruments;

- adversely affect our relationship with customers and suppliers;

- limit our ability to borrow additional funds in the future, if we need them, due to applicable financial and restrictive covenants in our debt; and

33

make it more difficult for us to satisfy our obligations to the holders of our notes and for our subsidiaries to satisfy their obligations to their lenders under their credit facilities and to their noteholders.

A default by one of our subsidiaries under its debt obligations could result in the acceleration of those obligations, the obligations of our other subsidiaries, CCH II s obligations under the CCH II Notes and Charter s obligations under the Convertible Notes. We may not have the ability to fund our obligations under the Convertible Notes and the CCH II Notes in the event of such a default. We and our subsidiaries may incur substantial additional debt in the future. If current debt levels increase, the related risks that we now face will intensify.

The agreements and instruments governing our debt and the debt of our subsidiaries contain restrictions and limitations that could significantly affect our ability to operate our business, as well as significantly affect our liquidity, and adversely affect the holders of the Convertible Notes and the CCH II Notes.

The Charter Operating credit facilities and the indentures governing our and our subsidiaries debt (including the Convertible Notes and the CCH II Notes) contain a number of significant covenants that could adversely affect the holders of the Convertible Notes and the CCH II Notes and our ability to operate our business, as well as significantly affect our liquidity, and therefore could adversely affect our results of operations. These covenants will restrict, among other things, 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; and

grant liens and pledge assets.

Furthermore, Charter Operating s credit facilities require our subsidiaries to, among other things, maintain specified financial ratios, meet specified financial tests and provide annual audited financial statements, with an unqualified opinion from our independent auditors. See Description of Other Indebtedness for a summary of our outstanding indebtedness and a description of our credit facilities and other indebtedness and for details on our debt covenants and future liquidity. Charter Operating s 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 holders of the Charter Operating 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 the 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 Charter Operating s credit facilities and other debt of our subsidiaries. See Description of Other Indebtedness for a summary of our outstanding indebtedness and a description of our credit facilities and other indebtedness and for details on our debt covenants and future liquidity.

Table of Contents

All of our and our subsidiaries outstanding debt is subject to change of control provisions. We may not have the ability to raise the funds necessary to fulfill our obligations under our indebtedness following a change of control, which would place us in default under the applicable debt instruments.

We may not have the ability to raise the funds necessary to fulfill our obligations under our and our subsidiaries notes and credit facilities following a change of control. Under the indentures governing our and our subsidiaries notes (including the Convertible Notes and the CCH II Notes), upon the occurrence of specified change of control events, we are required to offer to repurchase all of these notes. However, Charter and our subsidiaries may not have sufficient funds at the time of the change of control event to make the required repurchase of these notes, and our subsidiaries are limited in their ability to make distributions or other payments to fund any required repurchase. In addition, a change of control under our subsidiaries credit facilities would result in a default under those credit facilities. Because such credit facilities and our subsidiaries notes are obligations of our subsidiaries, the credit facilities and our subsidiaries notes would have to be repaid by our subsidiaries before their assets could be available to us to repurchase the Convertible Notes or the CCH II Notes. Our failure to make or complete a change of control offer would place us in default under the Convertible Notes or CCH II Notes. The failure of our subsidiaries to make a change of control offer or repay the amounts accelerated under their credit facilities would place them in default.

Paul G. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to us or any of our subsidiaries.

Paul G. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to us or any of our subsidiaries.

Risks Related to Our Business

We operate in a very competitive business environment, which affects our ability to attract and retain customers and can adversely affect our business and operations. We have lost a significant number of video customers to direct broadcast satellite competition and further loss of video customers could have a material negative impact on our business.

The industry in which we operate is highly competitive and has become 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 (DBS). Competition from DBS, including intensive marketing efforts and aggressive pricing 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 us, has lost a significant number of subscribers to DBS competition, and we face serious challenges in this area in the future. We believe that competition from DBS service providers may present greater challenges in areas of lower population density, and that our systems service a higher concentration of such areas than those of other major cable service providers.

Local telephone companies and electric utilities can offer video and other services in competition with us and they increasingly may do so in the future. Certain telephone companies have begun more extensive deployment of fiber in their networks that enable them to begin providing video services, as well as telephone and high bandwidth Internet access services, to residential and business customers and they are now offering such service in limited areas. Some of these telephone companies have obtained, and are now seeking, franchises or operating authorizations that are less burdensome than existing Charter franchises.

Table of Contents

The subscription television industry also faces competition from free broadcast television and from other communications and entertainment media. Further loss of customers to DBS or other alternative video and Internet services could have a material negative impact on the value of our business and its performance.

With respect to our Internet access services, we face competition, including intensive marketing efforts and aggressive pricing, from telephone companies and other providers of DSL and dial-up . DSL service is competitive with high-speed Internet service over cable systems. In addition, DBS providers have entered into joint marketing arrangements with Internet access providers to offer bundled video and Internet service, which competes with our ability to provide bundled services to our customers. Moreover, as we expand our telephone offerings, we will face considerable competition from established telephone companies and other carriers, including VoIP providers.

In order to attract new customers, from time to time we make promotional offers, including offers of temporarily reduced-price or free service. These promotional programs result in significant advertising, programming and operating expenses, and also require us to make capital expenditures to acquire additional digital set-top boxes. Customers who subscribe to our services as a result of these offerings may not remain customers for any significant period of time following the end of the promotional period. A failure to retain existing customers and customers added through promotional offerings or to collect the amounts they owe us could have a material adverse effect on our business and financial results.

Mergers, joint ventures and alliances among franchised, wireless or private cable operators, satellite television providers, local exchange carriers and others, 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.

We cannot assure you that our cable systems will allow us to compete effectively. Additionally, as we expand our offerings to include other telecommunications services, and to introduce new and enhanced services, we will be subject to competition from other providers of the services we offer. We cannot predict the extent to which competition may affect our business and operations in the future.

We have a history of net losses and expect to continue to experience net losses. Consequently, we may not have the ability to finance future operations.

We have had a history of net losses and expect to continue to report net losses for the foreseeable future. Our net losses are principally attributable to insufficient revenue to cover the combination of operating costs and interest costs we incur because of our high level of debt and the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties. We expect that these expenses will remain significant, and we expect to continue to report net losses for the foreseeable future. Charter reported net losses applicable to common stock of $382 million and $356 million for the three months ended June 30, 2006 and 2005, respectively, and $841 million and $709 million for the six months ended June 30, 2006 and 2005, respectively. CCH II reported net losses of $107 million and $87 million for the three months ended June 30, 2006 and 2005, respectively, and $335 million and $220 million for the six months ended June 30, 2006 and 2005, respectively. Continued losses would reduce our cash available from operations to service our indebtedness, as well as limit our ability to finance our operations.

We may not have the ability to pass our increasing programming costs on to our customers, which would adversely affect our cash flow and operating margins.

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 programming. The inability to fully pass these programming cost increases on to our customers has had 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 July 7, 2006, approximately 11% of our current programming contracts were expired, and approximately another 4% were scheduled to expire at or before the end of 2006. There can be no assurance that these agreements will be renewed on favorable or comparable terms. Our programming costs increased by approximately 13% and 11% in the three and six months ended June 30, 2006 compared to the corresponding periods in 2005, respectively. We expect our programming costs in 2006 to continue to increase at a higher rate than in 2005. 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.

If our required capital expenditures in 2006, 2007 and beyond exceed our projections, we may not have sufficient funding, which could adversely affect our growth, financial condition and results of operations.

During the three and six months ended June 30, 2006, we spent approximately $298 million and $539 million, respectively, on capital expenditures. During 2006, we expect capital expenditures to be approximately $1.0 billion to $1.1 billion. The actual amount of our capital expenditures depends on the level of growth in high-speed Internet and telephone customers and in the delivery of other advanced services, as well as the cost of introducing any new services. We may need additional capital in 2006, 2007 and beyond if there is accelerated growth in high-speed Internet customers, telephone customers or in the delivery of other advanced services. If we cannot obtain such capital from increases in our cash flow from operating activities, additional borrowings, proceeds from asset sales or other sources, our growth, financial condition and results of operations could suffer materially.

Our inability to respond to technological developments and meet customer demand for new products and services could limit our ability to compete effectively.

Our business is characterized by rapid technological change and the introduction of new products and services. We cannot assure you that we will be able to fund the capital expenditures necessary to keep pace with unanticipated technological developments, or that we will successfully anticipate the demand of our customers for products and services requiring new technology. Our inability to maintain and expand our upgraded systems and provide advanced services in a timely manner, or to anticipate the demands of the marketplace, could materially adversely affect our ability to attract and retain customers. Consequently, our growth, financial condition and results of operations could suffer materially.

Malicious and abusive Internet practices could impair our high-speed Internet services

Our high-speed Internet customers utilize our network to access the Internet and, as a consequence, we or they may become victim to common malicious and abusive Internet activities, such as unsolicited mass advertising (i.e., spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume to call centers and damage to our or our customers equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to us to service our customers and protect our network. Any significant loss of high-speed Internet customers or revenue or significant increase in costs of serving those customers could adversely affect our growth, financial condition and results of operations.

Charter could be deemed an investment company under the Investment Company Act of 1940. This would impose significant restrictions on us and would be likely to have a material adverse impact on our growth, financial condition and results of operation.

Charter s principal assets are its equity interests in Charter Holdco and certain indebtedness of Charter Holdco. If Charter s membership interest in Charter Holdco were to constitute less than 50% of the voting securities issued by Charter Holdco, then Charter s interest in Charter Holdco could be deemed an investment security for purposes of the Investment Company Act. This may occur, for example, if a court determines that the Class B common stock is no longer entitled to special voting rights and, in

Table of Contents

accordance with the terms of the Charter Holdco limited liability company agreement, Charter s membership units in Charter Holdco were to lose their special voting privileges. A determination that such interest was an investment security could cause Charter to be deemed to be an investment company under the Investment Company Act, unless an exemption from registration were available or we were to obtain an order of the Securities and Exchange Commission excluding or exempting us from registration under the Investment Company Act.

If anything were to happen which would cause Charter to be deemed an investment company, the Investment Company Act would impose significant restrictions on us, including severe limitations on our ability to borrow money, to issue additional capital stock and to transact business with affiliates. In addition, because our operations are very different from those of the typical registered investment company, regulation under the Investment Company Act could affect us in other ways that are extremely difficult to predict. In sum, if we were deemed to be an investment company it could become impractical for us to continue our business as currently conducted and our growth, our financial condition and our results of operations could suffer materially.

If a court determines that the Class B common stock is no longer entitled to special voting rights, we would lose our rights to manage Charter Holdco. In addition to the investment company risks discussed above, this could materially impact the value of the Class A Common Stock.

If a court determines that the Class B common stock is no longer entitled to special voting rights, Charter would no longer have a controlling voting interest in, and would lose its right to manage, Charter Holdco. If this were to occur:

- we would retain our proportional equity interest in Charter Holdco but would lose all of our powers to direct the management and affairs of Charter Holdco and its subsidiaries; and

- we would become strictly a passive investment vehicle and would be treated under the Investment Company Act as an investment company.

This result, as well as the impact of being treated under the Investment Company Act as an investment company, could materially adversely impact:

- the liquidity of the Class A Common Stock;

- how the Class A Common Stock trades in the marketplace;

- the price that purchasers would be willing to pay for the Class A Common Stock in a change of control transaction or otherwise; and

- the market price of the Class A Common Stock.

Uncertainties that may arise with respect to the nature of our management role and voting power and organizational documents as a result of any challenge to the special voting rights of the Class B common stock, including legal actions or proceedings relating thereto, may also materially adversely impact the value of the Class A Common Stock.

Risks Related to Charter s Future Ability to Utilize Net Operating Loss Carryforwards

The issuance of the Class A Common Stock offered hereby, the possible return of shares of Class A Common Stock in connection with the unwinding of hedge positions and possible future conversions of the Convertible Notes significantly increase 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.

As of June 30, 2006, we had approximately $6.4 billion of tax net operating loss carryforwards and current year losses (resulting in a gross deferred tax asset of approximately $2.6 billion) expiring in the years 2007 through 2026. Due to uncertainties in projected future taxable income, valuation allowances

Table of Contents

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 be used to offset any of our future taxable income. An ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended, would place significant limitations, on an annual basis, on the use of such net operating losses existing as of the date of an ownership change to offset any future taxable income we may generate post-ownership change. 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 prior to such ownership change to offset any post-ownership change taxable income.

The issuance of the Class A Common Stock offered hereby and the possible return of shares of our Class A Common Stock in connection with the unwinding of hedge positions undertaken by Holders of the Convertible Notes who participate in the Exchange Offer as well as the issuance of up to a total of 150 million shares of Class A Common Stock (of which a total of 116.9 million have been issued through June 2006) offered pursuant to a share lending agreement executed by Charter in connection with the issuance of the Convertible Notes in November 2004 and possible future transactions significantly increase the risk that we will experience an ownership change in the future for tax purposes. Such transactions include additional issuances of Class A Common Stock by us (including but not limited to issuances upon future conversion of the Convertible Notes and any future issuances pursuant to the share lending agreement), reacquisitions by us of shares borrowed pursuant to the share lending agreement, 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 Mr. Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco into Class A Common Stock). Many of the foregoing transactions are beyond our control.

Risks Related to Mr. Allen s Controlling Position

The failure by Mr. Allen to maintain a minimum voting and economic interest in us could trigger a change of control default under our subsidiary s credit facilities.

The Charter Operating credit facilities provide that the failure by (a) Mr. Allen, (b) his estate, spouse, immediate family members and heirs and (c) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners or other owners of which consist exclusively of Mr. Allen or such other persons referred to in (b) above or a combination thereof, to maintain a 35% direct or indirect voting interest in the applicable borrower would result in a change of control default. Such a default could result in the acceleration of repayment of our and our subsidiaries indebtedness, including borrowings under the Charter Operating credit facilities.

Mr. Allen controls our stockholder voting and may have interests that conflict with your interests.

Mr. Allen has the ability to control us. Through his control as of June 30, 2006 of approximately 90% of the voting power of Charter s capital stock, Mr. Allen is entitled to elect all but one of our board members and effectively has the voting power to elect the remaining board member as well. Mr. Allen thus has the ability to control fundamental corporate transactions requiring equity holder approval, including, but not limited to, the election of all of our directors, approval of merger transactions involving us and the sale of all or substantially all of our assets.

Mr. Allen is not restricted from investing in, and has invested in, and engaged in, other businesses involving or related to the operation of cable television systems, video programming, high-speed Internet service, telephone or business and financial transactions conducted through broadband interactivity and Internet services. Mr. Allen may also engage in other businesses that compete or may in the future compete with us.

Mr. Allen s control over our management and affairs could create conflicts of interest if he is faced with decisions that could have different implications for him, us and the holders of the Class A Common

Table of Contents

Stock. Further, Mr. Allen could effectively cause us to enter into contracts with another entity in which he owns an interest or to decline a transaction into which he (or another entity in which he owns an interest) ultimately enters.

Current and future agreements between us and either Mr. Allen or his affiliates may not be the result of arm s-length negotiations. Consequently, such agreements may be less favorable to us than agreements that we could otherwise have entered into with unaffiliated third parties.

We are not permitted to engage in any business activity other than the cable transmission of video, audio and data unless Mr. Allen authorizes us to pursue that particular business activity, which could adversely affect our ability to offer new products and services outside of the cable transmission business and to enter into new businesses, and could adversely affect our growth, financial condition and results of operations.

The Restated Certificate of Incorporation of Charter and Charter Holdco s limited liability company agreement provide that Charter and Charter Holdco and our subsidiaries, cannot engage in any business activity outside the cable transmission business except for specified businesses. This will be the case unless Mr. Allen consents to our engaging in the business activity. The cable transmission business means the business of transmitting video, audio (including telephone services), and data over cable television systems owned, operated or managed by us from time to time. These provisions may limit our ability to take advantage of attractive business opportunities.

The loss of Mr. Allen s services could adversely affect our ability to manage our business.

Mr. Allen is Chairman of our board of directors and provides strategic guidance and other services to us. If we were to lose his services, our growth, financial condition and results of operations could be adversely impacted.

The special tax allocation provisions of the Charter Holdco limited liability company agreement may cause us in some circumstances to pay more taxes than if the special tax allocation provisions were not in effect.

Charter Holdco s limited liability company agreement provided that through the end of 2003, net tax losses (such net tax losses being determined under the federal income tax rules for determining capital accounts) of Charter Holdco that would otherwise have been allocated to us based generally on our percentage ownership of outstanding common membership units of Charter Holdco would instead be allocated to the membership units held by Vulcan Cable III Inc. (Vulcan Cable) and Charter Investment, Inc. (CII). The purpose of these special tax allocation provisions was to allow Mr. Allen to take advantage, for tax purposes, of the losses generated by Charter Holdco during such period. In some situations, these special tax allocation provisions could result in our having to pay taxes in an amount that is more or less than if Charter Holdco had allocated net tax losses to its members based generally on the percentage of outstanding common membership units owned by such members. For further discussion on the details of the tax allocation provisions see Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter Critical Accounting Policies and Estimates Income Taxes and Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Critical Accounting Policies and Estimates Income Taxes in this Exchange Offer Prospectus.

Table of Contents

Risks Related to Regulatory and Legislative Matters

Our business is subject to extensive governmental legislation and regulation, which could adversely affect our business.

Regulation of the cable industry has increased cable operators administrative and operational expenses and limited their revenues. Cable operators are subject to, among other things:

- rules governing the provision of cable equipment and compatibility with new digital technologies;
- rules and regulations relating to subscriber privacy;
- limited rate regulation;
- requirements governing when a cable system must carry a particular broadcast station and when it must first obtain consent to carry a broadcast station;
- rules and regulations relating to provision of voice communications;
- rules for franchise renewals and transfers; and
- other requirements covering a variety of operational areas such as equal employment opportunity, technical standards and customer service requirements.

Additionally, many aspects of these regulations are currently the subject of judicial proceedings and administrative or legislative proposals. There are also ongoing efforts to amend or expand the federal, state and local regulation of some of our cable systems, which may compound the regulatory risks we already face. Certain states and localities are considering new telecommunications taxes that could increase operating expenses.

Our cable systems are operated under franchises that are subject to non-renewal or termination. The failure to renew a franchise in one or more key markets could adversely affect our business.

Our cable systems generally operate pursuant to franchises, permits and similar authorizations issued by a state or local governmental authority controlling the public rights-of-way. Many franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Local franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, franchises have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without a license while negotiating renewal terms with the local franchising authorities. Approximately 12% of our franchises, covering approximately 13% of our analog video customers, were expired as of June 30, 2006. Approximately 4% of additional franchises, covering approximately an additional 6% of our analog video customers, will expire on or before December 31, 2006, if not renewed prior to expiration.

We cannot assure you that we will be able to comply with all significant provisions of our franchise agreements and certain of our franchisors have from time to time alleged that we have not complied with these agreements. Additionally, although historically we have renewed our franchises without incurring significant costs, we cannot assure you that we will be able to renew, or to renew as favorably, our franchises in the future. A termination of or a sustained failure to renew a franchise in one or more key markets could adversely affect our business in the affected geographic area.

Table of Contents

Our cable systems are operated under franchises that are non-exclusive. Accordingly, local franchising authorities can grant additional franchises and create competition in market areas where none existed previously, resulting in overbuilds, which could adversely affect results of operations.

Our cable systems are operated under non-exclusive franchises granted by local franchising authorities. Consequently, local franchising authorities can grant additional franchises to competitors in the same geographic area or operate their own cable systems. In addition, certain telephone companies are seeking authority to operate in local communities without first obtaining a local franchise. As a result, competing operators may build systems in areas in which we hold franchises. In some cases municipal utilities may legally compete with us without obtaining a franchise from the local franchising authority.

Different legislative proposals have been introduced in the United States Congress and in some state legislatures that would greatly streamline cable franchising. This legislation is intended to facilitate entry by new competitors, particularly local telephone companies. Such legislation has passed in at least six states in which we have operations and one of these newly enacted statutes is subject to court challenge. Although various legislative proposals provide some regulatory relief for incumbent cable operators, these proposals are generally viewed as being more favorable to new entrants due to a number of factors, including provisions withholding streamlined cable franchising from incumbents until after the expiration of their existing franchises. To the extent incumbent cable operators are not able to avail themselves of this streamlined franchising process, such operators may continue to be subject to more onerous franchise requirements at the local level than new entrants. A proceeding is pending at the Federal Communications Commission (FCC) to determine whether local franchising authorities are impeding the deployment of competitive cable services through unreasonable franchising requirements and whether such impediments should be preempted. We are not yet able to determine what impact such proceeding may have on us.

The existence of more than one cable system operating in the same territory is referred to as an overbuild. These overbuilds could adversely affect our growth, financial condition and results of operations by creating or increasing competition. As of June 30, 2006, we are aware of overbuild situations impacting approximately 8% of our estimated homes passed, and potential overbuild situations in areas servicing approximately an additional 5% of our estimated homes passed. Additional overbuild situations may occur in other systems.

Local franchise authorities have the ability to impose additional regulatory constraints on our business, which could further increase our expenses.

In addition to the franchise agreement, cable authorities in some jurisdictions have adopted cable regulatory ordinances that further regulate the operation of cable systems. This additional regulation increases the cost of operating our business. We cannot assure you that the local franchising authorities will not impose new and more restrictive requirements. Local franchising authorities also generally have the power to reduce rates and order refunds on the rates charged for basic services.

Further regulation of the cable industry could cause us to delay or cancel service or programming enhancements or impair our ability to raise rates to cover our increasing costs, resulting in increased losses.

Currently, rate regulation is strictly limited to the basic service tier and associated equipment and installation activities. However, the FCC and the U.S. Congress continue to be concerned that cable rate increases are exceeding inflation. It is possible that either the FCC or the U.S. Congress will again restrict the ability of cable system operators to implement rate increases. Should this occur, it would impede our ability to raise our rates. If we are unable to raise our rates in response to increasing costs, our losses would increase.

There has been considerable legislative and regulatory interest in requiring cable operators to offer historically bundled programming services on an á la carte basis or to at least offer a separately available

child-friendly Family Tier. It is possible that new marketing restrictions could be adopted in the future. Such restrictions could adversely affect our operations.

Actions by pole owners might subject us to significantly increased pole attachment costs.

Pole attachments are cable wires that are attached to poles. Cable system attachments to public utility poles historically have been regulated at the federal or state level, generally resulting in favorable pole attachment rates for attachments used to provide cable service. The FCC clarified that a cable operator s favorable pole rates are not endangered by the provision of Internet access, and that approach ultimately was upheld by the Supreme Court of the United States. Despite the existing regulatory regime, utility pole owners in many areas are attempting to raise pole attachment fees and impose additional costs on cable operators and others. The favorable pole attachment rates afforded cable operators under federal law can be increased by utility companies if the operator provides telecommunications services, in addition to cable service, over cable wires attached to utility poles. To date, Voice over Internet Protocol, or VoIP, service has not been classified as either a telecommunications service or cable service under the Communications Act. If VoIP were classified as a telecommunications service under the Communications Act by the FCC, a state Public Utility Commission, or an appropriate court, it might result in significantly increased pole attachment costs for us, which could adversely affect our financial condition and results of operations. Any significant increased costs could have a material adverse impact on our profitability and discourage system upgrades and the introduction of new products and services.

We may be required to provide access to our networks to other Internet service providers or restrictions could be imposed on our ability to manage our broadband infrastructure, either of which could significantly increase our competition and adversely affect our ability to provide new products and services.

A number of companies, including independent Internet service providers, or ISPs, have requested local authorities and the FCC to require cable operators to provide non-discriminatory access to cable s broadband infrastructure, so that these companies may deliver Internet services directly to customers over cable facilities. In a June 2005 ruling, commonly referred to as *Brand X*, the Supreme Court upheld an FCC decision (and overruled a conflicting Ninth Circuit opinion) making it less likely that any nondiscriminatory open access requirements (which are generally associated with common carrier regulation of telecommunications services) will be imposed on the cable industry by local, state or federal authorities. The Supreme Court held that the FCC was correct in classifying cable provided Internet service as an information service, rather than a telecommunications service. Notwithstanding *Brand X*, there has been increasing advocacy by certain internet content providers and consumer groups for new federal laws or regulations to limiting the ability of broadband network owners (like Charter) to manage and control their own networks. The proposals might prevent network owners, for example, from charging bandwidth intensive content providers, such as certain online gaming, music, and video service providers, an additional fee to ensure quality delivery of the services to consumers. If we were required to allocate a portion of our bandwidth capacity to other Internet service providers, or were prohibited from charging heavy bandwidth intensive services a fee for use of our networks, we believe that it could impair our ability to use our bandwidth in ways that would generate maximum revenues.

Changes in channel carriage regulations could impose significant additional costs on us.

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 obliga-

tions 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 in February 2005, confirming an earlier ruling against mandating either dual carriage or multicast carriage, that decision is subject to a petition for reconsideration which is pending. In addition, the FCC could reverse its own ruling or Congress could legislate additional carriage obligations.

Offering voice communications service may subject us to additional regulatory burdens, causing us to incur additional costs.

In 2002, we began to offer voice communications services on a limited basis over our broadband network. We continue to develop and deploy Voice over Internet Protocol or VoIP services. The FCC has declared that certain VoIP services are not subject to traditional state public utility regulation. The full extent of the FCC preemption of state and local regulation of VoIP services is not yet clear. Expanding our offering of these services may require us to obtain certain authorizations, including federal and state licenses. We may not be able to obtain such authorizations in a timely manner, or conditions could be imposed upon such licenses or authorizations that may not be favorable to us. The FCC has extended certain traditional telecommunications requirements, such as E911 and Universal Service requirements, to many VoIP providers, such as Charter. The FCC has also required that these VoIP providers comply with obligations applied to traditional telecommunications carriers to ensure their networks can accommodate law enforcement wiretaps by May 2007, that requirement has been affirmed by the Court of Appeals for the D.C. Circuit. Telecommunications companies generally are subject to other significant regulation which could also be extended to VoIP providers. If additional telecommunications regulations are applied to our VoIP service, it could cause us to incur additional costs.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

For your convenience, the following is additional summary information regarding the Exchange Offer in a question and answer format.

Who is making the Exchange Offer?

The Offerors, CCHC, LLC, CCH II, LLC and CCH II Capital Corp., are offering to pay the Exchange Consideration to Holders of outstanding Convertible Notes who agree to tender their Convertible Notes in accordance with the terms of the Exchange Offer.

What securities are the subject of the Exchange Offer?

The securities that are the subject of the Exchange Offer are Charter s 5.875% Convertible Senior Notes due 2009. As of the date of this Exchange Offer Prospectus, there are $862,500,000 in aggregate principal amount of Convertible Notes outstanding. The Offerors will not accept for exchange more than $450,000,000 principal amount of Convertible Notes.

What will I receive in the Exchange Offer if I tender my Convertible Notes pursuant to the Exchange Offer and they are accepted?

The Exchange Consideration offered per $1,000 principal amount of Convertible Notes validly tendered for exchange and not validly withdrawn on or prior to the Expiration Date consists of:

$417.75 in cash,

100 shares of Class A Common Stock and

$325.00 principal amount of CCH II Notes.

The Exchange Offer is not conditioned on a minimum amount of Convertible Notes being tendered. The Offerors will not accept for exchange more than the Maximum Amount. As a result, if more than the Maximum Amount of Convertible Notes is validly tendered and not validly withdrawn, the Offerors will accept Convertible Notes from each Holder pro rata, based on the total amount of Convertible Notes validly tendered and not validly withdrawn.

Subject to applicable securities laws and the terms set forth in this Exchange Offer, the Offerors reserve the right to amend the Exchange Offer in any respect; however, the Offerors do not currently intend to change the amount of Class A Common Stock offered to more than 134 shares or less than 67 shares per $1,000 principal amount of Convertible Notes.

The CCH II Notes being offered as part of the Exchange Consideration will be issued under a temporary CUSIP number until the next interest payment date which is expected to be September 15, 2006, at which time it is expected that they will be mandatorily merged into the existing CUSIP number of approximately $1.6 billion outstanding principal amount of CCH II Notes.

CCH II Notes will be issued only in minimum denominations of $1,000 and integral multiples of $1,000. See Description of the Exchange Offer.

If the Exchange Offer is consummated and I do not fully participate or some of my Convertible Notes are not accepted for exchange, how will my rights and obligations under the Convertible Notes be affected?

Convertible Notes not tendered pursuant to the Exchange Offer will remain outstanding after the consummation of the Exchange Offer. Holders of Convertible Notes not tendered pursuant to the Exchange Offer will continue to have the same rights under the Convertible Notes as they are entitled to today.

With some of the proceeds from the initial sale of the Convertible Notes, we purchased and pledged to the trustee under the indenture for the Convertible Notes as security for the benefit of the Holders,

approximately $144 million of U.S. government securities. These securities were pledged to provide for the payment of the first six scheduled interest payments due on the original principal amount of the Convertible Notes. Because we currently intend that the Convertible Notes accepted for exchange will not be cancelled and will be held by CCHC after the Settlement Date, you will not be entitled to any increases in your pro rata share of the U.S. government securities pledged as security for the Convertible Notes. Holders are subject to certain risks associated with both tendering or not tendering Convertible Notes pursuant to the Exchange Offer. See Risk Factors Risks to Continuing Holders of Convertible Notes After the Settlement Date and Risk Factors Risks to Tendering Holders of Convertible Notes.

How does the contribution of the CC VIII Interest to CCH I by CCHC impact the Convertible Notes that remain outstanding?

As of October 31, 2005, as a result of Charter s settlement of a dispute with Paul G. Allen, Charter s controlling stockholder and Chairman of the Board, the interest in CC VIII was transferred to CCHC (the remaining preferred equity interests were retained by affiliates of Mr. Allen). As part of the Private Exchange Offers, CCHC will contribute its preferred equity interest in CC VIII to CCH I. The interest in CC VIII will be pledged as security for all outstanding CCH I notes, including those to be issued in the Private Exchange Offers. As a result, any claim that Holders of the Convertible Notes have against those CC VIII assets will become subordinated to claims of the holders of CCH I notes, as well as creditors of certain of Charter s subsidiaries, including CCHC, Charter Holdings and CIH.

What is the purpose of the Exchange Offer?

The purpose of the Exchange Offer is to exchange up to $450,000,000 of Charter s outstanding Convertible Notes to extend maturities and reduce our overall indebtedness.

What is the market value of the Convertible Notes?

The Convertible Notes are not listed on any national securities exchange but are eligible for trading on the PORTAL Market.

What is the recent market price of the Class A Common Stock?

The Class A Common Stock is traded on the Nasdaq Global Market under the symbol CHTR. The last reported sale price of the Class A Common Stock on September 12, 2006 was $1.47 per share. Each $1,000 principal amount of Convertible Notes is convertible into 413.2331 shares of Class A Common Stock, which is equivalent to a conversion price of $2.42 per share. See Price Range of Common Stock. For the reasons described elsewhere herein, it is likely that the market price of the Class A Common Stock will be especially volatile during the Exchange Offer and may be substantially affected by the unwinding of hedging positions that Holders of Convertible Notes had entered into in connection with their investment in the Convertible Notes.

What is the market value of the CCH II Notes?

The CCH II Notes are not listed on any national securities exchange but are eligible for trading on the PORTAL Market.

How does the Exchange Consideration I will receive if I tender my Convertible Notes compare to what I would receive if I do not tender them?

If you do not tender your Convertible Notes pursuant to the Exchange Offer you will be entitled to receive interest payments of 5.875% per annum, payable semi-annually in arrears on May 16 and November 16 of each year through maturity (November 16, 2009). In addition, prior to the maturity of the Convertible Notes, you may elect to convert them into Class A Common Stock. Each $1,000 principal

amount of Convertible Notes is convertible into 413.2231 shares of Class A Common Stock, which is equivalent to a conversion price of $2.42 per share. At maturity, if you have not elected to convert your Convertible Notes, you will be entitled to the repayment of the principal amount of the Convertible Notes.

Because we intend that CCHC will hold the Convertible Notes accepted for exchange, Holders of Convertible Notes not exchanged will not be entitled to any increase in the pro rata share of these pledged securities. Instead, CCHC will receive any benefit from these U.S. government securities on the same pro rata basis as any Holders of Convertible Notes not exchanged. Furthermore, there can be no assurance that the cash received by CCHC as interest on the Convertible Notes will be available to pay either principal or interest on any Convertible Notes not exchanged.

If, however, you participate in the Exchange Offer, you will receive the Exchange Consideration described in the previous question and answer.

Will I receive accrued and unpaid interest from and after May 16, 2006 to the Expiration Date?

In addition to the Exchange Consideration the Offerors will pay accrued interest on the Convertible Notes from and after the last interest payment date (which was May 16, 2006) up to, but not including, the Settlement Date.

How will fluctuations in the trading price of the Class A Common Stock and CCH II Notes affect the amount I will receive if I tender my Convertible Notes?

You will receive a fixed number of shares of Class A Common Stock and a fixed principal amount of CCH II Notes. If the market price of the Class A Common Stock and/or CCH II Notes declines, the value of the shares of Class A Common Stock and CCH II Notes you will receive will decline. Trading prices of the Class A Common Stock and CCH II Notes will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors, as well as by this Exchange Offer and/or the Private Exchange Offer. General market conditions, including the level of, and fluctuations in, the prices of stocks and high-yield notes, will also have an impact. In addition, sales of substantial amounts of the Class A Common Stock and CCH II Notes after this Exchange Offer, or the perception that such sales may occur, could affect the price of the Class A Common Stock and CCH II Notes.

When will I receive the Exchange Consideration for tendering my Convertible Notes pursuant to the Exchange Offer?

Assuming the Offerors have not previously elected to terminate the Exchange Offer (which the Offerors can only do if a condition to the Exchange Offer has not been satisfied, see Description of the Exchange Offer Conditions to the Exchange Offer), Convertible Notes validly tendered in accordance with the procedures set forth herein prior to 11:59 p.m., New York City time, on the Expiration Date, will, upon the terms and subject to the conditions of the Exchange Offer, be accepted for exchange and payment by the Offerors of the Exchange Consideration, and payments will be made therefor promptly on the Settlement Date. The Offerors intend to deposit the Exchange Consideration with the Exchange Agent or return tendered Convertible Notes pursuant to the Exchange Offer, as applicable, on the third business day following the Expiration Date. If the Exchange Offer is not consummated, no such exchange will occur and no payments will be made.

In the event of a termination of the Exchange Offer, the Convertible Notes tendered for exchange pursuant to the Exchange Offer will be promptly returned to the tendering Holders. Likewise, any Convertible Notes not accepted for exchange because the Maximum Amount has been exceeded will be promptly returned to the tendering Holders.

Will the Class A Common Stock and CCH II Notes I receive upon tender of the Convertible Notes be freely tradable?

Yes. Generally, the Class A Common Stock and CCH II Notes you will receive pursuant to the Exchange Offer will be freely tradable, unless you are an affiliate of Charter, as that term is defined in the Securities Act, or you acquired your Convertible Notes from an affiliate of Charter in an unregistered transaction. The Class A Common Stock will be listed on Nasdaq Global Market under the symbol CHTR. However, the Offerors do not intend to list the CCH II Notes on any securities exchange or to seek approval for quotation through any automated quotation system.

Do the Offerors or their affiliates have any current plans to purchase any Convertible Notes that remain outstanding subsequent to the Expiration Date?

No. The Offerors and their affiliates reserve the right, in their absolute discretion, to purchase or make offers to purchase any Convertible Notes that remain outstanding subsequent to the Expiration Date and, to the extent permitted by applicable law, purchase Convertible Notes in the open market, in privately negotiated transactions or otherwise, but have no current plans to do so. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

What will happen if I unwind positions relating to my hedging of my investment in the Convertible Notes and the Exchange Offer is not consummated?

Neither we nor our board of directors is making any recommendation whether you should tender your Convertible Notes in the Exchange Offer. We cannot assure you that the conditions to this Exchange Offer will be satisfied on a timely basis, if at all. We are making no recommendation, and bear no responsibility, for any activities that Holders of Convertible Notes may undertake in connection with any hedging activities that they may have entered into in connection with their investment in the Convertible Notes.

What will happen to the Convertible Notes that are accepted for exchange?

So that CCHC will receive any benefit from the U.S. government securities pledged as security for the Convertible Notes, we intend that, following the closing of the Exchange Offer, CCHC will hold the Convertible Notes accepted for exchange. As a result, Holders of Convertible Notes not exchanged will not be entitled to any increase in the pro rata share of these pledged U.S. government securities. However, there can be no assurance that the cash received by CCHC as interest on the Convertible Notes will be available to pay either principal or interest on any Convertible Notes not exchanged. See Description of the Convertible Notes.

Are any Convertible Notes held by the officers or directors of Charter or its subsidiaries?

No. None of our directors or executive officers beneficially holds Convertible Notes. However, Mr. Neil Smit, our President and Chief Executive Officer sold 800,000 shares of Class A Common Stock in the open market on August 22, 2006, to pay an estimated tax liability related to the vesting of shares of Class A Common Stock. See Management Sale of Restricted Shares by Mr. Smit.

Are Charter, the Offerors or any of their subsidiaries making a recommendation regarding whether I should tender my Convertible Notes pursuant to the Exchange Offer?

Neither Charter, the Offerors, their subsidiaries nor their respective Boards of Directors has made, nor will they make a recommendation to any Holder, and will remain neutral as to whether you should exchange your Convertible Notes pursuant to the Exchange Offer or unwind any hedged positions with respect to the Convertible Notes. You must make your own investment decision with regard to the Exchange Offer. The Offerors urge you to carefully read this Exchange Offer Prospectus and the related Letter of Transmittal in its entirety, including the information set forth in the section entitled Risk Factors.

What are the conditions to the Exchange Offer?

The Exchange Offer is subject to applicable law and the conditions described under Description of the Exchange Offer Conditions to the Exchange Offer, including effectiveness of the registration statement. The Exchange Offer is not conditioned upon any minimum principal amount of Convertible Notes being tendered. The Offerors currently expect that each of the conditions will be satisfied and that no waiver of any condition will be necessary. the Offerors do not know whether any of the conditions will be satisfied on a timely basis, if at all, and have made no determination of whether or not (or to what extent) that the Offerors would waive any of the conditions to the Exchange Offer. We have no obligation, and do not presently intend, to extend the expiration date of the Exchange Offer beyond September 8, 2006.

When does the Exchange Offer expire?

The Exchange Offer expired at 11:59 p.m., New York City time, on September 8, 2006.

Under what circumstances can the Exchange Offer be extended, amended or terminated?

The Offerors may extend or amend the Exchange Offer in its their and absolute discretion, and the Offerors expressly reserve the right, in their discretion and subject to Rule 14e-l(c) under the Exchange Act, to delay acceptance of, or payment of Exchange Consideration in respect of, Convertible Notes in order to comply with any applicable law, however, the Offerors do not currently intend to change the amount of Class A Common Stock offered to more than 134 shares or less than 67 shares per $1,000 principal amount of Convertible Notes. In addition, the Offerors may terminate the Exchange Offer if any one or more of the conditions to the Exchange Offer is not satisfied, but in no other circumstance. See Description of the Exchange Offer Conditions to the Exchange Offer. We do not currently intend to extend the Expiration Date beyond September 8, 2006.

How will I be notified if the Exchange Offer is extended, amended or terminated?

Any extension, amendment or termination of the Exchange Offer will be followed promptly by public announcement thereof, the announcement in the case of an extension of the Exchange Offer to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

Without limiting the manner in which any public announcement may be made, the Offerors shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a release to the Dow Jones News Service.

What risks should I consider in deciding whether or not to tender my Convertible Notes pursuant to the Exchange Offer?

In deciding whether to participate in the Exchange Offer, you should carefully consider the discussion of risks and uncertainties described under Recent Events and Risk Factors herein.

What are the material United States federal income tax consequences of the Exchange Offer?

For a summary of the material U.S. federal income tax consequences of the Exchange Offer, see Certain U.S. Federal Income Tax Consequences.

Will Charter, the Offerors or any of their subsidiaries receive any proceeds from the Exchange Offer?

No.

How do I tender my Convertible Notes pursuant to the Exchange Offer?

If your Convertible Notes are held in the name of a broker, dealer or other nominee, the Convertible Notes may be tendered by your nominee through DTC. If your Convertible Notes are not held in the name of a broker, dealer or other nominee, you must tender your Convertible Notes together with a completed Letter of Transmittal and any other documents required thereby or hereby, to the Exchange Agent, no later than 11:59 p.m. New York City time, on the Expiration Date. For more information regarding the procedures for tendering your Convertible Notes pursuant to the Exchange Offer. See Description of the Exchange Offer Procedures for Tendering Convertible Notes.

May I tender only a portion of the Convertible Notes that I hold?

Yes. You do not have to tender all of your Convertible Notes to participate in the Exchange Offer. However, you may only tender Convertible Notes in integral multiples of $1,000 principal amount.

What happens if some of my Convertible Notes are not accepted for exchange?

The Offerors will not accept for exchange more than $450,000,000 principal amount of Convertible Notes, which is the Maximum Amount. As a result, if more than the Maximum Amount of Convertible Notes is validly tendered and not validly withdrawn, the Offerors will accept Convertible Notes from each Holder pro rata, based on the total principal amount of Convertible Notes validly tendered and not validly withdrawn. Any Convertible Notes not accepted for exchange because the Maximum Amount has been exceeded will be promptly returned to the tendering Holders.

What is the deadline and what are the procedures for withdrawing previously tendered Convertible Notes?

Convertible Notes previously tendered may be withdrawn at any time up until 11:59 p.m. New York City time, on the Expiration Date. For a withdrawal of tendered Convertible Notes to be effective, a written, telegraphic or facsimile transmission with all the information required must be received by the Exchange Agent on or prior to 11:59 p.m. New York City time, on the Expiration Date at its address set forth on the back cover of this Exchange Offer Prospectus. See Description of the Exchange Offer Withdrawal of Tendered Convertible Notes.

Who do I call if I have any questions on how to tender my Convertible Notes or any other questions relating to the Exchange Offer?

Any requests for assistance in connection with the Exchange Offer or for additional copies of this Exchange Offer Prospectus or related materials should be directed to the Information Agent. Any questions regarding the Exchange Offer should be directed to either of the Dealer Managers. Contact information for the Information Agent and the Dealer Managers is set forth on the back cover of this Exchange Offer Prospectus. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominees through which they hold the Convertible Notes with questions and requests for assistance.

PRICE RANGE OF COMMON STOCK

The Class A Common Stock is quoted on the Nasdaq Global 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 Global Market. There is no established trading market for the Class B common stock.

	High	Low
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
2005		
First quarter	$ 2.30	$ 1.35
Second quarter	1.53	0.90
Third quarter	1.71	1.14
Fourth quarter	1.50	1.12
2006		
First quarter	$ 1.25	$ 0.94
Second quarter	1.38	1.03
Third quarter through September 12, 2006	1.56	1.11

As of June 30, 2006, there were 4,424 holders of record of the Class A Common Stock, one holder of the Class B common stock and 4 holders of record of Charter s Series A Convertible Redeemable Preferred Stock.

The last reported sale price of the Class A Common Stock on the Nasdaq Global Market on September 12, 2006 was $1.47 per share.

We have never paid and do not expect to pay any cash dividends on the Class A Common Stock in the foreseeable future. Charter Holdco is required under certain circumstances to pay distributions pro rata to all its common members to the extent necessary for any common member to pay taxes incurred with respect to its share of taxable income attributed to Charter Holdco. Covenants in the indentures and credit agreements governing the debt of our subsidiaries restrict their ability to make distributions to us and, accordingly, limit our ability to declare or pay cash dividends. We intend to cause Charter Holdco and its subsidiaries to retain future earnings, if any, to finance the operation of the business of Charter Holdco and its subsidiaries.

BOOK VALUE PER COMMON SHARE

The book value per share of Class A Common Stock as of June 30, 2006 was $(13.14).

USE OF PROCEEDS

None of Charter, CCHC, CCH II or any of their subsidiaries will receive any proceeds from the Exchange Offer.

Table of Contents

CAPITALIZATION

Capitalization of Charter and its Subsidiaries.

The following table sets forth, as of June 30, 2006, on a consolidated basis:

cash and cash equivalents of Charter;

the actual (historical) capitalization of Charter;

the actual as adjusted capitalization of Charter after giving effect to:

(1) the completed and scheduled disposition of certain assets for total proceeds of $971 million and the temporary use of such proceeds to reduce amounts outstanding under our revolving credit facility; and

(2) the Private Exchange Offers Pro Forma Adjustments.

the capitalization of Charter, on a pro forma basis to reflect the Private Exchange Offers Pro Forma Adjustments and the Exchange Offer Pro Forma Adjustments.

The following information should be read in conjunction with Selected Historical Consolidated Financial Data, Unaudited Pro Forma Consolidated Financials, Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter and the historical consolidated financial statements and related notes of Charter included elsewhere in this Exchange Offer Prospectus.

We use a 50% participation rate for illustrative purposes only and cannot assure you that we will achieve a participation rate at or near that percentage or to what extent the Convertible Notes or Charter Holdings notes will be tendered. This table should be read in conjunction with the Summary Summary Consolidated Financial Data and the historical consolidated financial statements of Charter and CCH II included elsewhere in this Exchange Offer Prospectus. The financial data is not intended to provide any indication of what our actual financial position, including actual cash balances and revolver borrowings, or results would have been had the transactions described above been completed on the dates indicated or to project our results of operations for any future date.

	As of June 30, 2006		
	Actual	As Adjusted	Pro Forma
	(Dollars in millions, unaudited)		
Cash and cash equivalents	$ 56	$ 175	$
Long-Term Debt:			
Charter Communications, Inc.			
5.875% convertible senior notes due 2009	848	848	424
Charter Communications Holdings, LLC:			
Senior and senior discount notes(a)	1,757	931	931
CCH I Holdings, LLC:			
Senior and senior discount notes(b)(c)	2,520	2,520	2,520
CCH I, LLC:			
11.000% senior notes due 2015	3,678	4,174	4,174
CCH II, LLC:			
10.250% senior notes due 2010	2,042	2,247	2,389
CCO Holdings:			
8 3/4% senior notes due 2013	795	795	795

Senior floating rate notes due 2010	550	550	550

Table of Contents

	As of June 30, 2006		
	Actual	As Adjusted	Pro Forma
	(Dollars in millions, unaudited)		
Charter Operating:			
8.000% senior second lien notes due 2012	1,100	1,100	1,100
$8^3/8$% senior second lien notes due 2014	770	770	770
Credit Facilities:			
Charter Operating(d)	5,800	5,000	5,015
Total long-term debt	19,860	18,935	18,668
Note Payable Related Party(e)	53	53	53
Preferred stock redeemable(f)	4	4	4
Minority Interest(g)	189	189	189
Shareholders Deficit	(5,762)	(5,444)	(5,359)
Total Capitalization	$ 14,344	$ 13,737	$ 13,555

(a) Represents the following Charter Holdings notes:

	As of June 30, 2006
	(Dollars in millions)
8.250% senior notes due 2007	$ 105
8.625% senior notes due 2009	292
9.920% senior discount notes due 2011	198
10.000% senior notes due 2009	154
10.250% senior notes due 2010	49
11.750% senior discount notes due 2010	43
10.750% senior notes due 2009	131
11.125% senior notes due 2011	217
13.500% senior discount notes due 2011	94
9.625% senior notes due 2009	107
10.000% senior notes due 2011	136
11.750% senior discount notes due 2011	125
12.125% senior discount notes due 2012	106
Total	$ 1,757

(b) Represents the following CIH notes:

	As of June 30, 2006
	(Dollars in millions)
11.125% senior notes due 2014	$ 151
9.920% senior discount notes due 2014	471
10.000% senior notes due 2014	299
11.750% senior discount notes due 2014	815
13.500% senior discount notes due 2014	581
12.125% senior discount notes due 2015	203
Total	$ 2,520

(c) Certain of the CIH notes and CCH I notes issued in exchange for Charter Holdings notes in 2005 and certain of the CCH I notes and CCH II notes to be issued in the Private Exchange Offers are

recorded at the historical book values of the Charter Holdings notes for financial reporting purposes as opposed to the current accreted value for legal purposes and notes indenture purposes (which, for both purposes, is the amount that would become payable if the debt becomes immediately due). As of June 30, 2006, the accreted value of Charter s debt for legal purposes and notes indenture purposes is approximately $19.4 billion.

(d) As of June 30, 2006, our potential availability under our credit facilities totaled approximately $900 million, none of which was limited by covenant restrictions. However, pro forma for the closing of the asset sales on July 1, 2006, and the related application of net proceeds to repay amounts outstanding under our revolving credit facility, potential availability under our credit facilities as of June 30, 2006 would have been approximately $1.7 billion, although actual availability would have been limited to $1.3 billion because of limits imposed by covenant restrictions.

(e) Represents an exchangeable accreting note issued by CCHC in relation to the CC VIII settlement. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

(f) In connection with Charter s acquisition of Cable USA, Inc. and certain cable system assets from affiliates of Cable USA, Inc., Charter issued 545,259 shares of Series A Convertible Redeemable Preferred Stock valued at and with a liquidation preference of $55 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 or 7.75% if not paid but accrued. Beginning January 1, 2005 and through September 30, 2005, Charter accrued the dividend on its Series A Convertible Redeemable Preferred Stock. 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. In November 2005, we repurchased 508,546 shares of the preferred stock. 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 of Class A common stock at an initial conversion rate equal to a conversion price of $24.71 per share of Class A common stock, subject to certain customary adjustments.

(g) Minority interest represents preferred membership interests in CC VIII. Paul G. Allen held preferred membership units in CC VIII as a result of the exercise of put rights originally granted in connection with the Bresnan transaction in 2000. There was an issue regarding the ultimate ownership of the CC VIII membership interests following the consummation of the Bresnan put transaction on June 6, 2003. This dispute was settled October 31, 2005. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

Table of Contents

Capitalization of CCH II and its Subsidiaries.

The following table sets forth, as of June 30, 2006, on a consolidated basis:

cash and cash equivalents of CCH II;

the actual (historical) capitalization CCH II;

the actual as adjusted capitalization of CCH II after giving effect to:

(1) the completed and scheduled disposition of certain assets for total proceeds of $971 million and the temporary use of such proceeds to reduce amounts outstanding under our revolving credit facility; and

(2) the Private Exchange Offers Pro Forma Adjustments.

the capitalization of CCH II, on a pro forma basis to reflect the Private Exchange Offers Pro Forma Adjustments and the Exchange Offer Pro Forma Adjustments.

The following information should be read in conjunction with Selected Historical Consolidated Financial Data, Unaudited Pro Forma Consolidated Financials, Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC and the historical consolidated financial statements and related notes of CCH II included elsewhere in this Exchange Offer Prospectus.

We use a 50% participation rate for illustrative purposes only and cannot assure you that we will achieve a participation rate at or near that percentage or to what extent the Convertible Notes or Charter Holdings note will be tendered. This table should be read in conjunction with the Summary Summary Consolidated Financial Data and the historical consolidated financial statements of Charter and CCH II included elsewhere in this Exchange Offer Prospectus. The financial data is not intended to provide any indication of what our actual financial position, including actual cash balances and revolver borrowings, or results would have been had the transactions described above been completed on the dates indicated or to project our results of operations for any future date.

	As of June 30, 2006		
	Actual	As Adjusted	Pro Forma
	(Dollars in millions, unaudited)		
Cash and cash equivalents	$ 44	$ 170	$
Long-Term Debt:			
CCH II, LLC:			
10.250% senior notes due 2010	2,042	2,247	2,389
CCO Holdings:			
8 3/4% senior notes due 2013	795	795	795
Senior floating rate notes due 2010	550	550	550
Charter Operating:			
8.000% senior second lien notes due 2012	1,100	1,100	1,100
8 3/8% senior second lien notes due 2014	770	770	770

Table of Contents

	As of June 30, 2006		
	Actual	As Adjusted	Pro Forma
	(Dollars in millions, unaudited)		
Credit Facilities:			
Charter Operating(a)	5,800	5,000	5,015
Total long-term debt	11,057	10,462	10,619
Loans Payable Related Party	109	109	109
Minority Interest(b)	631	631	631
Member s Equity	2,648	2,621	2,301
Total Capitalization	$ 14,445	$ 13,823	$ 13,660

(a) As of June 30, 2006, our potential availability under our credit facilities totaled approximately $900 million, none of which was limited by covenant restrictions. However, pro forma for the closing of the asset sales on July 1, 2006, and the related application of net proceeds to repay amounts outstanding under our revolving credit facility, potential availability under our credit facilities as of June 30, 2006 would have been approximately $1.7 billion, although actual availability would have been limited to $1.3 billion because of limits imposed by covenant restrictions.

(b) Minority interest consists of preferred membership interests in CC VIII. This preferred interest arises from approximately $630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000 and was the subject of a dispute between Charter and Mr. Allen, Charter s Chairman and controlling shareholder that was settled October 31, 2005. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

Table of Contents

UNAUDITED PRO FORMA CONSOLIDATED FINANCIALS

The following unaudited pro forma consolidated financial statements are based on the historical consolidated financial statements of Charter and CCH II, adjusted to reflect the following transactions as if they occurred on January 1, 2005 for the unaudited pro forma consolidated statements of operations and as of June 30, 2006 for the unaudited consolidated balance sheets:

(1) the redemption in March 2005 of all (approximately $113 million principal amount) of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 with cash on hand;

(2) the issuance and sale of $300 million of 8^3/4% CCO Holdings senior notes in August 2005 and the use of a portion of such proceeds to pay financing costs and accrued interest in the September 2005 exchange transaction referenced below;

(3) the exchange in September 2005 of approximately $3.4 billion principal amount of Charter Holdings notes scheduled to mature in 2009 and 2010 for CCH I notes and the exchange of approximately $3.4 billion principal amount of Charter Holdings notes scheduled to mature in 2011 and 2012 for CIH notes and CCH I notes;

(4) the issuance and sale of $450 million principal amount of 10.250% CCH II senior notes in January 2006 and the use of such proceeds to pay down credit facilities.

(5) the refinancing of the Charter Operating credit facilities in April 2006 and the related reductions in interest rate margins on the term loan;

(6) the acquisition of certain assets in January 2006 for approximately $42 million;

(7) the completed and scheduled disposition of certain assets for total proceeds of $971 million and the use of such proceeds to reduce amounts outstanding under our revolving credit facility;

(8) the issuance of $200 million principal amount of CCH II 2013 notes and $530 million principal amount of CCH I notes in exchange for 50% of the outstanding Charter Holdings notes of each outstanding series pursuant to the Private Exchange Offers (the Private Exchange Offers Pro Forma Adjustments); and

(9) the issuance of $140 million principal amount of CCH II Notes, 43 million shares of Class A Common Stock and the use of $180 million in cash in exchange for 50% of the outstanding Convertible Notes pursuant to the Exchange Offer (the Exchange Offer Pro Forma Adjustments).

The unaudited pro forma adjustments are based on information available to us as of the date of this Exchange Offer Prospectus and certain assumptions that we believe are reasonable under the circumstances. The unaudited pro forma consolidated financial statements required allocation of certain revenues and expenses and such information has been presented for comparative purposes and is not intended to provide any indication of what our actual financial position, including actual cash balances and revolver borrowings, or results of operations would have been had the transactions described above been completed on the dates indicated or to project our results of operations for any future date.

Table of Contents

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2006

	Historical	Acquisition/ Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
				(Dollars in millions)			
REVENUES							
Video	$ 1,684	$ (29)	$	$	$ 1,655	$	$ 1,655
High-speed Internet	506	(7)			499		499
Telephone	49				49		49
Advertising sales	147	(2)			145		145
Commercial	149	(4)			145		145
Other	168	(3)			165		165
	2,703	(45)			2,658		2,658
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	1,215	(24)			1,191		1,191
Selling, general and administrative	551	(7)			544		544
Depreciation and amortization	690	(5)			685		685
Asset impairment charges	99	(99)					
Other operating expenses, net	10				10		10
	2,565	(135)			2,430		2,430
Operating income from continuing operations	138	90			228		228

Interest expense, net		(943)		26		7		4		(906)		10	(896)
Other income (expense), net		(10)				27				17			17
		(953)		26		34		4		(889)		10	(879)
Loss from continuing operations before income taxes		(815)		116		34		4		(661)		10	(651)
INCOME TAX EXPENSE		(60)		(19)						(79)			(79)
Loss from continuing operations	$	(875)	$	97	$	34	$	4	$	(740)	$	10	$ (730)
Loss from continuing operations per common share, basic and diluted	$	(2.76)							$	(2.33)			$ (2.02)
Weighted average common shares outstanding, basic and diluted		317,531,492								317,531,492		43,125,000	360,656,492

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 as discussed in assumption (7).

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in assumptions (4) and (5) (in millions):

Reduction in interest expense on the April 2006 refinancing of Charter Operating credit facilities	$	(9)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006		2
Net decrease in interest expense	$	(7)

Adjustment to other income (expense), net represents the elimination of the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2006.

Table of Contents

(c) Represents the adjustment to interest expense associated with the Private Exchange Offers Pro Forma Adjustments (in millions):

Interest on new CCH I and CCH II senior notes issued in August 2006	$ 41
Amortization of deferred gain and deferred financing costs	(2)
Historical interest expense on Charter Holdings and CIH notes exchanged for new CCH I and CCH II notes	(43)
Net decrease in interest expense	$ (4)

(d) Represents the adjustment to interest expense associated with the Exchange Offer Pro Forma Adjustments (in millions):

Interest on new CCH II senior notes issued in August 2006	$ 7
Historical interest expense on Charter convertible notes	(15)
Amortization of deferred financing costs	(2)
Net decrease in interest expense	$ (10)

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2005

	Historical	Acquisition/ Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
	(Dollars in millions)						
REVENUES							
Video	$ 3,248	$ (53)	$	$	$ 3,195	$	$ 3,195
High-speed Internet	875	(7)			868		868
Telephone	36	5			41		41
Advertising sales	284	(4)			280		280
Commercial	266	(6)			260		260
Other	324	(5)			319		319
	5,033	(70)			4,963		4,963
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	2,203	(31)			2,172		2,172
Selling, general and administrative	1,012	(9)			1,003		1,003
Depreciation and amortization	1,443	(11)			1,432		1,432
Asset impairment charges	39	(39)					
Other operating expenses, net	32				32		32
	4,729	(90)			4,639		4,639
Operating income from continuing operations	304	20			324		324
Interest expense, net	(1,789)	34	40	8	(1,707)	20	(1,687)
	594		(485)		109		109

Other income (expense), net							
	(1,195)	34	(445)	8	(1,598)	20	(1,578)
Loss from continuing operations before income taxes	(891)	54	(445)	8	(1,274)	20	(1,254)
INCOME TAX EXPENSE	(112)	2			(110)		(110)
Loss from continuing operations	$ (1,003)	$ 56	$ (445)	$ 8	$ (1,384)	$ 20	$ (1,364)
Loss from continuing operations per common share, basic and diluted	$ (3.24)				$ (4.47)		$ (3.87)
Weighted average common shares outstanding, basic and diluted	310,159,047				310,159,047	43,125,000	353,284,047

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2005, July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 and the inclusion of operating results related to the acquisition of certain cable systems in January 2006 as discussed in assumptions (6) and (7).

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in assumptions (1) through (5) (in millions):

Reduction in interest expense on the Charter Operating refinancing in April 2006		$ (26)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006	48	
Amortization of deferred financing costs	2	
Historical interest expense for Charter Operating s revolving credit facility	(32)	
		18

Interest on new CCH I notes issued in September 2005 in exchange for CCH notes	279	
Amortization of deferred financing costs	5	
Historical interest expense on CCH notes exchanged for CCH I notes	(327)	
		(43)
Interest on $300 million of CCO Holdings 8 3/4% senior notes issued in August 2005	16	
Amortization of deferred financing costs	1	
		17
Historical interest expense on Charter Operating s revolving credit facility repaid with cash on hand in February 2005		(3)
Historical interest expense on CC V Holdings, LLC 11.875% senior discount notes repaid with cash on hand in March 2005		(3)
Net decrease in interest expense		$ (40)

Adjustment to other income (expense), net represents the elimination of gains related to the exchange of Charter Holdings notes for CCH I and CIH notes issued in September 2005 and the elimination of losses related to the redemption of CC V Holdings, LLC 11.875% notes due 2008.

(c) Represents the adjustment to interest expense associated with the Private Exchange Offers Pro Forma Adjustments (in millions):

Interest on new CCH I and CCH II senior notes issued in August 2006	$ 81	
Amortization of deferred gain and deferred financing costs	(3)	
Historical interest expense on Charter Holdings and CIH notes exchanged for new CCH I and CCH II notes	(86)	
Net decrease in interest expense		$ (8)

(d) Represents the adjustment to interest expense associated with the Exchange Offer Pro Forma Adjustments (in millions):

Interest on new CCH II senior notes issued in August 2006	$ 14	
Historical interest expense on Charter convertible notes	(30)	
Amortization of deferred financing costs	(4)	
Net decrease in interest expense		$ (20)

Table of Contents

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2005

	Historical	Acquisition/ Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
	(Dollars in millions)						
REVENUES							
Video	$ 1,623	$ (27)	$	$	$ 1,596	$	$ 1,596
High-speed Internet	425	(3)			422		422
Telephone	14	3			17		17
Advertising sales	135	(2)			133		133
Commercial	128	(3)			125		125
Other	156	(3)			153		153
	2,481	(35)			2,446		2,446
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	1,081	(15)			1,066		1,066
Selling, general and administrative	483	(7)			476		476
Depreciation and amortization	730				730		730
Asset impairment charges	39	(39)					
Other operating expenses, net	6				6		6
	2,339	(61)			2,278		2,278
Operating income from continuing operations	142	26			168		168
Interest expense, net	(871)	11	23	4	(833)	10	(823)
Other income, net	49		5		54		54
	(822)	11	28	4	(779)	10	(769)

Loss from continuing operations before income taxes	(680)	37	28	4	(611)	10	(601)
INCOME TAX EXPENSE	(56)	1			(55)		(55)
Loss from continuing operations	$ (736)	$ 38	$ 28	$ 4	$ (666)	$ 10	$ (656)
Loss from continuing operations per common share, basic and diluted	$ (2.43)				$ (2.20)		$ (1.90)
Weighted average common shares outstanding, basic and diluted	303,465,474				303,465,474	43,125,000	346,590,474

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2005, July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 and the inclusion of operating results related to the acquisition of certain cable systems in January 2006 as discussed in assumptions (6) and (7).

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in assumptions (1) through (5) (in millions):

Reduction in interest expense on the Charter Operating refinancing in April 2006		$ (13)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006	24	
Amortization of deferred financing costs	1	
Historical interest expense for Charter Operating s revolving credit facility	(14)	
		11
Interest on new CCH I notes issued in September 2005 in exchange for CCH notes	186	
Write off of deferred financing costs	(3)	
Historical interest expense on CCH notes exchanged for CCH I notes	(211)	
		(28)
Interest on $300 million of CCO Holdings $8^{3}/4$% senior notes issued in August 2005		13
Historical interest expense on Charter Operating s revolving credit facility repaid with cash on hand in February 2005		(3)
Historical interest expense on CC V Holdings, LLC 11.875% senior discount notes repaid with cash on hand in March 2005		(3)
Net decrease in interest expense		$ (23)

Adjustment to other income, net represents the elimination of losses related to the redemption of CC V Holdings, LLC 11.875% notes due 2008.

(c) Represents the adjustment to interest expense associated with the Private Exchange Offers Pro Forma Adjustments (in millions):

Interest on new CCH I and CCH II senior notes issued in August 2006	$ 41	
Amortization of deferred gain and deferred financing costs	(2)	
Historical interest expense on Charter Holdings and CIH notes exchanged for new CCH I and CCH II notes	(43)	
Net decrease in interest expense		$ (4)

(d) Represents the adjustment to interest expense associated with the Exchange Offer Pro Forma Adjustments (in millions):

Interest on new CCH II senior notes issued in August 2006	$ 7	
Historical interest expense on Charter convertible notes	(15)	
Write off of deferred financing costs	(2)	
Net decrease in interest expense		$ (10)

Table of Contents

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
Unaudited Pro Forma Consolidated Balance Sheet
As of June 30, 2006

	Historical	Acquisition/ Dispositions(a)	Private Exchange Offers(b)	As Adjusted	Exchange Offer(c)	Pro Forma
			(Dollars in millions)			
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 56	$ 148	$ (29)	$ 175	$ (175)	$
Accounts receivable, net	180			180		180
Prepaid expenses and other current assets	84			84		84
Assets held for sale	768	(768)				
Total current assets	1,088	(620)	(29)	439	(175)	264
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	5,392			5,392		5,392
Franchises, net	9,280			9,280		9,280
Total investment in cable properties, net	14,672			14,672		14,672
OTHER NONCURRENT ASSETS	385			385	(11)	374
Total assets	$ 16,145	$ (620)	$ (29)	$ 15,496	$ (186)	$ 15,310
LIABILITIES AND SHAREHOLDERS DEFICIT						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 1,220	$	$ (22)	$ 1,198	$ (4)	$ 1,194
Liabilities held for sale	20	(20)				
Total current liabilities	1,240	(20)	(22)	1,198	(4)	1,194
LONG-TERM DEBT	19,860	(800)	(125)	18,935	(267)	18,668
NOTE PAYABLE RELATED PARTY	53			53		53
DEFERRED MANAGEMENT FEES RELATED PARTY	14			14		14

OTHER LONG-TERM LIABILITIES	547			547		547
MINORITY INTEREST	189			189		189
PREFERRED STOCK REDEEMABLE; $.001 par value; 1 million shares authorized; 36,713 shares issued and outstanding	4			4		4
SHAREHOLDERS DEFICIT:						
Class A Common stock; $.001 par value; 1.75 billion shares authorized; 438,474,028 and 416,204,671 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	5,240			5,240		5,240
Accumulated deficit	(11,007)	200	118	(10,689)	85	(10,604)
Accumulated other comprehensive income	5			5		5
Total shareholders deficit	(5,762)	200	118	(5,444)	85	(5,359)
Total liabilities and shareholders deficit	$ 16,145	$ (620)	$ (29)	$ 15,496	$ (186)	$ 15,310

(a) Represents the elimination of assets and liabilities sold or to be sold in the completed and scheduled disposition of certain cable systems and the related use of the proceeds to reduce amounts outstanding under our revolving

credit facility and for general corporate purposes. Adjustment to equity represents the expected gain on the sale of the assets as discussed in assumption (7).

(b) Adjustment to cash represents the payment of approximately $7 million of transaction fees and approximately $22 million of accrued interest related to the Charter Holdings notes exchanged for CCH I and CCH II notes. Adjustment to accounts payable and accrued expenses represents payment of accrued interest related to the Charter Holdings notes. Adjustment to equity represents the net gain expected to be recognized on the exchange. Adjustment to long-term debt is detailed below.

Accreted value of Charter Holdings notes exchanged	$	(826)
Fair value of CCH II notes issued		200
Fair value of CCH I notes issued		477
Gain on exchange deferred		24
Net decrease in long-term debt	$	(125)

(c) Adjustment to cash represents use of cash to pay the cash portion of the consideration paid to repurchase the Charter convertible notes. Adjustment to other assets represents the payment of approximately $5 million of fees and the write-off of approximately $16 million of unamortized deferred financing costs associated with the Charter converts repurchased. Adjustment to accounts payable and accrued expenses represents payment of accrued interest related to the Charter convertible notes. Adjustments to long-term debt and shareholders deficit are detailed below.

Accreted value of Charter convertible notes exchanged	$	(424)
Fair value of CCH II notes issued		142
Drawdown on credit facility for payment of transaction fees and consideration on notes exchanged		15
Net decrease in long-term debt	$	(267)

Fair value of Charter Class A Common stock issued	$	60
Net gain on exchange		25
Net increase in equity	$	85

Table of Contents

CCH II, LLC
Unaudited Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2006

	Historical	Acquisition/ Dispositions (a)	Prior Financing Transactions (b)	Private Exchange Offers (c)	As Adjusted	Exchange Offer (d)	Pro Forma
	(Dollars in millions)						
REVENUES							
Video	$ 1,684	$ (29)	$	$	$ 1,655	$	$ 1,655
High-speed Internet	506	(7)			499		499
Telephone	49				49		49
Advertising sales	147	(2)			145		145
Commercial	149	(4)			145		145
Other	168	(3)			165		165
	2,703	(45)			2,658		2,658
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	1,215	(24)			1,191		1,191
Selling, general and administrative	551	(7)			544		544
Depreciation and amortization	690	(5)			685		685
Asset impairment charges	99	(99)					
Other operating expenses, net	10				10		10
	2,565	(135)			2,430		2,430
Operating income from continuing operations	138	90			228		228
Interest expense, net	(488)	26	7	(10)	(465)	(7)	(472)
Other income (expense), net	(19)		27		8		8
	(507)	26	34	(10)	(457)	(7)	(464)
Loss from continuing operations before	(369)	116	34	(10)	(229)	(7)	(236)

income taxes							
INCOME TAX EXPENSE	(4)				(4)		(4)
Loss from continuing operations	$ (373)	$ 116	$ 34	$ (10)	$ (233)	$ (7)	$ (240)

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 as discussed in assumption (7).

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in assumptions (4)and (5) (in millions):

Reduction in interest expense on the April 2006 refinancing of Charter Operating credit facilities	$ (9)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006	2
Net decrease in interest expense	$ (7)

Adjustment to other income (expense), net represents the elimination of the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2006.

(c) Represents the adjustment to interest expense to reflect interest on the new CCH II notes associated with the Private Exchange Offers Pro Forma Adjustments.

(d) Represents the adjustment to interest expense to reflect interest on the new CCH II notes associated with the Exchange Offer Pro Forma Adjustments.

CCH II, LLC
Unaudited Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2005

	Historical	Acquisition/ Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
	(Dollars in millions)						
REVENUES							
Video	$ 3,248	$ (53)	$	$	$ 3,195	$	$ 3,195
High-speed Internet	875	(7)			868		868
Telephone	36	5			41		41
Advertising sales	284	(4)			280		280
Commercial	266	(6)			260		260
Other	324	(5)			319		319
	5,033	(70)			4,963		4,963
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	2,203	(31)			2,172		2,172
Selling, general and administrative	1,012	(9)			1,003		1,003
Depreciation and amortization	1,443	(11)			1,432		1,432
Asset impairment charges	39	(39)					
Other operating expenses, net	32				32		32
	4,729	(90)			4,639		4,639
Operating income from continuing operations	304	20			324		324
Interest expense, net	(858)	34	(3)	(20)	(847)	(15)	(862)
Other income, net	99		5		104		104
	(759)	34	2	(20)	(743)	(15)	(758)

Loss from continuing operations before income taxes	(455)	54	2	(20)	(419)	(15)	(434)
INCOME TAX EXPENSE	(9)				(9)		(9)
Loss from continuing operations	$ (464)	$ 54	$ 2	$ (20)	$ (428)	$ (15)	$ (443)

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2005, July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 and the inclusion of operating results related to the acquisition of certain cable systems in January 2006 as discussed in assumption (6) and (7).

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in as adjusted assumptions (1), (2), (4) and (5) (in millions):

Reduction in interest expense on the Charter Operating refinancing in April 2006		$ (26)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006	48	
Amortization of deferred financing costs	2	
Historical interest expense for Charter Operating s revolving credit facility	(32)	
		18
Interest on $300 million of CCO Holdings 8 3/4% senior notes issued in August 2005	16	
Amortization of deferred financing costs	1	
		17
Historical interest expense on Charter Operating s revolving credit facility repaid with cash on hand in February 2005		(3)
Historical interest expense on CC V Holdings, LLC 11.875% senior discount notes repaid with cash on hand in March 2005		(3)
Net increase in interest expense		$ 3

Adjustment to other income, net represents the elimination of losses related to the redemption of CC V Holdings, LLC 11.875% notes due 2008.

(c) Represents the adjustment to interest expense associated with the Private Exchange Offers Pro Forma Adjustments (in millions):

Interest on new CCH II senior notes issued in August 2006	$ 21	
Amortization of deferred gain and deferred financing costs	(1)	
Net increase in interest expense		$ 20

(d) Represents the adjustment to interest expense associated with the Exchange Offer Pro Forma Adjustments (in millions):

Interest on new CCH II senior notes issued in August 2006	$ 14	
Amortization of deferred financing costs	1	
Net increase in interest expense		$ 15

CCH II, LLC
Unaudited Pro Forma Consolidated Statement of Operations
For the Six Months Ended June 30, 2005

	Historical	Acquisition/ Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
	(Dollars in millions)						
REVENUES							
Video	$ 1,623	$ (27)	$	$	$ 1,596	$	$ 1,596
High-speed Internet	425	(3)			422		422
Telephone	14	3			17		17
Advertising sales	135	(2)			133		133
Commercial	128	(3)			125		125
Other	156	(3)			153		153
	2,481	(35)			2,446		2,446
COSTS AND EXPENSES:							
Operating (excluding depreciation and amortization)	1,081	(15)			1,066		1,066
Selling, general and administrative	483	(7)			476		476
Depreciation and amortization	730				730		730
Asset impairment charges	39	(39)					
Other operating expenses, net	6				6		6
	2,339	(61)			2,278		2,278
Operating income from continuing operations	142	26			168		168
Interest expense, net	(408)	11	(5)	(10)	(412)	(7)	(419)
Other income, net	35		5		40		40
	(373)	11		(10)	(372)	(7)	(379)
Loss from continuing	(231)	37		(10)	(204)	(7)	(211)

operations before income taxes						
INCOME TAX EXPENSE	(8)			(8)		(8)
Loss from continuing operations	(239)	37	(10)	(212)	(7)	(219)

(a) Represents the elimination of operating results related to the disposition of certain cable systems in July 2005, July 2006 and the announced disposition of certain cable systems scheduled to close in the third quarter of 2006 and the inclusion of operating results related to the acquisition of certain cable systems in January 2006 discussed in assumptions (6) and (7).

Table of Contents

(b) Represents the adjustment to interest expense associated with the completion of the financing transactions discussed in assumptions (1), (2), (4) and (5) (in millions):

Reduction in interest expense on the Charter Operating refinancing in April 2006		$ (13)
Interest on $450 million principal amount of CCH II 10.250% senior notes issued in January 2006	24	
Amortization of deferred financing costs	1	
Historical interest expense for Charter Operating s revolving credit facility	(14)	
		11
Interest on $300 million of CCO Holdings 8^{3}/4% senior notes issued in August 2005		13
Historical interest expense on Charter Operating s revolving credit facility repaid with cash on hand in February 2005		(3)
Historical interest expense on CC V Holdings, LLC 11.875% senior discount notes repaid with cash on hand in March 2005		(3)
Net increase in interest expense		$ 5

Adjustment to other income, net represents the elimination of losses related to the redemption of CC V Holdings, LLC 11.875% notes due 2008.

(c) Represents the adjustment to interest expense to reflect interest on the new CCH II notes associated with the Private Exchange Offers Pro Forma Adjustments.

(d) Represents the adjustment to interest expense to reflect interest on the new CCH II notes associated with the Exchange Offer Pro Forma Adjustments.

Table of Contents

CCH II, LLC
Unaudited Pro Forma Consolidated Balance Sheet
As of June 30, 2006

	Historical	Acquisition/ Dispositions(a)	Private Exchange Offers(b)	As Adjusted	Exchange Offer(c)	Pro Forma
			(Dollars in millions)			
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 44	$ 148	$ (24)	$ 168	$ (168)	$
Accounts receivable, net	178			178		178
Prepaid expenses and other current assets	20			20		20
Assets held for sale	768	(768)				
Total current assets	1,010	(620)	(24)	366	(168)	198
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	5,354			5,354		5,354
Franchises, net	9,280			9,280		9,280
Total investment in cable properties, net	14,634			14,634		14,634
OTHER NONCURRENT ASSETS	217		2	219	5	224
Total assets	$ 15,861	$ (620)	$ (22)	$ 15,219	$ (163)	$ 15,056
LIABILITIES AND MEMBER S EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	$ 917	$	$	$ 917	$	$ 917
Payables to related parties	106			106		106
Liabilities held for sale	20	(20)				
Total current liabilities	1,043	(20)		1,023		1,023
LONG-TERM DEBT	11,057	(800)	205	10,462	157	10,619
NOTE PAYABLE RELATED PARTY	109			109		109

DEFERRED MANAGEMENT FEES RELATED PARTY	14			14		14
OTHER LONG-TERM LIABILITIES	359			359		359
MINORITY INTEREST	631			631		631
MEMBER S EQUITY:						
Member s equity	2,646	200	(227)	2,619	(320)	2,299
Accumulated other comprehensive income	2			2		2
Total member s equity	2,648	200	(227)	2,621	(320)	2,301
Total liabilities and member s equity	$ 15,861	$ (620)	$ (22)	$ 15,219	$ (163)	$ 15,056

(a) Represents the elimination of assets and liabilities sold or to be sold in the completed and scheduled disposition of certain cable systems and the related use of the proceeds to reduce amounts outstanding under our revolving credit facility and for general corporate purposes. Adjustment to equity represents the expected gain on the sale of the assets.

(b) Represents the exchange of CCH II notes for Charter Holdings notes and the payment of fees and accrued interest related to such exchange.

Table of Contents

(c) Adjustment to cash represents use of cash to pay the cash portion of the consideration paid to repurchase the Charter convertible notes. Adjustment to other assets represents the payment of approximately $5 million of fees associated with the issuance of the CCH II notes. Adjustment to member s equity represents the fair value of the Convertible Notes received by CCH II. Adjustment to long-term debt is detailed below.

Fair value of CCH II notes issued	$ 142
Drawdown on credit facility for payment of transaction fees accrued interest and consideration on notes exchanged	15
Net increase in long-term debt	$ 157

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables present summary financial and other data for Charter and CCH II and their subsidiaries and has been derived from the audited consolidated financial statements of Charter and CCH II and their subsidiaries for the five years ended December 31, 2005 and the unaudited consolidated financial statements of Charter and CCH II and their subsidiaries for the six months ended June 30, 2005 and 2006. The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter Liquidity and Capital Resources Recent Financing Transactions, Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC and the historical consolidated financial statements and related notes of Charter and CCH II included elsewhere in this Exchange Offer Prospectus.

CHARTER COMMUNICATIONS, INC.

	Year Ended December 31,					Six Months Ended June 30,	
	2001	**2002**	**2003**	**2004**	**2005**	**2005**	**2006**
	(Dollars in millions)						
Statement of Operations Data:							
Revenues	$ 3,648	$ 4,377	$ 4,616	$ 4,760	$ 5,033	$ 2,481	$ 2,703
Costs and Expenses:							
Operating (excluding depreciation and amortization)	1,430	1,736	1,873	1,994	2,203	1,081	1,215
Selling, general and administrative	789	932	909	965	1,012	483	551
Depreciation and amortization	2,638	1,364	1,396	1,433	1,443	730	690
Impairment of franchises		4,220		2,297			
Asset impairment charges					39	39	99
Other operating (income) expenses, net	28	39	(46)	13	32	6	10
	4,885	8,291	4,132	6,702	4,729	2,339	2,565
Operating income (loss) from continuing operations	(1,237)	(3,914)	484	(1,942)	304	142	138
Interest expense, net	(1,310)	(1,503)	(1,557)	(1,670)	(1,789)	(871)	(943)
Gain (loss) on extinguishment of debt and preferred stock			267	(31)	521	8	(27)
Other income (expense), net	(109)	(119)	49	49	72	47	18
Loss from continuing operations before minority interest, income taxes and cumulative effect of accounting change	(2,656)	(5,536)	(757)	(3,594)	(892)	(674)	(814)
Minority interest	1,475	2,958	394	19	1	(6)	(1)

Loss from continuing operations before income taxes and cumulative effect of accounting change	(1,181)	(2,578)	(363)	(3,575)	(891)	(680)	(815)
Income tax benefit (expense)	12	474	122	134	(112)	(56)	(60)
Loss from continuing operations before cumulative effect of accounting change	(1,169)	(2,104)	(241)	(3,441)	(1,003)	(736)	(875)
Income (loss) from discontinued operations, net of tax	12	(204)	3	(135)	36	29	34
Loss before cumulative effect of accounting change	(1,157)	(2,308)	(238)	(3,576)	(967)	(707)	(841)
Cumulative effect of accounting change, net of tax	(10)	(206)		(765)			
Net loss	(1,167)	(2,514)	(238)	(4,341)	(967)	(707)	(841)
Dividends on preferred stock redeemable	(1)	(3)	(4)	(4)	(3)	(2)	
Net loss applicable to common stock	$ (1,168)	$ (2,517)	$ (242)	$ (4,345)	$ (970)	$ (709)	$ (841)

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(Dollars in millions)						
Loss per common share, basic and diluted:							
Loss from continuing operations before cumulative effect of accounting change	$ (4.34)	$ (7.16)	$ (0.83)	$ (11.47)	$ (3.24)	$ (2.43)	$ (2.76)
Net loss	$ (4.33)	$ (8.55)	$ (0.82)	$ (14.47)	$ (3.13)	$ (2.34)	$ (2.65)
Weighted-average common shares outstanding, basic and diluted	269,594,386	294,440,261	294,597,519	300,291,877	310,159,047	303,465,474	317,531,492
Other Data:							
Deficiencies of earnings to cover fixed charges(a)	$ 2,630	$ 5,994	$ 725	$ 3,698	$ 853	$ 655	$ 776
Balance Sheet Data (end of period):							
Cash and cash equivalents	$ 2	$ 321	$ 127	$ 650	$ 21	$ 40	$ 56
Total assets	26,463	22,384	21,364	17,673	16,431	16,779	16,145
Long-term debt	16,343	18,671	18,647	19,464	19,388	19,247	19,860
Note payable related party					49		53
Minority interest(b)	4,434	1,050	689	648	188	659	189
Shareholder s equity (deficit)	2,585	41	(175)	(4,406)	(4,920)	(5,102)	(5,762)

(a) Earnings include net loss plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

(b) Minority interest represents the percentage of Charter Holdco not owned by Charter, plus preferred membership interests in our indirect subsidiary, CC VIII, and since June 6, 2003, the pro rata share of the profits and losses of CC VIII. This preferred membership interest arises from approximately $630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000 and was the subject of a dispute between Charter and Mr. Allen, Charter s Chairman and controlling shareholder that was settled October 31, 2005. 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 losses before income taxes that otherwise would have been allocated to minority interest, resulting in an approximate additional $454 million and $2.4 billion of net losses for the years ended December 31, 2005 and 2004, respectively. Under our existing capital structure, Charter will absorb all future losses. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

Table of Contents

CCH II, LLC

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
	(Dollars in millions)						
Statement of Operations Data:							
Revenues	$ 3,648	$ 4,377	$ 4,616	$ 4,760	$ 5,033	$ 2,481	$ 2,703
Costs and Expenses:							
Operating (excluding depreciation and amortization)	1,430	1,736	1,873	1,994	2,203	1,081	1,215
Selling, general and administrative	789	932	909	965	1,012	483	551
Depreciation and amortization	2,638	1,364	1,396	1,433	1,443	730	690
Impairment of franchises		4,220		2,297			
Asset impairment charges					39	39	99
Other operating (income) expenses, net	28	39	(46)	13	32	6	10
	4,885	8,291	4,132	6,702	4,729	2,339	2,565
Operating income (loss) from continuing operations	(1,237)	(3,914)	484	(1,942)	304	142	138
Interest expense, net	(525)	(512)	(545)	(726)	(858)	(408)	(488)
Loss on extinguishment of debt				(21)	(6)	(6)	(27)
Other income (expense), net	(118)	(128)	27	92	105	41	8
Loss from continuing operations before income taxes and cumulative effect of accounting change	(1,880)	(4,554)	(34)	(2,597)	(455)	(231)	(369)
Income tax benefit (expense)	27	216	(13)	35	(9)	(8)	(4)
Loss from continuing operations before cumulative effect of accounting change	(1,853)	(4,338)	(47)	(2,562)	(464)	(239)	(373)
Income (loss) from discontinued operations, net of tax	26	(408)	32	(104)	39	19	38
Loss before cumulative effect of accounting change	(1,827)	(4,746)	(15)	(2,666)	(425)	(220)	(335)
Cumulative effect of accounting change, net of tax	(24)	(540)		(840)			
Net loss	$ (1,851)	$ (5,286)	$ (15)	$ (3,506)	$ (425)	$ (220)	$ (335)

Other Data:							
Ratio of earnings to cover fixed charges	NA	NA	1.05	NA	NA	NA	NA
Deficiencies of earnings to cover fixed charges(a)	$ 1,838	$ 4,946	NA	$ 2,721	$ 449	$ 206	$ 321
Balance Sheet Data (end of period):							
Cash and cash equivalents	$	$ 310	$ 85	$ 546	$ 3	$ 22	$ 44
Total assets	26,091	21,984	21,009	16,979	16,101	16,356	15,861
Long-term debt	6,961	8,066	9,557	9,895	10,624	10,045	11,057
Loans payable related party	366	133	37	29	22	62	109
Minority interest(b)	680	693	719	656	622	662	631
Members equity	15,940	11,040	8,951	4,913	3,402	3,993	2,648

(a) Earnings include net loss plus fixed charges. Fixed charges consist of interest expense and an estimated interest component of rent expense.

(b) Minority interest represents the preferred membership interests in our indirect subsidiary, CC VIII, and since June 6, 2003, the pro rata share of the profits and losses of CC VIII. This preferred membership interest arises from approximately $630 million of preferred membership units issued by CC VIII in connection with an acquisition in February 2000 and was the subject of a dispute between Charter and Mr. Allen, Charter s Chairman and controlling shareholder that was settled October 31, 2005. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CHARTER

Unless otherwise stated, the terms we, us and our used in this Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter refer to Charter and its direct and indirect subsidiaries on a consolidated basis.

Reference is made to Risk Factors and Special Note Regarding Forward-Looking Statements, which describe 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, 2005, 2004 and 2003 and the unaudited consolidated financial statements of Charter Communications, Inc. and its subsidiaries as of and for the six months ended June 30, 2006.

Introduction

We continue to pursue opportunities to improve our liquidity. Our efforts in this regard have resulted in the completion of a number of financing transactions in 2005 and 2006, as follows:

- the July 2006 sale of cable systems to Cebridge and New Wave for proceeds of approximately $896 million;
- the April 2006 refinancing of our existing credit facilities (See Liquidity and Capital Resources Recent Financing Transactions);
- the January 2006 sale by our subsidiaries, CCH II and CCH II Capital Corp., of an additional $450 million principal amount of their 10.250% senior notes due 2010;
- the October 2005 entry by our subsidiaries, CCO Holdings and CCO Holdings Capital Corp., as guarantor thereunder, into a $600 million senior bridge loan agreement with various lenders (which was reduced to $435 million as a result of the issuance of CCH II notes);
- the September 2005 exchange by Charter Holdings, CCH I and CIH of approximately $6.8 billion in total principal amount of outstanding debt securities of Charter Holdings in a private placement for new debt securities;
- the August 2005 sale by our subsidiaries, CCO Holdings and CCO Holdings Capital Corp., of $300 million of $8^3/4$% senior notes due 2013;
- the March and June 2005 issuance of $333 million of Charter Operating notes in exchange for $346 million of Charter Holdings notes;
- the repurchase during 2005 of $136 million of Charter s 4.75% convertible senior notes due 2006 leaving $20 million in principal amount outstanding; and
- the March 2005 redemption of all of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 at a total cost of $122 million.

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 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 include 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 36% of our analog video customers subscribe to our high-speed Internet services has resulted in decreased growth rates for high-speed Internet 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 Internet, video on demand, digital video recorders and high definition television. We expect to continue to grow revenues through price increases and through continued growth in high-speed Internet and incremental new services including telephone, high definition television, VOD and DVR service.

Historically, our ability to fund operations and investing activities has depended on our continued access to credit under our credit facilities. We expect we will continue to borrow under our credit facilities from time to time to fund cash needs. The occurrence of an event of default under our credit facilities could result in borrowings from these credit facilities being unavailable to us and could, in the event of a payment default or acceleration, also trigger events of default under the indentures governing our outstanding notes and would have a material adverse effect on us. See Liquidity and Capital Resources.

Sale of Assets

In 2006, we signed three separate definitive agreements to sell certain cable television systems serving a total of approximately 356,000 analog video customers in 1) West Virginia and Virginia to Cebridge Connections, Inc. (the Cebridge Transaction); 2) Illinois and Kentucky to Telecommunications Management, LLC, doing business as New Wave Communications (the New Wave Transaction) and 3) Nevada, Colorado, New Mexico and Utah to Orange Broadband Holding Company, LLC (the Orange Transaction) for a total of approximately $971 million. These cable systems met the criteria for assets held for sale. As such, the assets were written down to fair value less estimated costs to sell resulting in asset impairment charges during the six months ended June 30, 2006 of approximately $99 million related to the New Wave Transaction and the Orange Transaction. In the third quarter of 2006, we expect to record a gain of approximately $200 million on the Cebridge Transaction. In addition, assets and liabilities to be sold have been presented as held for sale. We have also determined that the West Virginia and Virginia cable systems comprise operations and cash flows that for financial reporting purposes meet the criteria for discontinued operations. Accordingly, the results of operations for the West Virginia and Virginia cable systems have been presented as discontinued operations, net of tax for the six months ended June 30, 2006 and all prior periods presented herein have been reclassified to conform to the current presentation.

Overview of Operations

Approximately 86% of our revenues for the six months ended June 30, 2006 and year ended December 31, 2005 are attributable to monthly subscription fees charged to customers for our video, high-speed Internet, 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 for the six months ended June 30, 2006 and year ended December 31, 2005 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 Internet 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 offsetting video customer losses with price increases and sales of incremental advanced services such as telephone, high-speed Internet, video on demand, digital video recorders and high definition television. See Business Sales and Marketing.

Our success in our efforts to grow revenues and improve margins will be impacted by our ability to compete against companies with easier access to financing, greater personnel resources, greater brand name recognition, long-established relationships with regulatory authorities and customers, and, often fewer

regulatory burdens. 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. 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 managing our workforce to control cost 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. For the six months ended June 30, 2006 and 2005, our operating income from continuing operations, which includes depreciation and amortization expense and asset impairment charges but excludes interest expense, was $138 million and $142 million, respectively. We had operating margins of 5% and 6% for the six months ended June 30, 2006 and 2005, respectively. The decrease in operating income from continuing operations and operating margins for the six months ended June 30, 2006 compared to 2005 was principally due to an increase in operating costs and asset impairment charges of $60 million. Our operating loss from continuing operations decreased from $1.9 billion for year ended December 31, 2004 to income of $304 million for the year ended December 31, 2005. We had a positive operating margin (defined as operating income (loss) from continuing operations divided by revenues) of 6% and a negative operating margin of 40% for the years ended December 31, 2005 and 2004, respectively. The improvement from an operating loss from continuing operations and negative operating margin to operating income from continuing operations and positive operating margin for the year end December 31, 2005 is principally due to the impairment of franchises of $2.3 billion recorded in the third quarter of 2004 which did not recur in 2005. For the year ended December 31, 2003, operating income from continuing operations was $484 million and for the year ended December 31, 2004, our operating loss from continuing operations was $1.9 billion. We had a negative operating margin of 40% for the year ended December 31, 2004, whereas for the year ending December 31, 2003, we had positive operating margin of 10%. The decline in operating income from continuing operations and operating margin for the year end December 31, 2004 is principally due to the impairment of franchises of $2.3 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. 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. Our net losses are principally attributable to insufficient revenue to cover the combination of operating costs and interest costs we incur because of our high level of debt and depreciation expenses that we incur resulting from the capital investments we have made and continue to make in our cable properties. We expect that these expenses will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. We had net losses of $841 million and $707 million for the six months ended June 30, 2006 and 2005, respectively.

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 June 30, 2006, December 31, 2005 and 2004, the net carrying amount of our property, plant and equipment (consisting primarily of cable network assets) was approximately $5.4 billion (representing 33% of total assets), $5.8 billion (representing 36% of total assets) and $6.3 billion (representing 36% of total assets), respectively. Total capital expenditures for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003 were approximately $539 million, $1.1 billion, $924 million and $854 million, respectively.

Costs associated with network construction, initial customer installations (including initial installations of new or advanced services), installation refurbishments and the addition of network equipment necessary to provide new or advanced services are capitalized. While our capitalization is based on specific activities, once capitalized, we track these costs by fixed asset category at the cable system level and not on a specific asset basis. Costs capitalized as part of initial customer installations include materials, direct labor, and certain indirect costs (overhead). 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 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:

Dispatching a truck roll to the customer s dwelling for service connection;

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 Internet 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 box.

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 internal direct labor and overhead of $100 million, $185 million, $159 million and $166 million, respectively, for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003. Capitalized internal direct labor and overhead costs have increased in 2005 as a result of the use of more internal labor for capitalizable installations rather than third party contractors.

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 analyses 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 analyses, 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, 2005 of approximately $232 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, 2005 of approximately $172 million.

Depreciation expense related to property, plant and equipment totaled $687 million, $1.4 billion, $1.4 billion and $1.4 billion, representing approximately 27%, 30%, 21% and 34% of costs and expenses, for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003, 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, fixtures and equipment	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 June 30, 2006, December 31, 2005 and 2004 was approximately $9.3 billion (representing 57% of total assets), $9.8 billion (representing 60% of total assets) and $9.9 billion (representing 56% of total assets), respectively. Furthermore, our noncurrent assets include approximately $61 million of goodwill.

We adopted SFAS No. 142, *Goodwill and Other Intangible Assets,* 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

81

not we are in compliance with any technology upgrading requirements. We have concluded that as of June 30, 2006, December 31, 2005, 2004 and 2003 more than 99% of our franchises qualify for indefinite-life treatment under 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 approximately $1 million, $4 million, $3 million and $7 million for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003, respectively. We expect that amortization expense on franchise assets will be approximately $2 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 a deterioration of 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 six months ended June 30, 2006 and the years ended December 31, 2005, 2004 or 2003, however, approximately $99 million and $39 million of impairment on assets held for sale was recorded for the six months ended June 30, 2006 and the year ended December 31, 2005. 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, high-speed Internet and telephone, 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.

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 telephone 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 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 telephone 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, respectively, 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 Internet 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 2003 and 2005 valuations showed franchise values in excess of book value and thus resulted in no impairment.

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 franchise values as of October 1, 2005 of the indicated increase/decrease in the selected assumptions is shown below:

Assumption	**Percentage/ Percentage Point Change**	**Franchise Value Increase/(Decrease) (Dollars in millions)**
Annual Operating Cash Flow(1)	+/-5%	$ 1,200/$(1,200)
Long-Term Growth Rate(2)	+/-1pts(3)	1,700/(1,300)
Discount Rate	+/-0.5pts(3)	(1,300)/1,500

83

(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, CII 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.

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). 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 CII (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 CII based generally on their respective percentage ownership of outstanding common units to the extent of their respective capital account balances. Allocations of net tax losses in excess of the members aggregate capital account balances are allocated under the rules governing Regulatory Allocations, as described below. Subject to the Curative Allocation Provisions described below, 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 CII (the Special Profit Allocations). The Special Profit Allocations to Vulcan Cable III Inc. and CII 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 CII 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 2005, to Vulcan Cable III Inc. and CII instead have been allocated to Charter (the Regulatory Allocations). As a result of the allocation of net tax losses to Charter in 2005, Charter s capital account balance was reduced to zero during 2005. The LLC Agreement provides that once the capital account balances of all members have been reduced to zero, net tax losses are to be allocated to Charter, Vulcan Cable III Inc. and CII based generally on their respective percentage ownership of outstanding common units. Such allocations are also considered to be 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, 2005 is approximately $4.1 billion.

As a result of the Special Loss Allocations and the Regulatory Allocations referred to above (and their interaction with the allocations related to assets contributed to Charter Holdco with differences between book and tax basis), the cumulative amount of losses of Charter Holdco allocated to Vulcan Cable III Inc. and CII 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 $977 million through December 31, 2005.

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 contributions. 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 CII 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 III Inc. and CII could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable III Inc. and CII immediately prior to the consummation of the exchange. In the event Vulcan Cable III Inc. and CII 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 Risk Factors Risks Related to Charter s Future Ability to Utilize 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 June 30, 2006 and December 31, 2005 and 2004, we have recorded net deferred income tax liabilities of $385, $325 million and $216 million, respectively. Additionally, as of June 30, 2006, December 31, 2005 and 2004, we have deferred tax assets of $4.5 billion, $4.2 billion and $3.8 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 $4.0 billion, $3.7 billion and $3.5 billion at June 30, 2006, December 31, 2005 and 2004, respectively.

Charter Holdco is currently under examination by the Internal Revenue Service for the tax years ending December 31, 2002 and 2003. Our results (excluding Charter and our indirect corporate subsidiaries) for these years are subject to this examination. 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.

85

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 and if any of these matters are 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.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

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

	Six Months Ended June 30,					
	2006			2005		
Revenues	$	2,703	100%	$	2,481	100%
Costs and expenses:						
Operating (excluding depreciation and amortization)		1,215	45%		1,081	44%
Selling, general and administrative		551	20%		483	19%
Depreciation and amortization		690	26%		730	29%
Asset impairment charges		99	4%		39	2%
Other operating expenses, net		10			6	
		2,565	95%		2,339	94%
Operating income from continuing operations		138	5%		142	6%
Interest expense, net		(943)			(871)	
Other income (expenses), net		(10)			49	
		(953)			(822)	
Loss before income taxes		(815)			(680)	
Income tax expense		(60)			(56)	
Loss from continuing operations		(875)			(736)	
Income from discontinued operations, net of tax		34			29	
Net loss		(841)			(707)	
Dividends on preferred stock redeemable					(2)	
Net loss applicable to common stock	$	(841)		$	(709)	
Loss per common share, basic and diluted:						
Loss from continuing operations	$	(2.76)		$	(2.43)	

Net loss	$ (2.65)	$ (2.34)
Weighted average common shares outstanding, basic and diluted	317,531,492	303,465,474

Revenues. The overall increase in revenues from continuing operations in 2006 compared to 2005 is principally the result of an increase from June 30, 2005 of 343,800 high-speed Internet customers, 194,300 digital video customers and 189,800 telephone customers, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 41,400 analog video customers. Our goal is

to increase revenues by improving 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 customers who purchase high-speed Internet services, digital video and advanced products and services such as telephone, VOD, high definition television and digital video recorder service.

Average monthly revenue per analog video customer increased to $79.73 for the six months ended June 30, 2006 from $72.47 for the six months ended June 30, 2005 primarily as a result of incremental revenues from advanced services and price increases. Average monthly revenue per analog video customer represents total revenue for the six months ended during the respective period, divided by six, divided by the average number of analog video customers during the respective period.

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

	Six Months Ended June 30,					
	2006		2005		2006 over 2005	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 1,684	62%	$ 1,623	66%	$ 61	4%
High-speed Internet	506	19%	425	17%	81	19%
Telephone	49	2%	14	1%	35	250%
Advertising sales	147	5%	135	5%	12	9%
Commercial	149	6%	128	5%	21	16%
Other	168	6%	156	6%	12	8%
	$ 2,703	100%	$ 2,481	100%	$ 222	9%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $58 million of the increase was the result of price increases and incremental video revenues from existing customers and approximately $24 million was the result of an increase in digital video customers. The increases were offset by decreases of approximately $21 million related to a decrease in analog video customers.

Approximately $73 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $8 million related to the increase in average price of the service.

Revenues from telephone services increased primarily as a result of an increase of 189,800 telephone customers in 2006.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased primarily as a result of an increase in local advertising sales and a one-time ad buy by a programmer. For the six months ended June 30, 2006 and 2005, we received $10 million and $6 million, respectively, in advertising sales revenues from programmers.

Commercial revenues consist primarily of revenues from video and high-speed Internet services provided to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet 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 six months ended June 30, 2006 and 2005, franchise fees represented approximately 53% of total other revenues. The increase in other revenues was primarily the result of an increase in franchise fees of $5 million, installation revenue

of $3 million and wire maintenance fees of $4 million.

Operating expenses. Programming costs represented 62% and 63% of operating expenses for the six months ended June 30, 2006 and 2005, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,					
	2006		2005		2006 over 2005	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 755	28%	$ 678	27%	$ 77	11%
Service	408	15%	356	15%	52	15%
Advertising sales	52	2%	47	2%	5	11%
	$ 1,215	45%	$ 1,081	44%	$ 134	12%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels, VOD and pay-per-view programming. The increase in programming costs was primarily a result of rate increases and increases in digital video customers. Programming costs were offset by the amortization of payments received from programmers in support of launches of new channels of $8 million and $17 million for the six months ended June 30, 2006 and 2005, respectively.

Our cable programming costs have increased in every year we have operated in excess of customary inflationary and cost-of-living 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 2006, programming costs have increased and we expect will continue to increase at a higher rate than in 2005. These costs will be determined in part on the outcome of programming negotiations in 2006 and may be subject to offsetting events. Our increasing programming costs have resulted in declining operating margins on our video services because we have been unable to pass on all cost increases to our customers. We expect to partially offset the resulting margin compression on our traditional video services with revenue from advanced video services, increased telephone revenues, high-speed Internet revenues, advertising revenues and commercial service revenues.

Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, costs of providing high-speed Internet service and telephone service, maintenance and pole rent expense. The increase in service costs resulted primarily from increased costs of providing high-speed Internet and telephone service of $16 million, an increase in service personnel salaries and benefits of $14 million, higher fuel and utility prices of $8 million, increased labor and maintenance costs to support improved service levels and our advanced products of $7 million and franchise fees of $5 million. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased primarily as a result of increased salary, benefit and commission costs.

Selling, general and administrative expenses. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,		
	2006	2005	2006 over 2005

	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 471	17%	$ 418	17%	$ 53	13%
Marketing	80	3%	65	2%	15	23%
	$ 551	20%	$ 483	19%	$ 68	14%

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, customer care center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses resulted primarily from a rise in salaries and benefits of

$34 million, increases in billing costs of $7 million, computer maintenance of $5 million, bad debt expense of $5 million, telephone expense of $4 million, contractor labor of $3 million and property and casualty insurance of $2 million partially offset by decreases in consulting services of $8 million.

Marketing expenses increased as a result of increased spending in targeted marketing campaigns consistent with management s strategy to increase revenues.

Depreciation and amortization. Depreciation and amortization expense decreased by $40 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. The decrease in depreciation was primarily the result of assets becoming fully depreciated.

Asset impairment charges. Asset impairment charges for the six months ended June 30, 2006 and 2005 represent the write-down of assets related to cable asset sales to fair value less costs to sell. See Note 3 to the condensed consolidated financial statements.

Other operating expenses, net. Other operating expenses, net increased $4 million as a result of an $8 million increase in special charges primarily related to severance associated with closing call centers and divisional restructuring and a $4 million decrease related to losses on sales of assets.

Interest expense, net. Net interest expense increased by $72 million, or 8%, for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. The increase in net interest expense was a result of an increase in our average borrowing rate from 8.89% in the six months ended June 30, 2005 to 9.42% in the six months ended June 30, 2006 and an increase of $204 million in average debt outstanding from $19.4 billion for the six months ended June 30, 2005 compared to $19.6 billion for the six months ended June 30, 2006.

Other income (expenses), net. Other income decreased $59 million from other income of $49 million for the six months ended June 30, 2005 to other expense of $10 million for the six months ended June 30, 2006 primarily as a result of a $35 million decrease in the gain (loss) on extinguishment of debt from an $8 million gain for the six months ended June 30, 2005 to a loss of $27 million for the six months ended June 30, 2006. See Note 6 to the condensed consolidated financial statements included in this Exchange Offer Prospectus. Other income also decreased as a result of a $15 million decrease in net gains on derivative instruments and hedging activities as a result of decreases in gains on interest rate agreements that do not qualify for hedge accounting under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In addition, the six months ended June 30, 2005 included a $20 million gain on investments for the six months ended June 30, 2005 recognized as a result of a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rata share of the profits and losses of CC VIII.

Income tax expense. Income tax expense was recognized through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries. Income tax expense was offset by deferred tax benefits of $21 million and $6 million related to asset impairment charges recorded in the six months ended June 30, 2006 and 2005, respectively.

Income from discontinued operations, net of tax. Income from discontinued operations, net of tax increased from $29 million for the six months ended June 30, 2005 to $34 million for the six months ended June 30, 2006 primarily due to a decrease in depreciation for the six months ended June 30, 2006 as we ceased recognizing depreciation on the West Virginia and Virginia cable systems when we classified them as assets held for sale in the first quarter of 2006.

Net loss. Net loss increased by $134 million, or 19%, for the six months ended June 30, 2006 compared to the six months ended June 30, 2005 as a result of the factors described above.

Preferred stock dividends. On August 31, 2001, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock in

Table of Contents

connection with the Cable USA acquisition, on which Charter pays or accrues a quarterly cumulative cash dividend at an annual rate of 5.75% if paid or 7.75% if accrued on a liquidation preference of $100 per share. Beginning January 1, 2005, Charter accrues the dividend on its Series A Convertible Redeemable Preferred Stock. In November 2005, we repurchased 508,546 shares of our Series A Convertible Redeemable Preferred Stock. Following the repurchase, 36,713 shares of preferred stock remain outstanding.

Loss per common share. Loss per common share increased by $0.31, or 13%, for the six months ended June 30, 2006 compared to the six months ended June 30, 2005 as a result of the factors described above.

Table of Contents

Year Ended December 31, 2005, December 31, 2004 and December 31, 2003

The following table sets forth the percentage of revenues that items in the accompanying consolidated statements of operations constitute for the indicated periods (dollars in millions).

	Year Ended December 31,					
	2005		2004		2003	
Revenues	$ 5,033	100%	$ 4,760	100%	$ 4,616	100%
Costs and Expenses:						
Operating (excluding depreciation and amortization)	2,203	44%	1,994	42%	1,873	41%
Selling, general and administrative	1,012	20%	965	20%	909	20%
Depreciation and amortization	1,443	29%	1,433	30%	1,396	30%
Impairment of franchises			2,297	48%		
Asset impairment charges	39	1%				
Other operating (income) expenses, net	32		13		(46)	(1)%
	4,729	94%	6,702	140%	4,132	90%
Operating income (loss) from continuing operations	304	6%	(1,942)	(40)%	484	10%
Interest expense, net	(1,789)		(1,670)		(1,557)	
Gain (loss) on extinguishment of debt and preferred stock	521		(31)		267	
Other income, net	73		68		443	
Loss from continuing operations before income taxes and cumulative effect of accounting change	(891)		(3,575)		(363)	
Income tax benefit (expense)	(112)		134		122	
Loss from continuing operations before cumulative effect of accounting change	(1,003)		(3,441)		(241)	
Income (loss) from discontinued operations, net of tax	36		(135)		3	
Loss before cumulative effect of accounting change	(967)		(3,576)		(238)	
Cumulative effect of accounting change, net of tax			(765)			
Net loss	(967)		(4,341)		(238)	

Dividends on preferred stock redeemable	(3)	(4)	(4)
Net loss applicable to common stock	$ (970)	$ (4,345)	$ (242)
Loss per common share, basic and diluted:			
Loss from continuing operations	$ (3.24)	$ (11.47)	$ (0.83)
Net loss	$ (3.13)	$ (14.47)	$ (0.82)
Weighted average common shares outstanding	310,159,047	300,291,877	294,597,519

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues. The overall increase in revenues in 2005 compared to 2004 is principally the result of an increase from December 31, 2004 of 306,000 and 124,600 high-speed Internet customers and digital video customers, respectively, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 79,100 analog video customers and $12 million of credits issued to hurricane Katrina and Rita impacted customers related to service outages. We have restored service to our impacted customers. Included in the reduction in analog video customers and reducing the increase in digital video and high-speed Internet customers are 26,800 analog video customers, 12,000 digital video customers and 600 high-speed Internet customers sold in the cable system sales in Texas and West Virginia, which closed in July 2005. The cable system sales to Atlantic Broadband Finance, LLC, which closed in March and April 2004 and the cable system sales in Texas and West Virginia, which closed in July 2005 (collectively referred to in this section as the Systems Sales) reduced the increase in revenues by approximately $30 million.

Average monthly revenue per analog video customer increased from $67.37 for the year ended December 31, 2004 to $73.73 for the year ended December 31, 2005 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,					
	2005		2004		2005 over 2004	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 3,248	65%	$ 3,217	68%	$ 31	1%
High-speed Internet	875	17%	712	15%	163	23%
Telephone	36	1%	18		18	100%
Advertising sales	284	6%	279	6%	5	2%
Commercial	266	5%	227	5%	39	17%
Other	324	6%	307	6%	17	6%
	$ 5,033	100%	$ 4,760	100%	$ 273	6%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $119 million of the increase in video revenues was the result of price increases and incremental video revenues from existing customers and approximately $18 million was the result of an increase in digital video customers. The increases were offset by decreases of approximately $76 million related to a decrease in analog video customers, approximately $21 million resulting from the System Sales and approximately $9 million of credits issued to hurricanes Katrina and Rita impacted customers related to service outages.

Approximately $135 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $34 million related to the increase in average price of the service. The increase was offset by approximately $3 million of credits issued to hurricanes Katrina and Rita impacted customers related to service outages and $3 million resulting from the System Sales.

Revenues from telephone services increased primarily as a result of an increase of 76,100 telephone customers in 2005.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased primarily as a result of an increase in local advertising sales and offset by a decline in national advertising sales. In addition, the increase was

offset by a decrease of $1 million as a result of the System Sales. For the years ended December 31, 2005 and 2004, we received $15 million and $16 million, respectively, in advertising sales revenues from programmers.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services provided to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet revenues. The increase was reduced by approximately $3 million as a result of the System Sales.

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 years ended December 31, 2005 and 2004, franchise fees represented approximately 54% and 52%, respectively, of total other revenues. The increase in other revenues was primarily the result of an increase in franchise fees of $14 million and installation revenue of $8 million offset by a decrease of $2 million in equipment rental and $2 million in processing fees. In addition, other revenues were offset by approximately $2 million as a result of the System Sales.

Operating expenses. The overall increase in operating expenses was reduced by approximately $12 million as a result of the System Sales. Programming costs were $1.4 billion and $1.3 billion, representing 62% and 63% of total operating expenses for the years ended December 31, 2005 and 2004, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Year Ended December 31,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 1,359	27%	$ 1,264	27%	$ 95	8%
Service	748	15%	638	13%	110	17%
Advertising sales	96	2%	92	2%	4	4%
	$ 2,203	44%	$ 1,994	42%	$ 209	10%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels and pay-per-view programming. The increase in programming was a result of price increases, particularly in sports programming, partially offset by a decrease in analog video customers. Additionally, the increase in programming costs was reduced by $9 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 $40 million and $59 million for the year ended December 31, 2005 and 2004, 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 25 to the accompanying consolidated financial statements included in this Exchange Offer Prospectus.

Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, cost of providing high-speed Internet and telephone service, maintenance and pole rental expense. The increase in service costs resulted primarily from increased labor and maintenance costs to support improved service levels and our advanced products, increased costs of providing high-speed Internet and telephone service as a result of the increase in these customers and higher fuel prices. The increase in service costs was reduced by $3 million as a result of the System Sales. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased primarily as a result of increased salary, benefit and commission costs.

Selling, general and administrative expenses. The overall increase in selling, general and administrative expenses was reduced by $4 million as a result of the System Sales. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Year Ended December 31,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 870	17%	$ 846	18%	$ 24	3%
Marketing	142	3%	119	2%	23	19%
	$ 1,012	20%	$ 965	20%	$ 47	5%

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 resulted primarily from increases in salaries and benefits of $24 million and professional fees associated with consulting services of $18 million both related to investments to improve service levels in our customer care centers as well as an increase of $13 million in legal and other professional fees offset by decreases in bad debt expense of $16 million related to a reduction in the use of discounted pricing, property taxes of $5 million, property and casualty insurance of $6 million and the System Sales of $4 million.

Marketing expenses increased as a result of an increased investment in targeted marketing campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by $10 million in 2005. The increase in depreciation is related to an increase in capital expenditures, which was partially offset by lower depreciation as the result of the Systems Sales and certain assets becoming fully depreciated.

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 $2.3 billion impairment charge for the year ended December 31, 2004. Our annual assessment in 2005 did not result in an impairment.

Asset impairment charges. Asset impairment charges for the year ended December 31, 2005 represent the write-down of assets related to cable asset sales to fair value less costs to sell. See Note 4 to the accompanying consolidated financial statements included in this Exchange Offer Prospectus.

Other operating (income) expenses, net. Other operating expenses increased $19 million primarily as a result of a $19 million hurricane asset retirement loss recorded in 2005 associated with the write-off of the net book value of assets destroyed by hurricanes Katrina and Rita. This was coupled with a decrease in gain on sale of assets of $92 million primarily as a result of the gain realized on the sale of systems to Atlantic Broadband Finance, LLC which closed in 2004. This was offset by a decrease in special charges of $97 million primarily as a result of a decrease in severance and related costs of our management reduction and realignment in 2004, litigation costs and costs incurred as part of a settlement of the consolidated federal class actions, state derivative actions and federal derivative actions.

Interest expense, net. Net interest expense increased by $119 million, or 7%, for the year ended December 31, 2005 compared to the year ended December 31, 2004. The increase in net interest expense was a result of an increase in our average borrowing rate from 8.66% in the year ended December 31, 2004 to 9.04% in the year ended December 31, 2005 and an increase of $612 million in average debt outstanding from $18.6 billion in 2004 to $19.2 billion in 2005 combined with approximately $11 million of liquidated damages on our 5.875% convertible senior notes. The increase was offset partially by $29 million in gains related to embedded derivatives in Charter s 5.875% convertible senior notes. See Note 16 to the accompanying consolidated financial statements included in this

Exchange Offer Prospectus.

Gain (loss) on extinguishment of debt and preferred stock. Gain on extinguishment of debt and preferred stock for the year ended December 31, 2005 represents $490 million related to the exchange of approximately $6.8 billion total principal amount of outstanding debt securities of Charter Holdings for new CCH I and CIH debt securities, approximately $10 million related to the issuance of Charter Operating notes in exchange for Charter Holdings notes, approximately $3 million related to the repurchase of $136 million principal amount of our 4.75% convertible senior notes due 2006 and $23 million of gain realized on the repurchase of 508,546 shares of Series A convertible redeemable preferred stock. These gains were offset by approximately $5 million of losses related to the redemption of our subsidiary s CC V Holdings, LLC 11.875% notes due 2008. See Note 9 to the accompanying consolidated financial statements included in this Exchange Offer Prospectus. Loss on extinguishment of debt 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.

Other income, net. Other income increased $5 million primarily as a result of a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise which did not occur in 2004 partially offset by a decrease in gains on derivative instruments and hedging activities as a result of decreases in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Other income in 2004 included a loss on debt to equity conversions which 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. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rate share of the profits and losses of CC VIII.

Income tax benefit (expense). Income tax expense for the year ended December 31, 2005 was recognized through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries. Income tax benefit for the year ended December 31, 2004 was 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, attributable to 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.

Income (loss) from discontinued operations, net of tax. Loss from discontinued operations, net of tax decreased from $135 million for the year ended December 31, 2004 to income from discontinued operations, net of tax of $36 million for the year ended December 31, 2005 primarily due to the impairment of franchises recognized in 2004 described above.

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 decreased by $3.4 billion in 2005 compared to 2004 as a result of the factors described above. The impact to net loss in 2005 of the asset impairment charges, extinguishment of debt and preferred stock was to decrease net loss by approximately $482 million. 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 $3.7 billion.

Preferred stock dividends. On August 31, 2001, Charter issued 505,664 shares (and on February 28, 2003 issued an additional 39,595 shares) of Series A Convertible Redeemable Preferred Stock in connection with the Cable USA acquisition, on which Charter pays or accrues a quarterly cumulative cash dividend at an annual rate of 5.75% if paid or 7.75% if accrued on a liquidation preference of $100 per share. Beginning January 1, 2005, Charter accrued the dividend on its Series A Convertible Redeemable

Preferred Stock. In November 2005, we repurchased 508,546 shares of our Series A Convertible Redeemable Preferred Stock. Following the repurchase, 36,713 shares or preferred stock remain outstanding. In addition, the Certificate of Designation governing the Series A Convertible Redeemable Preferred Stock was amended to (i) delete the dividend rights of the remaining shares outstanding and (ii) increase the liquidation preference and redemption price from $100 to $105.4063 per share, which amount shall further increase at the rate of 7.75% per annum, compounded quarterly, from September 30, 2005.

Loss per common share. The loss per common share decreased by $11.34, or 78%, as a result of the factors described above.

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

Revenues. The overall increase in revenues in 2004 compared to 2003 is principally the result of an increase of 311,600 from December 31, 2003 and 2,300 high-speed Internet customers and digital video customers, respectively, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 425,300 analog video customers. Included in the reduction in analog video customers and reducing the increase in digital video and high-speed Internet customers are 230,800 analog video customers, 83,300 digital video customers and 37,800 high-speed Internet 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 in this section as the Systems Sales). The Systems Sales reduced the increase in revenues by $161 million.

Average monthly revenue per analog video customer increased from $61.84 for the year ended December 31, 2003 to $67.37 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	$ 3,217	68%	$ 3,306	72%	$ (89)	(3)%
High-speed Internet	712	15%	535	12%	177	33%
Telephone	18		14		4	29%
Advertising sales	279	6%	254	5%	25	10%
Commercial	227	5%	196	4%	31	16%
Other	307	6%	311	7%	(4)	(1)%
	$ 4,760	100%	$ 4,616	100%	$ 144	3%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $116 million of the decrease in video revenues was the result of the Systems Sales and approximately an additional $58 million related to a decline in analog video customers. These decreases were offset by increases of approximately $59 million resulting from price increases and incremental video revenues from existing customers and approximately $26 million resulting from an increase in digital video customers.

Approximately $159 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet

services, whereas approximately $31 million related to the increase in average price of the

service. The increase in high-speed Internet revenues was reduced by approximately $13 million as a result of the Systems Sales.

Revenues from telephone services increased primarily as a result of an increase of 20,500 telephone customers.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased 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 programmers.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet revenues. The increase was reduced by approximately $14 million as a result of the Systems Sales.

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, 2004 and 2003, franchise fees represented approximately 52% and 50%, respectively, of total other revenues. Approximately $11 million of the decrease in other revenues was the result of the Systems Sales offset by an increase in home shopping and infomercial revenue.

Operating expenses. The overall increase in operating expenses was reduced by approximately $59 million as a result of the System Sales. Programming costs 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	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 1,264	27%	$ 1,195	26%	$ 69	6%
Service	638	13%	595	13%	43	7%
Advertising sales	92	2%	83	2%	9	11%
	$ 1,994	42%	$ 1,873	41%	$ 121	6%

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 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 $63 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 25 to the accompanying consolidated financial statements included in this Exchange Offer Prospectus.

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 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. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales

expenses increased 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.

Selling, general and administrative expenses. The overall 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):

	Year Ended December 31,					
	2004		2003		2004 over 2003	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 846	17%	$ 806	18%	$ 40	5%
Marketing	119	3%	103	2%	16	16%
	$ 965	20%	$ 909	20%	$ 56	6%

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 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, bad debt expense of $9 million and costs associated with salaries and benefits of $11 million offset by decreases in and rent expense of $3 million.

Marketing expenses increased as a result of an increased investment in marketing and branding campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by $37 million, or 3%. 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 $2.3 billion impairment charge for the year ended December 31, 2004.

Other operating (income) expenses, net. Other operating income decreased $59 million primarily as a result of an increase in special charges of $83 million related to severance and related costs of our management reduction and realignment in 2004, litigation costs and costs incurred as part of a settlement of the consolidated federal class actions, state derivative actions and federal derivative actions. This was coupled with a decrease of $67 million in the settlement of estimated liabilities recorded in connection with prior business combinations, which based on current facts and circumstances, are no longer required. This was offset by an increase of $91 million in gain on sale of assets as a result of the gain realized on the sale of systems to Atlantic Broadband Finance, LLC which closed in 2004.

Interest expense, net. Net interest expense increased by $113 million, or 7%, for the year ended December 31, 2004 compared to the year ended December 31, 2003. 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 extinguishment of debt. Loss on extinguishment of debt 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 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 income, net. Other income decreased $358 million primarily as a result of a decrease in minority interest. 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 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. This was coupled with an increase in net gains on derivative instruments and hedging activities as a result of increases in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Other income in 2004 included a loss on debt to equity conversions which 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. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rata share of the profits and losses of CC VIII.

Income tax benefit. Income tax benefits were realized for the years ended December 31, 2004 and 2003 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 CII 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.

Income (loss) from discontinued operations, net of tax. Income from discontinued operations, net of tax decreased from $3 million for the year ended December 31, 2003 to loss from discontinued operations, net of tax of $135 million for the year ended December 31, 2005 primarily due to the impairment of franchises recognized in 2004 described above.

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 in 2004 compared to 2003 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 $3.7 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 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.

Recent Financing Transactions

In January 2006, CCH II, LLC (CCH II) and CCH II Capital Corp. issued $450 million in debt securities, the proceeds of which were provided, directly or indirectly, to Charter Communications Operating, LLC (Charter Operating), which used such funds to reduce borrowings, but not commitments, under the revolving portion of its credit facilities.

In April 2006, Charter Operating completed a $6.85 billion refinancing of its credit facilities including a new $350 million revolving/term facility (which converts to a term loan no later than April 2007), a $5.0 billion term loan due in 2013 and certain amendments to the existing $1.5 billion revolving credit facility. In addition, the refinancing reduced margins on Eurodollar rate term loans to 2.625% from a weighted average of 3.15% previously and margins on base rate term loans to 1.625% from a weighted average of 2.15% previously. Concurrent with this refinancing, the CCO Holdings, LLC (CCO Holdings) bridge loan was terminated.

We have a significant level of debt. Our long-term financing as of June 30, 2006 consists of $5.8 billion of credit facility debt, $13.2 billion accreted value of high-yield notes and $848 million accreted value of convertible senior notes. For the remainder of 2006, none of the Company s debt matures, and in 2007 and 2008, $130 million and $50 million mature, respectively. In 2009 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 these requirements through cash flows from operating activities, borrowings under our 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 six months ended June 30, 2006, we generated $205 million of net cash flows from operating activities after paying cash interest of $791 million. In addition, we used approximately $539 million for purchases of property, plant and equipment. Finally, we had net cash flows from financing activities of $383 million. 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 our credit facilities, 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 continue to explore asset dispositions as one of several possible actions that we could take in the future to improve our liquidity, but we do not presently believe unannounced future asset sales to be a significant source of liquidity.

We expect that cash on hand, cash flows from operating activities, proceeds from sale of assets and the amounts available under our credit facilities will be adequate to meet our cash needs through 2007. We believe that cash flows from operating activities and amounts available under our credit facilities may

not be sufficient to fund our operations and satisfy our interest and principal repayment obligations in 2008 and will not be sufficient to fund such needs in 2009 and beyond. See Risk Factors Risks Related to Our and Our Subsidiaries Significant Indebtedness We may not generate (or, in general, have available to the applicable obligor) sufficient cash flow or access to additional external liquidity sources to fund our capital expenditures, ongoing operations and debt obligations, including our payment obligations under the Convertible Notes and the CCH II Notes, which could have a material adverse effect on you as holders of the Convertible Notes and the CCH II Notes. We continue to work with our financial advisors in our approach to addressing liquidity, debt maturities and our overall balance sheet leverage.

Debt Covenants

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. The Charter Operating credit facilities, along with our indentures, contain certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide annual audited financial statements with an unqualified opinion from our independent auditors. As of June 30, 2006, we are in compliance with the covenants under our indentures and credit facilities, and we expect to remain in compliance with those covenants for the next twelve months. As of June 30, 2006, our potential availability under our credit facilities totaled approximately $900 million, none of which was limited by covenant restrictions. In the past, our actual availability under our credit facilities has been limited by covenant restrictions. There can be no assurance that our actual availability under our credit facilities will not be limited by covenant restrictions in the future. However, pro forma for the closing of the asset sales on July 1, 2006, and the related application of net proceeds to repay amounts outstanding under our revolving credit facility, potential availability under our credit facilities as of June 30, 2006 would have been approximately $1.7 billion, although actual availability would have been limited to $1.3 billion because of limits imposed by covenant restrictions. Continued access to our credit facilities is subject to our remaining in compliance with these covenants, including covenants tied to our operating performance. If any events of non-compliance occur, 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 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. See Risk Factors Risks Related to Our and Our Subsidiaries Significant Indebtedness Charter Operating may not be able to access funds under its credit facilities if it fails to satisfy the covenant restrictions in its credit facilities, which could adversely affect our financial condition and our ability to conduct our business.

Specific Limitations

Our ability to make interest payments on our convertible senior notes, and, in 2009, to repay the outstanding principal of our convertible senior notes of $863 million will depend on our ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco and its subsidiaries. As of June 30, 2006, Charter Holdco was owed $3 million in intercompany loans from its subsidiaries, which were available to pay interest and principal on our convertible senior notes. In addition, Charter has $74 million of U.S. government securities pledged as security for the next three scheduled semi-annual interest payments on Charter s 5.875% convertible senior notes.

Distributions by Charter s subsidiaries to a parent company (including Charter, Charter Holdco and CCHC, LLC) for payment of principal on parent company notes are restricted under the indentures governing the CIH notes, CCH I notes, CCH II notes, CCO Holdings notes and Charter Operating notes unless there is no default under the applicable indenture, each applicable subsidiary s leverage ratio test is met at the time of such distribution and, in the case of our convertible senior notes, other specified tests are met. For the quarter ended June 30, 2006, there was no default under any of these indentures and each such subsidiary met its applicable leverage ratio tests based on June 30, 2006 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at such time. In

the past, certain subsidiaries have from time to time failed to meet their leverage ratio test. There can be no assurance that they will satisfy these tests at the time of such distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in the credit facilities.

Distributions by CIH, CCH I, CCH II, CCO Holdings and Charter Operating to a parent company for payment of parent company interest are permitted if there is no default under the aforementioned indentures. However, distributions for payment of interest on our convertible senior notes are further limited to when each applicable subsidiary s leverage ratio test is met and other specified tests are met. There can be no assurance that the subsidiary will satisfy these tests at the time of such distribution.

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 June 30, 2006, there was no default under Charter Holdings indentures and Charter Holdings met its leverage ratio test based on June 30, 2006 financial results. Such distributions would be restricted, however, if Charter Holdings fails to meet these tests at such time. In the past, Charter Holdings has from time to time failed to meet this leverage ratio test. There can be no assurance that Charter Holdings will satisfy these tests at the time of such distribution. During periods in which distributions are restricted, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments (that are not restricted payments) in Charter Holdco or Charter up to an amount determined by a formula, as long as there is no default under the indentures.

Our significant amount of debt could negatively affect our ability to access additional capital in the future. Additionally, our ability to incur additional debt may be limited by the restrictive covenants in our indentures and credit facilities. 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 July 2006, we closed the Cebridge Transaction and New Wave Transaction for net proceeds of approximately $896 million. We used the net proceeds from the asset sales to repay (but not reduce permanently) amounts outstanding under our revolving credit facility. The Orange Transaction is scheduled to close in the third quarter of 2006.

Table of Contents

In July 2005, we closed the sale of certain cable systems in Texas and West Virginia and closed the sale of an additional cable system in Nebraska in October 2005 for a total sales price of approximately $37 million, representing a total of approximately 33,000 customers.

Acquisition

In January 2006, we closed the purchase of certain cable systems in Minnesota from Seren Innovations, Inc. We acquired approximately 17,500 analog video customers, 8,000 digital video customers, 13,200 high-speed Internet customers and 14,500 telephone customers for a total purchase price of approximately $42 million.

Summary of Outstanding Contractual Obligations

The following table summarizes our payment obligations as of December 31, 2005 under our long-term debt and certain other contractual obligations and commitments (dollars in millions).

		Payments by Period			
	Total	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Contractual Obligations					
Long-Term Debt Principal Payments(1)	$ 19,336	$ 50	$ 1,129	$ 5,781	$ 12,376
Long-Term Debt Interest Payments(2)	11,426	1,469	3,224	3,066	3,667
Payments on Interest Rate Instruments(3)	18	8	10		
Capital and Operating Lease Obligations(1)	94	20	27	23	24
Programming Minimum Commitments(4)	1,253	342	678	233	
Other(5)	301	146	70	42	43
Total	$ 32,428	$ 2,035	$ 5,138	$ 9,145	$ 16,110

(1) The table presents maturities of long-term debt outstanding as of December 31, 2005. Refer to Notes 9 and 26 to our accompanying consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data in our 2005 Annual Report on Form 10-K 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, 2005 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, 2005. 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, 2005.

(4) We pay programming fees under multi-year contracts ranging from three to ten 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 $1.4 billion, $1.3 billion and $1.2 billion for the years ended December 31, 2005, 2004 and 2003, 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 related to continuing operations for the years ended December 31, 2005, 2004 and 2003, was $44 million, $42 million and $38 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 related to continuing operations included in the accompanying statement of operations were $165 million, $159 million and $157 million for the years ended December 31, 2005, 2004 and 2003, respectively.

We also have $165 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

Our cash flows include the cash flows related to our discontinued operations for all periods presented.

We held $56 million in cash and cash equivalents as of June 30, 2006 compared to $21 million as of December 31, 2005. For the six months ended June 30, 2006, we generated $205 million of net cash flows from operating activities after paying cash interest of $791 million. In addition, we used approximately $539 million for purchases of property, plant and equipment. Finally, we had net cash flows from financing activities of $383 million.

Operating Activities. Net cash provided by operating activities increased $24 million, or 13%, from $181 million for the six months ended June 30, 2005 to $205 million for the six months ended June 30, 2006. For the six months ended June 30, 2006, net cash provided by operating activities increased primarily as a result of changes in operating assets and liabilities that provided $107 million more cash during the six months ended June 30, 2006 than the corresponding period in 2005 coupled with an increase in revenue over cash costs offset by an increase in cash interest expense of $99 million over the corresponding prior period.

Net cash provided by operating activities decreased $212 million, or 45%, from $472 million for the year ended December 31, 2004 to $260 million for the year ended December 31, 2005. For the year ended December 31, 2005, net cash provided by operating activities decreased primarily as a result of an increase in cash interest expense of $189 million over the corresponding prior period and changes in operating assets and liabilities that used $45 million more cash during the year ended December 31, 2005 than the corresponding period in 2004. The change in operating assets and liabilities is primarily the result of the finalization of the class action settlement in the third quarter of 2005.

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 an increase in cash interest expense of $203 million over the corresponding prior period and 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. 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.

Table of Contents

Investing Activities. Net cash used by investing activities for the six months ended June 30, 2006 and 2005 was $553 million and $477 million, respectively. Investing activities used $76 million more cash during the six months ended June 30, 2006 than the corresponding period in 2005 primarily as a result of increased cash used for the purchase of cable systems discussed above coupled with a decrease in our liabilities related to capital expenditures. Net cash used in investing activities for the years ended December 31, 2005 and 2004 was $1.0 billion and $243 million, respectively. Investing activities used $782 million more cash during the year ended December 31, 2005 than the corresponding period in 2004 primarily as a result of cash provided by proceeds from the sale of certain cable systems to Atlantic Broadband Finance, LLC in 2004 which did not recur in 2005 combined with increased cash used for capital expenditures.

Net cash used in investing activities for the years 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.

Financing Activities. Net cash provided by financing activities was $383 million for the six months ended June 30, 2006 and net cash used in financing activities was $314 million for the six months ended June 30, 2005. The increase in cash provided during the six months ended June 30, 2006 as compared to the corresponding period in 2005, was primarily the result of proceeds from the issuance of debt.

Net cash provided by financing activities was $136 million and $294 million for the years ended December 31, 2005 and 2004, respectively. The decrease in cash provided during the year ended December 31, 2005, as compared to the corresponding period in 2004, was primarily the result of an decrease in borrowings of long-term debt and proceeds from issuance of debt offset by a decrease in repayments of long-term debt.

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.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $539 million, $542 million, $1.1 billion, $924 million and $854 million for the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, respectively. Capital expenditures decreased as a result of decreases in expenditures related to line extensions and support capital partially offset by increased spending on customer premise equipment as a result of increases in digital video, high-speed Internet and telephone customers. See the table below for more details.

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 six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, our liabilities related to capital expenditures decreased $9 million and increased $45 million and $8 million and decreased $43 million and $33 million, respectively.

During 2006, we expect capital expenditures to be approximately $1.0 billion to $1.1 billion. We expect that the nature of these expenditures will continue to be composed primarily of purchases of customer premise equipment related to telephone and other advanced services, support capital and for scalable infrastructure costs. We expect to fund capital expenditures for 2006 primarily from cash flows from operating activities, proceeds from asset sales 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 &

Table of Contents

Telecommunications Association (NCTA). The 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 Generally Accepted Accounting Principles (GAAP), nor do they impact our accounting for capital expenditures under GAAP.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the three and six months ended June 30, 2006 and 2005 (dollars in millions):

	Six Months Ended June 30,		Year Ended December 31,		
	2006	2005	2005	2004	2003
Customer premise equipment(a)	$ 258	$ 228	$ 434	$ 451	$ 380
Scalable infrastructure(b)	97	89	174	108	67
Line extensions(c)	59	77	134	131	131
Upgrade/ Rebuild(d)	23	22	49	49	132
Support capital(e)	102	126	297	185	144
Total capital expenditures	$ 539	$ 542	$ 1,088	$ 924	$ 854

(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 No. 51, *Financial Reporting by Cable Television Companies,* and customer premise equipment (e.g., set-top boxes and cable modems, etc.).

(b) Scalable infrastructure includes costs, not related to customer premise equipment or our network, to secure growth of new customers, revenue units and additional bandwidth revenues or provide service enhancements (e.g., headend equipment).

(c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).

(d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.

(e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).

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 June 30, 2006 and December 31, 2005, our long-term debt totaled approximately $19.9 billion and $19.4 billion, respectively. This debt was comprised of approximately $5.8 billion and $5.7 billion of credit facilities debt, $13.2 billion and $12.8 billion accreted amount of high-yield notes and $848 million and $863 million accreted amount of convertible senior notes, respectively.

As of June 30, 2006 and December 31, 2005, the weighted average interest rate on the credit facility debt was approximately 8.0% and 7.8%, the weighted average interest rate on the high-yield notes was approximately 10.3% and 10.2%, and the weighted average interest rate on the convertible senior notes was approximately 6.4% and 6.3%, respectively, resulting in a blended weighted average interest rate of 9.5% and 9.3%, respectively. The interest rate on approximately 77% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of June 30, 2006 and December 31, 2005. The fair value of our high-yield notes was $11.0 billion and $10.4 billion at June 30, 2006 and December 31, 2005, respectively. The fair value of our convertible senior notes was $628 million and $647 million at June 30, 2006 and December 31, 2005, respectively. The fair value of our credit facilities is $5.8 billion and $5.7 billion at June 30, 2006 and December 31, 2005, 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. 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 six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, other income includes gains of $2 million, $1 million, $3 million, $4 million and $8 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 and minority interest. For the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, a gain of $0 and $9 million, $16 million, $42 million and $48 million, respectively, related to derivative instruments designated as cash flow hedges, was recorded in accumulated other comprehensive loss. 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 other income in our statements of operations. For the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, other income includes gains of $9 million, $25 million, $47 million, $65 million and $57 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 June 30, 2006 (dollars in millions):

	2006	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value at June 30, 2006
Debt:									
Fixed Rate	$	$ 105	$	$ 1,547	$ 2,143	$ 771	$ 8,842	$ 13,408	$ 11,058
Average Interest Rate		8.25%		7.48%	10.28%	11.01%	10.38%	10.06%	
Variable Rate	$	$ 25	$ 50	$ 50	$ 600	$ 850	$ 4,775	$ 6,350	$ 6,359
Average Interest Rate		8.21%	8.14%	8.22%	9.64%	8.66%	8.39%	8.75%	
Interest Rate Instruments:									
Variable to Fixed Swaps	$ 898	$ 875	$	$	$	$	$	$ 1,773	$ 6
Average Pay Rate	7.70%	7.58%						7.64%	
Average Receive Rate	8.33%	8.31%						8.32%	

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 June 30, 2006.

At June 30, 2006 and December 31, 2005, we had outstanding $1.8 billion and $1.8 billion and $20 million and $20 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.

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 153, *Exchanges of Non-monetary Assets An Amendment of APB No. 29.* This statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. We adopted this pronouncement effective April 1, 2005. The exchange transaction discussed in Note 3 to our consolidated financial statements included elsewhere in this prospectus, was accounted for under this standard.

In December 2004, the FASB 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 was effective for us beginning January 1, 2006. 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.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations.* This interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations,* refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. This pronouncement

is effective for fiscal years ending after December 15, 2005. The adoption of this interpretation did not have a material impact on our financial statements.

In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are currently assessing the impact of FIN 48 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.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CCH II, LLC

Unless otherwise stated, the terms we, us and our used in this Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC refer to CCH II and its direct and indirect subsidiaries on a consolidated basis.

Reference is made to Risk Factors and Special Note Regarding Forward-Looking Statements, which describe 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 CCH II, LLC and its subsidiaries as of and for the years ended December 31, 2005, 2004 and 2003 and the unaudited consolidated financial statements of CCH II, LLC and its subsidiaries as of and for the six months ended June 30, 2006.

For a chart showing our ownership structure, see page 3. The data included in this Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC takes into account the effect of the sale of various geographically non-strategic assets to Cebridge Connections, Inc., which are reflected as discontinued operations in all periods presented. See Summary Recent Events Assets Sales.

CCH II, LLC is a holding company whose primary assets are equity interests in our cable operating subsidiaries. CCH II, LLC was formed in March 2003 and is a direct subsidiary of CCH I, which is an indirect subsidiary of Charter Holdings. Charter Holdings is an indirect subsidiary of Charter. See Summary Organizational Structure. Our parent companies are CCH I, CIH, Charter Holdings, CCHC, Charter Holdco and Charter.

CCH II, LLC is the sole owner of CCO Holdings, which in turn is the sole owner of Charter Operating. In June and July 2003, Charter Holdings entered into a series of transactions and contributions which had the effect of (i) creating CCH II, LLC, CCH II Capital Corp., CCH I, our direct parent, and our subsidiary, CCO Holdings and (ii) combining and contributing all of Charter Holdings interest in cable operations not previously owned by Charter Operating to Charter Operating. This transaction was accounted for as a reorganization of entities under common control. Accordingly, the historical financial condition and results of operations of CCH II, LLC combine the historical financial condition and results of operations of Charter Operating, and the operations of subsidiaries contributed by Charter Holdings, for all periods presented.

Introduction

We and our parent companies continue to pursue opportunities to improve our and our parent companies liquidity. Our and our parent companies efforts in this regard have resulted in the completion of a number of transactions in 2005 and 2006, as follows:

- the July 2006 sale of cable systems to Cebridge and New Wave for proceeds of approximately $896 million;
- the April 2006 refinancing of our existing credit facilities (see Liquidity and Capital Resources Recent Refinancing Transactions);
- the January 2006 sale by us of an additional $450 million principal amount of our 10.250% senior notes due 2010;
- the September 2005 exchange by our direct and indirect parent companies, Charter Holdings, CCH I and CIH, of approximately $6.8 billion in total principal amount of outstanding debt securities of Charter Holdings in a private placement for new debt securities;
- the August 2005 sale by our subsidiaries, CCO Holdings and CCO Holdings Capital Corp., of $300 million of $8^{3}/4$% senior notes due 2013;

the March and June 2005 issuance of $333 million of Charter Operating notes in exchange for $346 million of Charter Holdings notes;

the repurchase during 2005 of $136 million of Charter s 4.75% convertible senior notes due 2006 leaving $20 million in principal amount outstanding; and

the March 2005 redemption of all of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 at a total cost of $122 million;

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 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 include 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 36% of our analog video customers subscribe to our high-speed Internet services has resulted in decreased growth rates for high-speed Internet 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 Internet, video on demand, digital video recorders and high definition television. We expect to continue to grow revenues through price increases and through continued growth in high-speed Internet and incremental new services including telephone, high definition television, VOD and DVR service.

Historically, our ability to fund operations and investing activities has depended on our continued access to credit under our credit facilities. We expect we will continue to borrow under our credit facilities from time to time to fund cash needs. The occurrence of an event of default under our 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 outstanding notes and would have a material adverse effect on us.

Sale of Assets

In 2006, we signed three separate definitive agreements to sell certain cable television systems serving a total of approximately 356,000 analog video customers in 1) West Virginia and Virginia to Cebridge Connections, Inc. (the Cebridge Transaction); 2) Illinois and Kentucky to Telecommunications Management, LLC, doing business as New Wave Communications (the New Wave Transaction) and 3) Nevada, Colorado, New Mexico and Utah to Orange Broadband Holding Company, LLC (the Orange Transaction) for a total of approximately $971 million. These cable systems met the criteria for assets held for sale. As such, the assets were written down to fair value less estimated costs to sell resulting in asset impairment charges during the six months ended June 30, 2006 of approximately $99 million related to the New Wave Transaction and the Orange Transaction. In the third quarter of 2006, we expect to record a gain of approximately $200 million on the Cebridge Transaction. In addition, assets and liabilities to be sold have been presented as held for sale. We have also determined that the West Virginia and Virginia cable systems comprise operations and cash flows that for financial reporting purposes meet the criteria for discontinued operations. Accordingly, the results of operations for the West Virginia and Virginia cable systems have been presented as discontinued operations, net of tax for the six months ended June 30, 2006 and all prior periods presented herein have been reclassified to conform to the current presentation.

Overview of Operations

Approximately 86% of our revenues for the six months ended June 30, 2006 and year ended December 31, 2005 are attributable to monthly subscription fees charged to customers for our video, high-speed Internet, 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 for the six months ended June 30, 2006 and year ended December 31, 2005 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 Internet 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 offsetting video customer losses with price increases, sales of incremental advanced services such as telephone, high-speed Internet, video on demand, digital video recorders and high definition television. 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 easier access to financing, greater personnel resources, greater brand name recognition, long-established relationships with regulatory authorities and customers, and, often fewer regulatory burdens. 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 workforce to control cost 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. For the six months ended June 30, 2006 and 2005, our operating income from continuing operations, which includes depreciation and amortization expense and asset impairment charges but excludes interest expense, was $138 million and $142 million, respectively. We had operating margins of 5% and 6% for the six months ended June 30, 2006 and 2005, respectively. The decrease in operating income from continuing operations and operating margins for the six months ended June 30, 2006 compared to 2005 was principally due to an increase in operating costs and asset impairment charges of $60 million. Our operating loss from continuing operations decreased from $1.9 billion for year ended December 31, 2004 to income of $304 million for the year ended December 31, 2005. We had a positive operating margin (defined as operating income (loss) from continuing operations divided by revenues) of 6% and a negative operating margin of 40% for the years ended December 31, 2005 and 2004, respectively. The improvement from an operating loss from continuing operations and negative operating margin to operating income from continuing operations and positive operating margin for the year end December 31, 2005 is principally due to the impairment of franchises of $2.3 billion recorded in the third quarter of 2004 which did not recur in 2005. For the year ended December 31, 2003, operating income from continuing operations was $484 million and for the year ended December 31, 2004, our operating loss from continuing operations was $1.9 billion. We had a negative operating margin of 40% for the year ended December 31, 2004, whereas for the year ending December 31, 2003, we had positive operating margin of 10%. The decline in operating income from continuing operations and operating margin for the year end December 31, 2004 is principally due to the impairment of franchises of $2.3 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. Although we do not expect charges for impairment in the future of comparable magnitude, potential charges could occur due to changes in market conditions.

Table of Contents

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 combination of operating costs and interest costs we incur because of our debt and the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties. We expect that these expenses will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. We had net losses of $335 million and $220 million for the six months ended June 30, 2006 and 2005, respectively.

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 June 30, 2006 and December 31, 2005 and 2004, the net carrying amount of our property, plant and equipment (consisting primarily of cable network assets) was approximately $5.4 billion (representing 34% of total assets), $5.8 billion (representing 36% of total assets) and $6.1 billion (representing 36% of total assets), respectively. Total capital expenditures for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003 were approximately $539 million, $1.1 billion, $893 million and $804 million, respectively.

Costs associated with network construction, initial customer installations (including initial installations of new or advanced services), installation refurbishments and the addition of network equipment necessary to provide new or advanced services are capitalized. While our capitalization is based on specific activities, once capitalized we track these costs by fixed asset category at the cable system level and not on a specific asset basis. Costs capitalized as part of initial customer installations include materials, direct labor, and certain indirect costs (overhead). 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 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:

- Dispatching a truck roll to the customer s dwelling for service connection;
- 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 Internet 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 box.

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 internal direct labor and overhead of $100 million, $185 million, $159 million and $166 million, respectively, for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003. Capitalized internal direct labor and overhead costs have increased in 2005 as a result of the use of more internal labor for capitalizable installations rather than third party contractors.

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 analyses 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 analyses, 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, 2005 of approximately $232 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, 2005 of approximately $172 million.

Depreciation expense related to property, plant and equipment totaled $687 million, $1.4 billion, $1.4 billion and $1.4 billion, representing approximately 27%, 30%, 21% and 34% of costs and expenses, for

the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003, 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 premise equipment and installations	3-5 years
Vehicles and equipment	1-5 years
Buildings and leasehold improvements	5-15 years
Furniture, fixtures and equipment	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 June 30, 2006, December 31, 2005 and 2004 was approximately $9.3 billion (representing 59% of total assets), $9.8 billion (representing 61% of total assets) and $9.9 billion (representing 58% of total assets), respectively. Furthermore, our noncurrent assets include approximately $61 million of goodwill.

We adopted SFAS No. 142, *Goodwill and Other Intangible Assets,* 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 June 30, 2006, December 31, 2005, 2004 and 2003 more than 99% of our franchises qualify for indefinite-life treatment under 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 approximately $1 million, $4 million, $3 million and $7 million for the six months ended June 30, 2006 and the years ended December 31, 2005, 2004 and 2003, respectively. We expect that amortization expense on franchise assets will be approximately $2 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 a deterioration of 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 six months ended June 30, 2006 and the years ended December 31, 2005, 2004 or 2003, however, approximately $99 million and $39 million of impairment on assets held for sale was recorded for the six months ended June 30, 2006 and the year ended December 31, 2005. 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, high-speed Internet and telephone, 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.

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 telephone 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 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 telephone 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 $840 million (approximately $875 million before tax effects of $16 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 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 Internet 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 2003 and 2005 valuations showed franchise values in excess of book value and thus resulted in no impairment.

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 franchise values as of October 1, 2005 of the indicated increase/decrease in the selected assumptions is shown below:

Assumption	**Percentage/ Percentage Point Change**	**Impairment Charge Increase/(Decrease)**
		(Dollars in millions)
Annual Operating Cash Flow(1)	+/-5%	$1,200/$(1,200)
Long-Term Growth Rate(2)	+/-1pts(3)	$ 1,700/(1,300)
Discount Rate	+/-0.5pts(3)	$ (1,300)/1,500

(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, including us. 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, CII and VulcanCable 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.

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). 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 CII (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 CII based generally on their respective percentage ownership of outstanding common units to the extent of their respective capital account balances. Allocations of net tax losses in excess of the members aggregate capital account balances are allocated under the rules governing

Regulatory Allocations, as described below. Subject to the Curative Allocation Provisions described below, 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 CII (the Special Profit Allocations). The Special Profit Allocations to Vulcan Cable III Inc. and CII 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 CII 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 2005, to Vulcan Cable III Inc. and CII instead have been allocated to Charter (the Regulatory Allocations). As a result of the allocation of net tax losses to Charter in 2005, Charter s capital account balance was reduced to zero during 2005. The LLC Agreement provides that once the capital account balances of all members have been reduced to zero, net tax losses are to be allocated to Charter, Vulcan Cable III Inc. and CII based generally on their respective percentage ownership of outstanding common units. Such allocations are also considered to be 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, 2005 is approximately $4.1 billion.

As a result of the Special Loss Allocations and the Regulatory Allocations referred to above (and their interaction with the allocations related to assets contributed to Charter Holdco with differences between book and tax basis), the cumulative amount of losses of Charter Holdco allocated to Vulcan Cable III Inc. and CII 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 $977 million through December 31, 2005.

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 contributions. 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 CII 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 III Inc. and CII could elect to cause Charter Holdco to make the remaining Special Profit Allocations to Vulcan Cable III Inc. and CII immediately prior to the consummation of the exchange. In the event Vulcan Cable III Inc. and CII 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 Risk Factors Risks Related to Mr. Allen s Controlling Position). 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. Charter s ability to make such income tax payments, if any, will depend on its liquidity or its ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco and its subsidiaries, including us.

As of June 30, 2006 and December 31, 2005 and 2004, we have recorded net deferred income tax liabilities of $213 million, $213 million and $208 million, respectively. Additionally, as of June 30, 2006 and December 31, 2005 and 2004, we have deferred tax assets of $86 million, $86 million and $103 million, respectively, which primarily relate to tax net operating loss carryforwards of certain of our indirect corporate subsidiaries. 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 $51 million, $51 million and $71 million at June 30, 2006 and December 31, 2005 and 2004, respectively.

We are currently under examination by the Internal Revenue Service for the tax years ending December 31, 2002 and 2003. Our results (excluding our indirect corporate subsidiaries) for these years are subject to this examination. 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 and if any of these matters are 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.

Table of Contents

Results of Operations

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

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

	Six Months Ended June 30,			
	2006		2005	
Revenues	$ 2,703	100%	$ 2,481	100%
Costs and expenses:				
Operating (excluding depreciation and amortization)	1,215	45%	1,081	44%
Selling, general and administrative	551	20%	483	19%
Depreciation and amortization	690	26%	730	29%
Asset impairment charges	99	4%	39	2%
Other operating expenses, net	10		6	
	2,565	95%	2,339	94%
Operating income from continuing operations	138	5%	142	6%
Interest expense, net	(488)		(408)	
Other income (expense), net	(19)		35	
	(507)		(373)	
Loss before income taxes	(369)		(231)	
Income tax expense	(4)		(8)	
Loss from continuing operations	(373)		(239)	
Income from discontinued operations, net of tax	38		19	
Net loss	$ (335)		$ (220)	

Revenues. The overall increase in revenues from continuing operations in 2006 compared to 2005 is principally the result of an increase from June 30, 2005 of 343,800 high-speed Internet customers, 194,300 digital video customers and 189,800 telephone customers, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 41,400 analog video customers. Our goal is to increase revenues by improving 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 customers who purchase high-speed Internet services, digital video and advanced products and services such as telephone, VOD, high definition television and digital video recorder service.

Average monthly revenue per analog video customer increased to $79.73 for the six months ended June 30, 2006 from $72.47 for the six months ended June 30, 2005 primarily as a result of incremental revenues from advanced services and price increases. Average monthly revenue per analog video customer represents total revenue for the six months ended during the respective period, divided by six, divided by the average number of analog video customers

during the respective period.

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

	Six Months Ended June 30,					
	2006		2005		2006 over 2005	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 1,684	62%	$ 1,623	66%	$ 61	4%
High-speed Internet	506	19%	425	17%	81	19%
Telephone	49	2%	14	1%	35	250%
Advertising sales	147	5%	135	5%	12	9%
Commercial	149	6%	128	5%	21	16%
Other	168	6%	156	6%	12	8%
	$ 2,703	100%	$ 2,481	100%	$ 222	9%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $58 million of the increase was the result of price increases and incremental video revenues from existing customers and approximately $24 million was the result of an increase in digital video customers. The increases were offset by decreases of approximately $21 million related to a decrease in analog video customers.

Approximately $73 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $8 million related to the increase in average price of the service.

Revenues from telephone services increased primarily as a result of an increase of 189,800 telephone customers in 2006.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased primarily as a result of an increase in local advertising sales and a one-time ad buy by a programmer. For the six months ended June 30, 2006 and 2005, we received $10 million and $6 million, respectively, in advertising sales revenues from programmers.

Commercial revenues consist primarily of revenues from video and high-speed Internet services provided to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet 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 six months ended June 30, 2006 and 2005, franchise fees represented approximately 53% of total other revenues. The increase in other revenues was primarily the result of an increase in franchise fees of $5 million, installation revenue of $3 million and wire maintenance fees of $4 million.

Operating expenses. Programming costs represented 62% and 63% of operating expenses for the six months ended June 30, 2006 and 2005, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,					
	2006		2005		2006 over 2005	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 755	28%	$ 678	27%	$ 77	11%
Service	408	15%	356	15%	52	15%
Advertising sales	52	2%	47	2%	5	11%
	$ 1,215	45%	$ 1,081	44%	$ 134	12%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels, VOD and pay-per-view programming. The increase in programming costs was primarily a result of rate increases and increases in digital video customers. Programming costs were offset by the amortization of payments received from programmers in support of launches of new channels of $8 million and $17 million for the six months ended June 30, 2006 and 2005, respectively.

Our cable programming costs have increased in every year we have operated in excess of customary inflationary and cost-of-living 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 2006, programming costs have increased and we expect will continue to increase at a higher rate than in 2005. These costs will be determined in part on the outcome of programming negotiations in 2006 and may be subject to offsetting events. Our increasing programming costs have resulted in declining operating margins on our video services because we have been unable to pass on all cost increases to our customers. We expect to partially offset the resulting margin compression on our traditional video services with revenue from advanced video services, increased telephone revenues, high-speed Internet revenues, advertising revenues and commercial service revenues.

Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, costs of providing high-speed Internet service and telephone service, maintenance and pole rent expense. The increase in service costs resulted primarily from increased costs of providing high-speed Internet and telephone service of $16 million, an increase in service personnel salaries and benefits of $14 million, higher fuel and utility prices of $8 million, increased labor and maintenance costs to support improved service levels and our advanced products of $7 million and franchise fees of $5 million. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased primarily as a result of increased salary, benefit and commission costs.

Selling, general and administrative expenses. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Six Months Ended June 30,					
	2006		2005		2006 over 2005	
		% of		% of		%

	Expenses	Revenues	Expenses	Revenues	Change	Change
General and administrative	$ 471	17%	$ 418	17%	$ 53	13%
Marketing	80	3%	65	2%	15	23%
	$ 551	20%	$ 483	19%	$ 68	14%

General and administrative expenses consist primarily of salaries and benefits, rent expense, billing costs, customer care center costs, internal network costs, bad debt expense and property taxes. The increase in general and administrative expenses resulted primarily from a rise in salaries and benefits of

$34 million, increases in billing costs of $7 million, computer maintenance of $5 million, bad debt expense of $5 million, telephone expense of $4 million, contractor labor of $3 million and property and casualty insurance of $2 million partially offset by decreases in consulting services of $8 million.

Marketing expenses increased as a result of increased spending in targeted marketing campaigns consistent with management s strategy to increase revenues.

Depreciation and amortization. Depreciation and amortization expense decreased by $40 million for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. The decrease in depreciation was primarily the result of assets becoming fully depreciated.

Asset impairment charges. Asset impairment charges for the six months ended June 30, 2006 and 2005 represent the write-down of assets related to cable asset sales to fair value less costs to sell. See Note 3 to the condensed consolidated financial statements.

Other operating expenses, net. Other operating expenses, net increased $4 million as a result of an $8 million increase in special charges primarily related to severance associated with closing call centers and divisional restructuring and a $4 million decrease related to losses on sales of assets.

Interest expense, net. Net interest expense increased by $80 million, or 20%, for the six months ended June 30, 2006 compared to the six months ended June 30, 2005. The increase in net interest expense was a result of an increase in our average borrowing rate from 7.85% in the six months ended June 30, 2005 to 8.54% in the six months ended June 30, 2006 and an increase of $815 million in average debt outstanding from $10.0 billion for the six months ended June 30, 2005 compared to $10.8 billion for the six months ended June 30, 2006.

Other income (expense), net. Other income decreased $54 million from other income of $35 million for the six months ended June 30, 2005 to other expense of $19 million for the six months ended June 30, 2006 primarily as a result of a $21 million increase in the loss on extinguishment of debt from $6 million for the six months ended June 30, 2005 to $27 million for the six months ended June 30, 2006. See Note 6 to the condensed consolidated financial statements included in this Exchange Offer Prospectus. Other income also decreased as a result of a $15 million decrease in net gains on derivative instruments and hedging activities as a result of decreases in gains on interest rate agreements that do not qualify for hedge accounting under Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities.* In addition, the six months ended June 30, 2005 included a $20 million gain on investments for the six months ended June 30, 2005 recognized as a result of a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rata share of the profits and losses of CC VIII.

Income tax expense. Income tax expense was recognized through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries. Income tax expense was offset by deferred tax benefits of $21 million and $6 million related to asset impairment charges recorded in the six months ended June 30, 2006 and 2005, respectively.

Income from discontinued operations, net of tax. Income from discontinued operations, net of tax increased from $19 million for the six months ended June 30, 2005 to $38 million for the six months ended June 30, 2006 primarily due to a decrease in depreciation for the six months ended June 30, 2006 as we ceased recognizing depreciation on the West Virginia and Virginia cable systems when we classified them as assets held for sale in the first quarter of 2006.

Net loss. Net loss increased by $115 million, or 52%, for the six months ended June 30, 2006 compared to the six months ended June 30, 2005 as a result of the factors described above.

Year Ended December 31, 2005, December 31, 2004 and December 31, 2003

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):

	Year Ended December 31,					
	2005		2004		2003	
Revenues	$ 5,033	100%	$ 4,760	100%	$ 4,616	100%
Costs and Expenses:						
Operating (excluding depreciation and amortization)	2,203	44%	1,994	42%	1,873	41%
Selling, general and administrative	1,012	20%	965	20%	909	20%
Depreciation and amortization	1,443	29%	1,433	30%	1,396	30%
Impairment of franchises			2,297	48%		
Asset impairment charges	39	1%				
Other operating (income) expenses, net	32		13		(46)	(1)%
	4,729	94%	6,702	140%	4,132	90%
Operating income (loss) from continuing operations	304	6%	(1,942)	(40)%	484	10%
Interest expense, net	(858)		(726)		(545)	
Other income, net	99		71		27	
Loss from continuing operations before income taxes and cumulative effect of accounting change	(455)		(2,597)		(34)	
Income tax benefit (expense)	(9)		35		(13)	
Loss from continuing operations before cumulative effect of accounting change	(464)		(2,562)		(47)	
Income (loss) from discontinued operations, net of tax	39		(104)		32	
Loss before cumulative effect of accounting change	(425)		(2,666)		(15)	
Cumulative effect of accounting change, net of tax			(840)			
Net loss	$ (425)		$ (3,506)		$ (15)	

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues. The overall increase in revenues in 2005 compared to 2004 is principally the result of an increase of 306,000 and 124,600 high-speed Internet customers and digital video customers, respectively, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 79,100 analog video customers and $12 million of credits issued to hurricane Katrina and Rita impacted customers related to service outages. We have restored service to our impacted customers. Included in the reduction in analog video customers and

reducing the increase in digital video and high-speed Internet customers are 26,800 analog video customers, 12,000 digital video customers and 600 high-speed Internet customers sold in the cable system sales in Texas and West Virginia, which closed in July 2005. The cable system sales to Atlantic Broadband Finance, LLC, which closed in March and April 2004 and the cable system sales in Texas and West Virginia, which closed in July 2005 (collectively referred to in this section as the Systems Sales) reduced the increase in revenues by approximately $30 million.

Average monthly revenue per analog video customer increased from $67.37 for the year ended December 31, 2004 to $73.73 for the year ended December 31, 2005 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.

Table of Contents

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

	Year Ended December 31,					
	2005		2004		2005 over 2004	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 3,248	65%	$ 3,217	68%	$ 31	1%
High-speed Internet	875	17%	712	15%	163	23%
Telephone	36	1%	18		18	100%
Advertising sales	284	6%	279	6%	5	2%
Commercial	266	5%	227	5%	39	17%
Other	324	6%	307	6%	17	6%
	$ 5,033	100%	$ 4,760	100%	$ 273	6%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $119 million of the increase in video revenues was the result of price increases and incremental video revenues from existing customers and approximately $18 million was the result of an increase in digital video customers. The increases were offset by decreases of approximately $76 million related to a decrease in analog video customers, approximately $21 million resulting from the System Sales and approximately $9 million of credits issued to hurricanes Katrina and Rita impacted customers related to service outages.

Approximately $135 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $34 million related to the increase in average price of the service. The increase was offset by approximately $3 million of credits issued to hurricanes Katrina and Rita impacted customers related to service outages and $3 million resulting from the System Sales.

Revenues from telephone services increased primarily as a result of an increase of 76,100 telephone customers in 2005.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased primarily as a result of an increase in local advertising sales and offset by a decline in national advertising sales. In addition, the increase was offset by a decrease of $1 million as a result of the System Sales. For the years ended December 31, 2005 and 2004, we received $15 million and $16 million, respectively, in advertising sales revenues from programmers.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services provided to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet revenues. The increase was reduced by approximately $3 million as a result of the System Sales.

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 years ended December 31, 2005 and 2004, franchise fees represented approximately 54% and 52%, respectively, of total other revenues. The increase in other revenues was primarily the result of an increase in franchise fees of $14 million and installation revenue of $8 million offset by a decrease of $2 million in equipment rental and $2 million in processing fees. In addition, other revenues were offset by approximately $2 million as a result of the System Sales.

Operating expenses. The overall increase in operating expenses was reduced by approximately $12 million as a result of the System Sales. Programming costs were $1.4 billion and $1.3 billion,

125

representing 62% and 63% of total operating expenses for the years ended December 31, 2005 and 2004, respectively. Key expense components as a percentage of revenues were as follows (dollars in millions):

	Year Ended December 31,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 1,359	27%	$ 1,264	27%	$ 95	8%
Service	748	15%	638	13%	110	17%
Advertising sales	96	2%	92	2%	4	4%
	$ 2,203	44%	$ 1,994	42%	$ 209	10%

Programming costs consist primarily of costs paid to programmers for analog, premium, digital channels and pay-per-view programming. The increase in programming was a result of price increases, particularly in sports programming, partially offset by a decrease in analog video customers. Additionally, the increase in programming costs was reduced by $9 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 $40 million and $59 million for the year ended December 31, 2005 and 2004, 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 25 to the accompanying consolidated financial statements contained in Item 8. Financial Statements and Supplementary Data included in this Exchange Offer Prospectus.

Service costs consist primarily of service personnel salaries and benefits, franchise fees, system utilities, cost of providing high-speed Internet and telephone service, maintenance and pole rental expense. The increase in service costs resulted primarily from increased labor and maintenance costs to support improved service levels and our advanced products, increased costs of providing high-speed Internet and telephone service as a result of the increase in these customers and higher fuel prices. The increase in service costs was reduced by $3 million as a result of the System Sales. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased primarily as a result of increased salary, benefit and commission costs.

Selling, general and administrative expenses. The overall increase in selling, general and administrative expenses was reduced by $4 million as a result of the System Sales. Key components of expense as a percentage of revenues were as follows (dollars in millions):

	Year Ended December 31,					
	2005		2004		2005 over 2004	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 870	17%	$ 846	18%	$ 24	3%
Marketing	142	3%	119	2%	23	19%
	$ 1,012	20%	$ 965	20%	$ 47	5%

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 resulted primarily from increases in salaries and benefits of $24 million and professional fees associated with consulting services of $18 million both related to investments to improve service levels in our customer care centers as well as an increase of $13 million in legal and other professional fees offset by decreases in bad debt expense of $16 million related to a reduction in the use of discounted pricing, property taxes of $5 million, property and casualty insurance of $6 million and the System Sales of $4 million.

Marketing expenses increased as a result of an increased investment in targeted marketing campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by $10 million in 2005. The increase in depreciation is related to an increase in capital expenditures, which was partially offset by lower depreciation as the result of the Systems Sales and certain assets becoming fully depreciated.

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 $2.3 billion impairment charge for the year ended December 31, 2004. Our annual assessment in 2005 did not result in an impairment.

Asset impairment charges. Asset impairment charges for the year ended December 31, 2005 represent the write-down of assets related to cable asset sales to fair value less costs to sell. See Note 4 to the accompanying consolidated financial statements included elsewhere in this Exchange Offer Prospectus.

Other operating (income) expenses, net. Other operating expenses increased $19 million primarily as a result of a $19 million hurricane asset retirement loss recorded in 2005 associated with the write-off of the net book value of assets destroyed by hurricanes Katrina and Rita. This was coupled with a decrease in gain on sale of assets of $92 million primarily as a result of the gain realized on the sale of systems to Atlantic Broadband Finance, LLC which closed in 2004. This was offset by a decrease in special charges of $97 million primarily as a result of a decrease in severance and related costs of our management reduction and realignment in 2004, litigation costs and costs incurred as part of a settlement of the consolidated federal class actions, state derivative actions and federal derivative actions.

Interest expense, net. Net interest expense increased by $132 million, or 18%, for the year ended December 31, 2005 compared to the year ended December 31, 2004. The increase in net interest expense was a result of an increase in our average borrowing rate from 7.38% in the year ended December 31, 2004 to 8.03% in the year ended December 31, 2005 and an increase of $753 million in average debt outstanding from $9.4 billion in 2004 to $10.1 billion in 2005.

Other income, net. Other income increased $28 million primarily as a result of a gain realized on an exchange of our interest in an equity investee for an investment in a larger enterprise which did not occur in 2004 partially offset by a decrease in gains on derivative instruments and hedging activities as a result of decreases in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Other income in 2005 also included losses related to the redemption of our subsidiary s CC V Holdings, LLC, 11.875% notes due 2008. Other income in 2004 included the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2004. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rate share of the profits and losses of CC VIII.

Income tax benefit (expense). Income tax expense for the year ended December 31, 2005 was recognized through increases in deferred tax liabilities and current federal and state income tax expenses of certain of our indirect corporate subsidiaries. Income tax benefit for the year ended December 31, 2004 was directly related to the impairment of franchises. The deferred tax liabilities of our indirect corporate subsidiaries decreased as a result of the write-down of franchise assets for financial statement 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.

Income (loss) from discontinued operations, net of tax. Loss from discontinued operations, net of tax decreased from $104 million for the year ended December 31, 2004 to income from discontinued operations, net of tax of $39 million for the year ended December 31, 2005 primarily due to the impairment of franchises recognized in 2004 described above.

Table of Contents

Cumulative effect of accounting change, net of tax. Cumulative effect of accounting change of $840 million (net of minority interest effects of $19 million and tax effects of $16 million) in 2004 represents the impairment charge recorded as a result of our adoption of Topic D-108.

Net loss. Net loss decreased by $3.1 billion in 2005 compared to 2004 as a result of the factors described above. The impact to net loss in 2005 of the asset impairment charges and extinguishment of debt was to increase net loss by approximately $45 million. The impact to net loss in 2004 of the impairment of franchises and cumulative effect of accounting change was to increase net loss by approximately $3.0 billion.

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

Revenues. The overall increase in revenues in 2004 compared to 2003 is principally the result of an increase of 311,600 from December 31, 2003 and 2,300 high-speed Internet customers and digital video customers, respectively, as well as price increases for video and high-speed Internet services, and is offset partially by a decrease of 425,300 analog video customers. Included in the reduction in analog video customers and reducing the increase in digital video and high-speed Internet customers are 230,800 analog video customers, 83,300 digital video customers and 37,800 high-speed Internet 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 in this section as the Systems Sales). The Systems Sales reduced the increase in revenues by $161 million.

Average monthly revenue per analog video customer increased from $61.84 for the year ended December 31, 2003 to $67.37 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	$ 3,217	68%	$ 3,306	72%	$ (89)	(3)%
High-speed Internet	712	15%	535	12%	177	33%
Telephone	18		14		4	29%
Advertising sales	279	6%	254	5%	25	10%
Commercial	227	5%	196	4%	31	16%
Other	307	6%	311	7%	(4)	(1)%
	$ 4,760	100%	$ 4,616	100%	$ 144	3%

Video revenues consist primarily of revenues from analog and digital video services provided to our non-commercial customers. Approximately $116 million of the decrease in video revenues was the result of the Systems Sales and approximately an additional $58 million related to a decline in analog video customers. These decreases were offset by increases of approximately $59 million resulting from price increases and incremental video revenues from existing customers and approximately $26 million resulting from an increase in digital video customers.

Approximately $159 million of the increase in revenues from high-speed Internet services provided to our non-commercial customers related to the increase in the average number of customers receiving high-speed Internet services, whereas approximately $31 million related to the increase in average price of the service. The increase in high-speed Internet revenues was reduced by approximately $13 million as a result of the Systems Sales.

Revenues from telephone services increased primarily as a result of an increase of 20,500 telephone customers.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased 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 programmers.

Commercial revenues consist primarily of revenues from cable video and high-speed Internet services to our commercial customers. Commercial revenues increased primarily as a result of an increase in commercial high-speed Internet revenues. The increase was reduced by approximately $14 million as a result of the Systems Sales.

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, 2004 and 2003, franchise fees represented approximately 52% and 50%, respectively, of total other revenues. Approximately $11 million of the decrease in other revenues was the result of the Systems Sales offset by an increase in home shopping and infomercial revenue.

Operating expenses. The overall increase in operating expenses was reduced by approximately $59 million as a result of the System Sales. Programming costs 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	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
Programming	$ 1,264	27%	$ 1,195	26%	$ 69	6%
Service	638	13%	595	13%	43	7%
Advertising sales	92	2%	83	2%	9	11%
	$ 1,994	42%	$ 1,873	41%	$ 121	6%

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 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 $63 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 25 to the accompanying consolidated financial statements contained elsewhere in this Exchange Offer Prospectus.

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 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. Advertising sales expenses consist of costs related to traditional advertising services provided to advertising customers, including salaries, benefits and commissions. Advertising sales expenses increased 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.

Selling, general and administrative expenses. The overall 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):

	Year Ended December 31,					
	2004		2003		2004 over 2003	
	Expenses	% of Revenues	Expenses	% of Revenues	Change	% Change
General and administrative	$ 846	17%	$ 806	18%	$ 40	5%
Marketing	119	3%	103	2%	16	16%
	$ 965	20%	$ 909	20%	$ 56	6%

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 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, bad debt expense of $9 million and costs associated with salaries and benefits of $11 million offset by decreases in and rent expense of $3 million.

Marketing expenses increased as a result of an increased investment in marketing and branding campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by $37 million, or 3%. 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 $2.3 billion impairment charge for the year ended December 31, 2004.

Other operating (income) expenses, net. Other operating income decreased $59 million primarily as a result of an increase in special charges of $83 million related to severance and related costs of our management reduction and realignment in 2004, litigation costs and costs incurred as part of a settlement of the consolidated federal class actions, state derivative actions and federal derivative actions. This was coupled with a decrease of $67 million in the settlement of estimated liabilities recorded in connection with prior business combinations, which based on current facts and circumstances, are no longer required. This was offset by an increase of $91 million in gain on sale of assets as a result of the gain realized on the sale of systems to Atlantic Broadband Finance, LLC which closed in 2004.

Interest expense, net. Net interest expense increased by $181 million, or 33%, from $545 million for the year ended December 31, 2003 to $726 million 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 6.00% in the year ended December 31, 2003 to 7.38% in the year ended December 31, 2004 coupled with an increase of $509 million in average debt outstanding from $8.9 billion in 2003 to $9.4 billion in 2004.

Other income, net. Other income increased $44 million primarily as a result of an increase in net gains on derivative instruments and hedging activities as a result of increases in gains on interest rate agreements that do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Other income in 2004 included the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2004 which did not occur in 2003. Other income also includes the 2% accretion of the preferred membership interests in our indirect subsidiary, CC VIII, and the pro rata share of the profits and losses of

CC VIII.

Income tax benefit (expense). The income tax benefit for the year ended December 31, 2004 was directly related to the impairment of franchises. The deferred tax liabilities of our indirect corporate

subsidiaries decreased as a result of the write-down of franchise assets for financial statement 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 expense recognized in the year ended December 31, 2003 represents increases in the deferred tax liabilities and current federal and state income tax expenses of certain of our indirect corporate subsidiaries.

Income (loss) from discontinued operations, net of tax. Income from discontinued operations, net of tax decreased from $32 million for the year ended December 31, 2003 to loss from discontinued operations, net of tax of $104 million for the year ended December 31, 2005 primarily due to the impairment of franchises recognized in 2004 described above.

Cumulative effect of accounting change, net of tax. Cumulative effect of accounting change of $840 million (net of minority interest effects of $19 million and tax effects of $16 million) in 2004 represents the impairment charge recorded as a result of our adoption of EITF Topic D-108.

Net loss. Net loss increased by $3.5 billion from $15 million in 2003 to $3.5 billion in 2004 as a result of the factors described above. The impact to net loss in 2004 of the impairment of franchises and cumulative effect of accounting change was to increase net loss by approximately $3.0 billion. The impact to net loss in 2003 of the gain on sale of systems and unfavorable contracts and settlements, net of income tax impacts, was to decrease net loss by $93 million.

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.

Recent Financing Transactions

In January 2006, CCH II, LLC and CCH II Capital Corp. issued $450 million of the original notes, the proceeds of which were provided, directly or indirectly, to Charter Operating, which used such funds to reduce borrowings, but not commitments, under the revolving portion of its credit facilities.

In April 2006, Charter Operating completed a $6.85 billion refinancing of its credit facilities including a new $350 million revolving/term facility (which converts to a term loan no later than April 2007), a $5.0 billion term loan due in 2013 and certain amendments to the existing $1.5 billion revolving credit facility. In addition, the refinancing reduced margins on Eurodollar rate Term A & B loans to 2.625% from a weighted average of 3.15% previously and margins on base rate term loans to 1.625% from a weighted average of 2.15% previously. Concurrent with this refinancing, the CCO Holdings bridge loan was terminated.

Our long-term financing as of June 30, 2006 consists of $5.8 billion of credit facility debt and $5.3 billion accreted value of high-yield notes. For the remainder of 2006, none of our debt matures, and in 2007 and 2008, $25 million and $50 million mature, respectively. In 2009 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 these requirements through cash flows from operating activities, borrowings under our credit facilities, equity contributions from our parent companies, sales of assets, issuances of debt securities and cash on hand. However, the mix of funding sources changes from period to period. For the six months ended June 30, 2006, we generated $525 million of net cash flows from operating activities after paying cash interest of $451 million. In addition, we used approximately $539 million for purchases of property, plant and equipment. Finally, we had net cash flows from financing

activities of $69 million. 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 our credit facilities, our and our parent companies access to the debt markets, the timing of possible asset sales and our ability to generate cash flows from operating activities. We continue to explore asset dispositions as one of several possible actions that we could take in the future to improve our liquidity, but we do not presently believe unannounced asset sales to be a significant source of liquidity.

We expect that cash on hand, cash flows from operating activities, proceeds from sale of assets and the amounts available under our credit facilities will be adequate to meet our and our parent companies cash needs through 2007. We believe that cash flows from operating activities and amounts available under our credit facilities may not be sufficient to fund our operations and satisfy our and our parent companies interest and principal repayment obligations in 2008 and will not be sufficient to fund such needs in 2009 and beyond. See Risk Factors Risks Related to Our and Our Subsidiaries Significant Indebtedness We may not generate (or, in general, have available to the applicable obligor) sufficient cash flow or access to additional external liquidity sources to fund our capital expenditures, ongoing operations and debt obligations, including our payment obligations under the Convertible Notes and the CCH II Notes, which could have a material adverse effect on you as holders of the Convertible Notes and the CCH II Notes. We have been advised that Charter continues to work with its financial advisors in its approach to addressing liquidity, debt maturities and our overall balance sheet leverage.

Debt Covenants

Our ability to operate depends upon, among other things, our continued access to capital, including credit under the Charter Operating credit facilities. The Charter Operating credit facilities, along with our indentures, contain certain restrictive covenants, some of which require us to maintain specified financial ratios and meet financial tests and to provide annual audited financial statements with an unqualified opinion from our independent auditors. As of June 30, 2006, we are in compliance with the covenants under our indentures and credit facilities, and we expect to remain in compliance with those covenants for the next twelve months. As of June 30, 2006, our potential availability under our credit facilities totaled approximately $900 million, none of which was limited by covenant restrictions. In the past, our actual availability under our credit facilities has been limited by covenant restrictions. There can be no assurance that our actual availability under our credit facilities will not be limited by covenant restrictions in the future. However, pro forma for the closing of the asset sales on July 1, 2006, and the related application of net proceeds to repay amounts outstanding under our revolving credit facilities, potential availability under our credit facilities as of June 30, 2006 would have been approximately $1.7 billion, although actual availability would have been limited to $1.3 billion because of limits imposed by covenant restrictions. Continued access to our credit facilities is subject to our remaining in compliance with these covenants, including covenants tied to our operating performance. If any events of non-compliance occur, 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 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. See Risk Factors Risks Related to Our and Our Subsidiaries Significant Indebtedness Charter Operating may not be able to access funds under its credit facilities if it fails to satisfy the covenant restrictions in its credit facilities, which could adversely affect our financial condition and our ability to conduct our business.

Parent Company Debt Obligations

Any financial or liquidity problems of our parent companies could cause serious disruption to our business and have a material adverse effect on our business and results of operations. A failure by Charter Holdings, CIH or CCH I to satisfy their debt payment obligations or a bankruptcy filing with respect to Charter Holdings, CIH or CCH I would give the lenders under our credit facilities the right to accelerate the payment obligations under these facilities. Any such acceleration would be a default under the

indenture governing our notes. On a consolidated basis, our parent companies have a significant level of debt, which, including our debt, totaled approximately $19.9 billion as of June 30, 2006, as discussed below.

Charter s ability to make interest payments on its convertible senior notes, and, in 2009, to repay the outstanding principal of its convertible senior notes of $ $863 million will depend on its ability to raise additional capital and/or on receipt of payments or distributions from Charter Holdco and its subsidiaries. As of June 30, 2006, Charter Holdco was owed $3 million in intercompany loans from its subsidiaries, which were available to pay interest and principal on Charter s convertible senior notes. In addition, Charter has $74 million of governmental securities pledged as security for the next three scheduled semi-annual interest payments on Charter s 5.875% convertible senior notes.

As of June 30, 2006, Charter Holdings, CIH and CCH I had approximately $7.8 billion principal amount of high-yield notes outstanding with approximately $105 million, $0, $684 million and $7.0 billion maturing in 2007, 2008, 2009 and thereafter, respectively. Charter, Charter Holdings, CIH and CCH I will need to raise additional capital or receive distributions or payments from us in order to satisfy their debt obligations. However, because of their significant indebtedness, our ability and the ability of our parent companies to raise additional capital at reasonable rates or at all is uncertain. During the six months ended June 30, 2006, we distributed $420 million of cash to our parent company.

Distributions by Charter s subsidiaries to a parent company (including Charter, CCHC, Charter Holdco, Charter Holdings, CIH and CCH I) for payment of principal on parent company notes are restricted under the indentures governing the CIH notes, CCH I notes, CCH II Notes, CCO Holdings notes and Charter Operating notes unless there is no default under the applicable indenture, each applicable subsidiary s leverage ratio test is met at the time of such distribution and, in the case of Charter s convertible senior notes, other specified tests are met. For the quarter ended June 30, 2006, there was no default under any of these indentures and each such subsidiary met its applicable leverage ratio tests based on June 30, 2006 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at such time. In the past, certain subsidiaries have from time to time failed to meet their leverage ratio test. There can be no assurance that they will satisfy these tests at the time of such distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in the credit facilities.

Distributions by CIH, CCH I, CCH II, CCO Holdings and Charter Operating to a parent company for payment of parent company interest are permitted if there is no default under the aforementioned indentures. However, distributions for payment of interest on Charter s convertible senior notes are further limited to when each applicable subsidiary s leverage ratio test is met and other specified tests are met. There can be no assurance that they will satisfy these tests at the time of such distribution.

Distributions to our parent companies may also be subject to certain restrictions under applicable law. See Risks Related to Our and Our Subsidiaries Significant Indebtedness Because of our holding company structure, our outstanding notes are structurally subordinated in right of payment to all liabilities of our subsidiaries. Restriction in our subsidiaries debt instruments and under applicable law limit their ability to provide funds to us. While we believe that we and our parent companies currently have surplus and are not insolvent, there can be no assurance that we and our parent companies will be permitted to make distributions in the future in compliance with these restrictions in amounts needed to service all their indebtedness, including the Convertible Notes.

Specific Limitations at Charter Holdings

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 June 30, 2006, there was no default under Charter Holdings indentures and Charter Holdings met its leverage ratio test based on June 30, 2006 financial results. Such distributions would be

restricted, however, if Charter Holdings fails to meet these tests at such time. In the past, Charter Holdings has from time to time failed to meet this leverage ratio test. There can be no assurance that Charter Holdings will satisfy these tests at the time of such distribution. During periods in which distributions are restricted, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments (that are not restricted payments) in Charter Holdco or Charter up to an amount determined by a formula, as long as there is no default under the indentures.

Our ability to incur additional debt may be limited by the restrictive covenants in our indentures and credit facilities. 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 at a parent company level, the proceeds of which could be loaned or contributed to us;
- issuing debt securities that may have structural or other priority over our existing notes;
- 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 find it necessary to engage in a recapitalization or other similar transaction, our noteholders might not receive principal and interest payments to which they are contractually entitled.

Sale of Assets

In July 2006, we closed the transactions with Cebridge and New Wave for net proceeds of approximately $896 million. We used the net proceeds from the asset sales to repay (but not reduce permanently) amounts outstanding under our revolving credit facility. The transaction with Orange is scheduled to close in the third quarter of 2006.

In July 2005, we closed the sale of certain cable systems in Texas and West Virginia and closed the sale of an additional cable system in Nebraska in October 2005 for a total sales price of approximately $37 million, representing a total of approximately 33,000 customers.

Acquisition

In January 2006, we closed the purchase of certain cable systems in Minnesota from Seren Innovations, Inc. We acquired approximately 17,500 analog video customers, 8,000 digital video customers, 13,200 high-speed Internet customers and 14,500 telephone customers for a total purchase price of approximately $42 million.

Table of Contents

Summary of Outstanding Contractual Obligations

The following table summarizes our payment obligations as of December 31, 2005 under our long-term debt and certain other contractual obligations and commitments (dollars in millions).

		Payments by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Long-Term Debt Principal Payments(1)	$ 10,629	$ 30	$ 1,024	$ 4,142	$ 5,433
Long-Term Debt Interest Payments(2)	4,231	746	1,478	1,396	611
Payments on Interest Rate Instruments(3)	18	8	10		
Capital and Operating Lease Obligations(1)	94	20	27	23	24
Programming Minimum Commitments(4)	1,253	342	678	233	
Other(5)	301	146	70	42	43
Total	$ 16,526	$ 1,292	$ 3,287	$ 5,836	$ 6,111

(1) The table presents maturities of long-term debt outstanding as of December 31, 2005. Refer to Description of Other Indebtedness and Notes 9 and 22 to our December 31, 2005 consolidated financial statements included in this Exchange Offer Prospectus 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, 2005 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, 2005. 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 rates applicable for the quarter during the interest rate reset based on the yield curve in effect at December 31, 2005.

(4) We pay programming fees under multi-year contracts ranging from three to ten 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 statements of operations were approximately $1.4 billion, $1.3 billion and $1.2 billion for the years ended December 31, 2005, 2004 and 2003, 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 related to continuing

operations for the years ended December 31, 2005, 2004 and 2003, was $44 million, $42 million and $38 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 related to continuing operations included in the accompanying statements of operations were

$165 million, $159 million and $157 million for the years ended December 31, 2005, 2004 and 2003, respectively.

We also have $165 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

Our cash flows include the cash flows related to our discontinued operations for all periods presented.

We held $44 million in cash and cash equivalents as of June 30, 2006 compared to $3 million as of December 31, 2005. For the six months ended June 30, 2006, we generated $525 million of net cash flows from operating activities after paying cash interest of $451 million. In addition, we used approximately $539 million for purchases of property, plant and equipment. Finally, we had net cash flows from financing activities of $69 million.

Operating Activities. Net cash provided by operating activities increased $56 million, or 12%, from $469 million for the six months ended June 30, 2005 to $525 million for the six months ended June 30, 2006. For the six months ended June 30, 2006, net cash provided by operating activities increased primarily as a result of changes in operating assets and liabilities that provided $117 million more cash during the six months ended June 30, 2006 than the corresponding period in 2005 offset with an increase in cash interest expense of $78 million over the corresponding prior period.

Net cash provided by operating activities decreased $125 million, or 12%, from $1.0 billion for the year ended December 31, 2004 to $884 million for the year ended December 31, 2005. For the year ended December 31, 2005, net cash provided by operating activities decreased primarily as a result of an increase in cash interest expense of $128 million over the corresponding prior period.

Net cash provided by operating activities decreased $312 million, or 24%, from $1.3 billion for the year ended December 31, 2003 to $1.0 billion 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 used $114 million more cash during the year ended December 31, 2004 than the corresponding period in 2003 and an increase in cash interest expense of $192 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.

Investing Activities. Net cash used by investing activities for the six months ended June 30, 2006 and 2005 was $553 million and $472 million, respectively. Investing activities used $81 million more cash during the six months ended June 30, 2006 than the corresponding period in 2005 primarily as a result of increased cash used for capital expenditures in 2006 coupled with cash used for the purchase of cable systems discussed above.

Net cash used in investing activities for the years ended December 31, 2005 and 2004 was $1.0 billion and $191 million, respectively. Investing activities used $827 million more cash during the year ended December 31, 2005 than the corresponding period in 2004 primarily as a result of cash provided by proceeds from the sale of certain cable systems to Atlantic Broadband Finance, LLC in 2004 which did not recur in 2005 combined with increased cash used for capital expenditures.

Net cash used in investing activities for the years ended December 31, 2004 and 2003 was $191 million and $757 million, respectively. Investing activities used $566 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.

Financing Activities. Net cash provided by financing activities was $69 million for the six months ended June 30, 2006 and net cash used in financing activities was $521 million for the six months ended June 30, 2005. The increase in cash provided during the six months ended June 30, 2006 as compared to the corresponding period in 2005, was primarily the result of proceeds from the issuance of debt.

Net cash used in financing activities was $409 million and $357 million for the years ended December 31, 2005 and 2004, respectively. The increase in cash used during the year ended December 31, 2005, as compared to the corresponding period in 2004, was primarily the result of an increase in distributions offset by a decrease in payments for debt issuance costs.

Net cash used in financing activities for the year ended December 31, 2004 and 2003 was $357 million and $789 million, respectively. The decrease in cash used 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.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $539 million, $542 million, $1.1 billion, $893 million and $804 million for the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, respectively. Capital expenditures increased as a result of increased spending on customer premise equipment as a result of increases in digital video, high-speed Internet and telephone customers. See the table below for more details.

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 six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, our liabilities related to capital expenditures decreased $9 million, increased $48 million and $13 million and decreased $33 million and $41 million, respectively.

During 2006, we expect capital expenditures to be approximately $1.0 billion to $1.1 billion. We expect that the nature of these expenditures will continue to be composed primarily of purchases of customer premise equipment related to telephone and other advanced services, support capital and for scalable infrastructure costs. We expect to fund capital expenditures for 2006 primarily from cash flows from operating activities, proceeds from asset sales 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 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 generally accepted accounting principles (GAAP), nor do they impact our accounting for capital expenditures under GAAP.

Table of Contents

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003 (dollars in millions):

	For the Six Months Ended June 30,		For the Years Ended December 31,		
	2006	2005	2005	2004	2003
Customer premise equipment(a)	$ 258	$ 228	$ 434	$ 451	$ 380
Scalable infrastructure(b)	97	89	174	108	66
Line extensions(c)	59	77	134	131	130
Upgrade/Rebuild(d)	23	22	49	49	132
Support capital(e)	102	126	297	154	96
Total capital expenditures	$ 539	$ 542	$ 1,088	$ 893	$ 804

(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 boxes and cable modems, etc.).

(b) Scalable infrastructure includes costs, not related to customer premise equipment or our network, to secure growth of new customers, revenue units and additional bandwidth revenues or provide service enhancements (e.g., headend equipment).

(c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).

(d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.

(e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).

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 June 30, 2006 and December 31, 2005, our long-term debt totaled approximately $11.1 billion and $10.6 billion, respectively. This debt was comprised of approximately $5.8 billion and $5.7 billion of credit facility

debt and $5.3 billion and $4.9 billion accreted amount of high-yield notes, respectively.

As of June 30, 2006 and December 31, 2005, the weighted average interest rate on the credit facility debt was approximately 8.0% and 7.8%, respectively, and the weighted average interest rate on our high-yield notes was approximately 9.2% and 9.0%, respectively, resulting in a blended weighted average interest rate of 8.6% and 8.3%, respectively. The interest rate on approximately 58% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate hedge agreements as of March 31, 2006 and December 31, 2005. The fair value of our high-yield notes was $5.3 billion and

$4.8 billion at March 31, 2006 and December 31, 2005, respectively. The fair value of our credit facilities was $5.8 billion and $5.7 billion at March 31, 2006 and December 31, 2005, respectively. The fair value of high-yield 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. 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 six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, other income includes gains of $2 million, $1 million, $3 million, $4 million and $8 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 six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, a gain of $0 and $9 million, $16 million, $42 million and $48 million, respectively, related to derivative instruments designated as cash flow hedges, was recorded in accumulated other comprehensive loss. 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 other income in our statements of operations. For the six months ended June 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, other income includes gains of $9 million, $25 million, $47 million, $65 million and $57 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 June 30, 2006 (dollars in millions):

	2006	2007	2008	2009	2010	2011	Thereafter	Total	Fair Value at June 30, 2006
Debt:									
Fixed Rate	$	$	$	$	$ 2,051	$	$ 2,670	$ 4,721	$ 4,693
Average Interest Rate					10.25%		8.33%	9.17%	
Variable Rate	$	$ 25	$ 50	$ 50	$ 600	$ 850	$ 4,775	$ 6,350	$ 6,359
Average Interest Rate		8.21%	8.14%	8.22%	9.64%	8.66%	8.39%	8.75%	
Interest Rate Instruments:									
Variable to Fixed Swaps	$ 898	$ 875	$	$	$	$	$	$ 1,773	$ 6
Average Pay Rate	7.70%	7.58%						7.64%	
Average Receive Rate	8.33%	8.31%						8.32%	

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 June 30, 2006.

At June 30, 2006 and December 31, 2005, we had outstanding $1.8 billion and $1.8 billion and $20 million and $20 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.

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 153, *Exchanges of Non-monetary Assets An Amendment of APB No. 29*. This statement eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance that is, transactions that are not expected to result in significant changes in the cash flows of the reporting entity. We adopted this pronouncement effective April 1, 2005. The exchange transaction discussed in Note 3 to our consolidated financial statements included elsewhere in this Exchange Offer Prospectus, was accounted for under this standard.

In December 2004, the FASB 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 was effective for us beginning January 1, 2006. 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.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. This interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. This pronouncement is effective for fiscal years ending after December 15, 2005. The adoption of this interpretation did not have a material impact on our financial statements.

In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. We will adopt FIN 48 effective January 1, 2007. We are currently assessing the impact of FIN 48 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.

Table of Contents

CCHC, LLC, CCH II, LLC AND CCH II CAPITAL CORP.

We are registering 45,000,000 shares of Class A Common Stock and $146,250,000.00 principal amount of CCH II Notes for exchange by CCHC, LLC, CCH II, LLC and CCH II Capital Corp. CCHC is an indirect subsidiary of Charter. CCH II, LLC is a wholly-owned indirect subsidiary of CCHC, and CCH II Capital Corp. is a wholly-owned subsidiary of CCH II, LLC. The Class A Common Stock and the CCH II Notes are being registered to permit the exchange of such securities, as part of the Exchange Consideration, for the outstanding Convertible Notes validly tendered and not validly withdrawn in accordance with the terms of the Exchange Offer.

As of September 12, 2006, CCHC beneficially owned no shares of Class A Common Stock. The Class A Common Stock offered hereby will be contributed to CCHC immediately prior to the settlement. CCHC will hold no shares of Class A Common Stock subsequent to the offering.

CCH II, LLC and CCH II Capital Corp. will issue the CCH II Notes on the Settlement Date.

BACKGROUND OF THE EXCHANGE OFFER

In recent years, we have pursued opportunities to improve our liquidity. Our efforts in this regard have resulted in the completion of a number of financing transactions in 2005 and 2006, as follows:

- the July 2006 sale of cable systems to Cebridge and New Wave for proceeds of approximately $896 million;

- the April 2006 refinancing of our existing credit facilities (see Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter Liquidity and Capital Resources Recent Financing Transactions and Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Liquidity and Capital Resources Recent Financing Transactions included elsewhere in this Exchange Offer Prospectus);

- the January 2006 sale by CCH II of an additional $450 million principal amount of the CCH II Notes;

- the September 2005 exchange by Charter Holdings, CCH I and CIH of approximately $6.8 billion in total principal amount of outstanding debt securities of Charter Holdings in a private placement for new debt securities;

- the August 2005 sale by CCO Holdings and CCO Holdings Capital Corp., of $300 million of $8^{3}/4$% senior notes due 2013;

- the March and June 2005 issuance of $333 million of Charter Operating notes in exchange for $346 million of Charter Holdings notes;

- the repurchase during 2005 of $136 million of Charter s 4.75% convertible senior notes due 2006 leaving $20 million in principal amount outstanding (which were subsequently redeemed); and

- the March 2005 redemption of all of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 at a total cost of $122 million.

This Exchange Offer and the Private Exchange Offer represent similar opportunities to improve our liquidity by extending maturities and reducing our overall indebtedness. As with the September 2005 exchange offers, the timing of this Exchange Offer and the Private Exchange Offer is based on our ability to incur indebtedness under the financial covenants contained in our various debt instruments and the current trading prices of the subject securities in each offer.

Table of Contents

DESCRIPTION OF THE EXCHANGE OFFER

General

The Exchange Consideration offered per $1,000 principal amount of Convertible Notes validly tendered for exchange and not validly withdrawn on or prior to the Expiration Date consists of:

- $417.75 in cash,
- 100 shares of Charter s Class A Common Stock, and
- $325.00 principal amount of CCH II Notes.

The Exchange Offer is not conditioned on a minimum amount of Convertible Notes being tendered. The Offerors will not accept for exchange more than the Maximum Amount. As a result, if more than the Maximum Amount of Convertible Notes is validly tendered and not validly withdrawn, the Offerors will accept Convertible Notes from each Holder pro rata, based on the total principal amount of Convertible Notes validly tendered and not validly withdrawn.

In addition to the Exchange Consideration the Offerors will pay the accrued interest on the Convertible Notes from and after the last interest payment date (which was May 16, 2006) up to, but not including, the Settlement Date.

The CCH II Notes being offered as part of the Exchange Consideration will be issued under a temporary CUSIP number until the next interest payment date which is expected to be September 15, 2006, at which time it is expected that they will be mandatorily merged into the existing CUSIP number of approximately $1.6 billion outstanding principal amount of CCH II Notes. CCH II Notes will be issued only in minimum denominations of $1,000 and integral multiples of $1,000. If, under the terms of the Exchange Offer, any tendering Holder is entitled to receive CCH II Notes in a principal amount that is not an integral multiple of $1,000, the Offerors will round downward the amount of CCH II Notes to the nearest integral multiple of $1,000.

Tendered Convertible Notes may be validly withdrawn at any time up until 11:59 p.m., New York City time, on the Expiration Date. In the event of a termination of the Exchange Offer, Convertible Notes tendered pursuant to the Exchange Offer will be promptly returned to the tendering Holders.

The Offerors obligation to accept for exchange and to pay the related Exchange Consideration is conditioned upon satisfaction of the conditions, including effectiveness of the Registration Settlement as set forth in Description of the Exchange Offer Conditions to the Exchange Offer. As described therein, subject to applicable securities laws and the terms set forth in this Exchange Offer Prospectus, the Offerors reserve the right, prior to the expiration of the Exchange Offer on the Expiration Date:

- to waive any and all conditions to the Exchange Offer;
- to extend the Exchange Offer;
- to terminate the Exchange Offer, but only if any condition to the Exchange Offer is not satisfied (see Conditions to the Exchange Offer); or
- otherwise to amend the Exchange Offer in any respect; however, the Offerors do not currently intend to change the amount of Class A Common Stock offered to more than 134 shares or less than 67 shares per $1,000 principal amount of Convertible Notes.

Any amendment to the Exchange Offer will apply to all Convertible Notes tendered pursuant to the Exchange Offer. Any extension, amendment or termination will be followed promptly by public announcement thereof, the announcement in the case of an extension of the Exchange Offer to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which any public announcement may be made, the Offerors shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a release to the Dow Jones News Service.

If the Offerors make a material change in the terms of the Exchange Offer or the information concerning the Exchange Offer, the Offerors will promptly amend the Exchange Offer materials, disseminate notice of such change to Holders, extend such Exchange Offer to the extent required by law and, if required, promptly file a post-effective amendment to the registration statement relating to the Exchange Offer.

Neither Charter, CCHC, CCH II, their subsidiaries nor their respective Boards of Directors make any recommendation as to whether Holders should exchange their Convertible Notes pursuant to the Exchange Offer or unwind any hedged positions with respect to the Convertible Notes. Holders must make their own decisions with regard to tendering their Convertible Notes.

Accounting Treatment

Charter will consider the fair value of consideration to be issued versus the book value of Convertible Notes tendered and will record the resulting anticipated gain on the transaction on our consolidated statement of operations in the period the transaction closes. CCH II will record the fair value of CCH II Notes issued in long-term debt and will record the fair value of the Convertible Notes received by CCH II as a reduction of member s equity of CCH II. See Unaudited Pro Forma Consolidated Financials.

Purchases of Convertible Notes

The Offerors and their affiliates reserve the right, in their absolute discretion, to purchase or make offers to purchase any Convertible Notes that remain outstanding subsequent to the Expiration Date and, to the extent permitted by applicable law, purchase Convertible Notes in the open market, in privately negotiated transactions or otherwise, but have no current plans to do so. The terms of any such purchases or offers could differ from the terms of the Exchange Offer.

Acceptance of Convertible Notes for Exchange and Payment of Exchange Consideration

Upon the terms and subject to the conditions of the Exchange Offer (including, if the Exchange Offer is extended or amended, the terms and conditions of any such extension or amendment) and applicable law, the Offerors will accept for exchange, and promptly exchange pursuant to the terms and conditions of the Exchange Offer and will pay the Exchange Consideration in respect of, all Convertible Notes validly tendered pursuant to the Exchange Offer (and not validly withdrawn, or if withdrawn, then validly re-tendered). Such payment shall be made by the deposit of the Exchange Consideration by the Offerors promptly after the Expiration Date with the Exchange Agent, which will act as agent for exchanging Holders for the purpose of receiving the Exchange Consideration from the Offerors and transmitting such Exchange Consideration to exchanging Holders. Subject to the terms of this Exchange Offer, the Offerors intend to deposit the Exchange Consideration with the Exchange Agent or to return tendered Convertible Notes, as applicable, on or about the third business day following the Expiration Date. Under no circumstances will interest on the Exchange Consideration, as applicable, be paid by the Offerors by reason of any delay on behalf of the Exchange Agent in making payment. In all cases, payment by the Exchange Agent to Holders or beneficial owners of the Exchange Consideration for Convertible Notes tendered pursuant to the Exchange Offer will be made only after receipt by the Exchange Agent of (1) timely confirmation of a book-entry transfer of such Convertible Notes into the Exchange Agent s account at DTC pursuant to the procedures set forth in the section Procedure for Tendering Convertible Notes, (2) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or a properly transmitted Agent s Message (as defined below) through ATOP and (3) any other documents required by the Letter of Transmittal.

For purposes of the Exchange Offer, Convertible Notes tendered will be deemed to have been accepted for tender and payment of Exchange Consideration, if, as and when the Offerors give oral or written notice thereof to the Exchange Agent.

Table of Contents

Tendering Holders will not be obligated to pay brokerage fees or commissions to the Dealer Managers, the Information Agent, the Exchange Agent or us, or, except as set forth in Instruction 7 of the Letter of Transmittal, transfer taxes on the payment of the Exchange Consideration.

Optional Settlement Procedure

As described under Description of Capital Stock and Membership Units Share Lending Agreement below, as of June 30, 2006, Charter has loaned to CGML 116.9 million shares of Class A Common Stock to facilitate the placement of the Convertible Notes. To the extent you tender Convertible Notes in the Exchange Offer, and you have entered into a share loan agreement with CGML pursuant to which you have, as of the Acceptance Date of the Exchange Offer, an open borrow position thereunder, you may, at your option, elect the settlement of Class A Common Stock to be issued by Charter as part of the Exchange Consideration through the settlement procedure described below. Any such election may be made:

- if you hold your Convertible Notes in book-entry form through DTC, by instructing your nominee to make such an election on your behalf in accordance with DTC procedures; or
- otherwise, by making such an election in the Letter of Transmittal and delivery of such Letter of Transmittal in accordance with the procedures described under Procedures for Tendering Convertible Notes below.

If you validly make such an election as described above, any Class A Common Stock you are entitled to receive as a component of the Exchange Consideration will be issued by Charter to CGML, or an affiliate, and used, to the extent you have, as of the Acceptance Date, an outstanding obligation to return shares of our Class A Common Stock under the share loan agreement, to satisfy a corresponding portion of such return obligation to CGML. Such share deliveries will be deemed to occur on the Acceptance Date and will be used, on such date, to satisfy your return obligation to CGML. Although it has no obligation to do so, we anticipate that CGML will contemporaneously return such shares to Charter under the Share Lending Agreement on such date. In lieu of actual issuances of shares by Charter to CGML or an affiliate, and return of those shares to CGML under our share loan agreement, CGML and Charter may agree to deem your obligation to deliver those shares to CGML and CGML s obligation to deliver those shares to Charter to be mutually satisfied as of the Acceptance Date.

Procedure for Tendering Convertible Notes

If you wish to participate in the Exchange Offer and your Convertible Notes are held by a custodial entity such as a bank, broker, dealer, trust company or other nominee, you must instruct that custodial entity to tender your Convertible Notes on your behalf pursuant to the procedures of that custodial entity.

To participate in the Exchange Offer, you must either:

- complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions in the Letter of Transmittal, including guaranteeing the signatures to the Letter of Transmittal, if required, and mail or otherwise deliver the Letter of Transmittal or a facsimile thereof, to the Exchange Agent at one of its addresses listed on the back cover page of this Exchange Offer Prospectus, for receipt on or prior to the Expiration Date; or
- comply with the ATOP procedures for book-entry transfer described below on or prior to the Expiration Date.

The Exchange Agent and DTC have confirmed that the Exchange Offer is eligible for ATOP. The Letter of Transmittal, or a facsimile thereof, with any required signature guarantees, or, in the case of book-entry transfer, an Agent s Message in lieu of the Letter of Transmittal, and any other required documents, must be transmitted to and received by the Exchange Agent on or prior to the Expiration Date at one of its addresses listed on the back cover page of this Exchange Offer Prospectus. Convertible Notes will not be deemed to have been tendered until the Letter of Transmittal and signature guarantees, if any, or Agent s Message, is received by the Exchange Agent.

The method of delivery of the Letter of Transmittal, and all other required documents to the Exchange Agent is at the election and risk of the Holder. Holders should use an overnight or hand-delivery service, properly insured. In all cases, sufficient time should be allowed to assure delivery to and receipt by the Exchange Agent on or prior to the Expiration Date. Do not send the Letter of Transmittal to anyone other than the Exchange Agent.

If you are tendering your Convertible Notes and anticipate delivering your Letter of Transmittal and other documents other than through DTC, we urge you to contact promptly a bank, broker or other intermediary that has the capability to hold the Convertible Notes custodially through DTC to arrange for receipt of the Exchange Consideration and to obtain the information necessary to provide the required DTC participant with account information in the Letter of Transmittal.

Book-Entry Delivery Procedures for Tendering Convertible Notes Held with DTC

If you wish to tender Convertible Notes held on your behalf by a nominee with DTC, you must:

inform your nominee of your interest in tendering your Convertible Notes pursuant to the Exchange Offer; and

instruct your nominee to tender all Convertible Notes you wish to be tendered in the Exchange Offer into the Exchange Agent s account at DTC on or prior to the Expiration Date.

Any financial institution that is a nominee in DTC, including Euroclear and Clearstream, must tender Convertible Notes by effecting a book-entry transfer of Convertible Notes to be tendered in the Exchange Offer into the account of the Exchange Agent at DTC by electronically transmitting its acceptance of the Exchange Offer through the ATOP procedures for transfer. DTC will then verify the acceptance, execute a book-entry delivery to the Exchange Agent s account at DTC and send an Agent s Message to the Exchange Agent. An Agent s Message is a message, transmitted by DTC to, and received by, the Exchange Agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from an organization that participates in DTC, which the Offerors refer to as a participant, tendering Convertible Notes that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Offerors may enforce the agreement against the participant. A Letter of Transmittal need not accompany tenders effected through ATOP.

Proper Execution and Delivery of the Letter of Transmittal

Signatures on a Letter of Transmittal or notice of withdrawal described under Withdrawal of Tendered Convertible Notes, as applicable, must be guaranteed by an eligible guarantor institution unless the Convertible Notes tendered pursuant to the Letter of Transmittal are tendered for the account of an eligible guarantor institution. An eligible guarantor institution is one of the following firms or other entities identified in Rule 17Ad-15 under the Exchange Act (as the terms are used in Rule 17Ad-15):

(1) a bank;

(2) a broker, dealer, municipal securities dealer, municipal securities broker, government securities dealer or government securities broker;

(3) a credit union;

(4) a national securities exchange, registered securities association or clearing agency; or

(5) a savings institution that is a participant in a Securities Transfer Association recognized program.

If signatures on a Letter of Transmittal or notice of withdrawal are required to be guaranteed, that guarantee must be made by an eligible guarantor institution.

If the Letter of Transmittal is signed by the Holders of Convertible Notes tendered thereby, the signatures must correspond with the names as written on the face of the Convertible Notes without any

alteration, enlargement or any change whatsoever. If any of the Convertible Notes tendered thereby are held by two or more Holders, each of those Holders must sign the Letter of Transmittal. If any of the Convertible Notes tendered thereby are registered in different names on different Convertible Notes, it will be necessary to complete, sign and submit as many separate Letters of Transmittal, and any accompanying documents, as there are different registrations of certificates.

If Convertible Notes that are not tendered for exchange pursuant to the Exchange Offer are to be returned to a person other than the tendering holder, certificates for those Convertible Notes must be endorsed or accompanied by an appropriate instrument of transfer, signed exactly as the name of the registered owner appears on the certificates, with the signatures on the certificates or instruments of transfer guaranteed by an eligible institution.

If the Letter of Transmittal is signed by a person other than the Holder of any Convertible Notes listed in the Letter of Transmittal, those Convertible Notes must be properly endorsed or accompanied by a properly completed bond power, signed by the Holder exactly as the Holder s name appears on those Convertible Notes. If the Letter of Transmittal or any Convertible Notes, bond powers or other instruments of transfer are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing, and, unless waived by us, evidence satisfactory to us of their authority to so act must be submitted with the Letter of Transmittal.

No conditional, irregular or contingent tenders will be accepted. By executing the Letter of Transmittal, or facsimile thereof, the tendering Holders of Convertible Notes waive any right to receive any notice of the acceptance for exchange of their Convertible Notes. Tendering Holders should indicate in the applicable box in the Letter of Transmittal the name and address to which payments or substitute certificates evidencing Convertible Notes for amounts not tendered or not exchanged are to be issued or sent, if different from the name and address of the person signing the Letter of Transmittal. If those instructions are not given, Convertible Notes not tendered or exchanged will be returned to the tendering Holder.

Determination of Validity

All questions as to the validity, form, eligibility, including time of receipt, and acceptance and withdrawal of tendered Convertible Notes, will be determined by the Offerors in their absolute discretion, which determination will be final and binding. The Offerors reserve the absolute right to reject any and all tendered Convertible Notes determined by the Offerors not to be in proper form or not to be tendered properly or any tendered Convertible Notes the acceptance of which by the Offerors would, in the opinion of their counsel, be unlawful. The Offerors also reserve the right to waive, in their absolute discretion, any defects or irregularities of tender as to particular Convertible Notes, whether or not waived in the case of other Convertible Notes. The Offerors interpretation of the terms of the Exchange Offer, including the terms and instructions in the Letter of Transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Convertible Notes must be cured within the time the Offerors determine. Although the Offerors intend to notify Holders of defects or irregularities with respect to tenders of Convertible Notes, neither the Offerors, the Exchange Agent, the Information Agent, the Dealer Managers nor any other person will be under any duty to give that notification or incur any liability for failure to give that notification. Tenders of Convertible Notes will not be deemed to have been made until any defects or irregularities have been cured or waived.

Any Holder whose Convertible Notes have been mutilated, lost, stolen or destroyed will be responsible for obtaining replacement securities or for arranging for indemnification with the trustee of the Convertible Notes. Holders may contact the Information Agent for assistance with these matters.

Withdrawal of Tendered Convertible Notes

Convertible Notes previously tendered may be withdrawn at any time up until 11:59 p.m., New York City time, on the Expiration Date. In the event of a termination of the Exchange Offer, the Convertible

Table of Contents

Notes tendered pursuant to the Exchange Offer will be promptly returned to the tendering Holders. In addition, even after the Expiration Date, if the Offerors have not accepted for payment any validly tendered Convertible Notes, such Convertible Notes may be withdrawn 60 days after commencement of the Exchange Offer.

For a withdrawal of tendered Convertible Notes to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be received by the Exchange Agent on or prior to 11:59 p.m., New York City time, on the Expiration Date at its address set forth on the back cover of this Exchange Offer Prospectus. Any such notice of withdrawal must:

- specify the name of the person who tendered the Convertible Notes to be withdrawn;

- contain the description of the Convertible Notes to be withdrawn and the aggregate principal amount represented by such Convertible Notes; and

- be signed by the Holder of such Convertible Notes in the same manner as the original signature on the Letter of Transmittal by which such Convertible Notes were tendered (including any required signature guarantees), if any, or be accompanied by (x) documents of transfer sufficient to have the Trustee register the transfer of the Convertible Notes to the name of the person withdrawing such Convertible Notes and (y) a properly completed irrevocable proxy that authorized such person to effect such revocation on behalf of such Holder.

If the Convertible Notes to be withdrawn have been delivered or otherwise identified to the Exchange Agent, a signed notice of withdrawal is effective immediately upon written or facsimile notice of withdrawal even if physical release is not yet effected. Any Convertible Notes validly withdrawn will be deemed to be not validly tendered for purposes of the Exchange Offer.

Withdrawal of Convertible Notes can be accomplished only in accordance with the foregoing procedures.

All questions as to the validity (including time of receipt) of notices of withdrawal will be determined by the Offerors in their sole discretion, and their determination shall be final and binding. None of the Offerors, the Exchange Agent, the Dealer Managers, the Information Agent, the Trustee or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal, or incur any liability for failure to give any such notification.

Backup Withholding

To prevent United States federal income tax backup withholding, each tendering Holder of Convertible Notes that is a United States person generally must provide the Exchange Agent with such Holder s correct taxpayer identification number and certify that such Holder is not subject to United States federal income tax backup withholding by completing the Substitute Form W-9 included in the Letter of Transmittal. Each tendering Holder of Convertible Notes that is not a United States person generally will be subject to a 30% withholding tax unless such Holder provides the Exchange Agent with an applicable Form W-8BEN or W-8ECI to demonstrate exemption from withholding or a reduced rate of withholding. For a discussion of the material United States federal income tax consequences relating to backup withholding, see Certain U.S. Federal Income Tax Consequences.

Conditions to the Exchange Offer

Notwithstanding any other provision of the Exchange Offer and in addition to (and not in limitation of) the Offerors right to extend and/or amend the Exchange Offer, the Offerors and their affiliates shall not be required to accept for exchange pursuant to the Exchange Offer, pay Exchange Consideration in respect of, and may delay the acceptance for tender and payment of Exchange Consideration in respect of, any Convertible Notes tendered pursuant to the Exchange Offer, in each event subject to Rule 14e-l(c)

under the Exchange Act, and may terminate the Exchange Offer, if the registration statement has not been declared effective by the SEC by the Expiration Date or if any of the following have occurred:

(1) the Offerors and their affiliates are not in compliance, after taking into account the effects of the Exchange Offer, the Private Exchange Offer and other relevant events, with the covenants and other restrictions contained in the agreements governing our indebtedness and other obligations, excluding any actions or omissions by the Offerors that are intended to allow the Offerors to assert this condition;

(2) there shall have been instituted, threatened or be pending any action or proceeding (or there shall have been any material adverse development to any action or proceeding currently instituted, threatened or pending) before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the Exchange Offer that, in the Offerors reasonable judgment, either (a) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets or liabilities of Charter and its subsidiaries, taken as a whole, or (b) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer;

(3) an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in the Offerors reasonable judgment, either (a) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets or liabilities of Charter and its subsidiaries, taken as a whole, or (b) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer;

(4) there shall have occurred or be likely to occur any event affecting the business or financial affairs of Charter that, in the Offerors reasonable judgment, would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer;

(5) the Trustee shall have objected in any respect to, or taken action that could, in the Offerors reasonable judgment, adversely affect the consummation of, the Exchange Offer or shall have taken any action that challenges the validity or effectiveness of the procedures used by us in the making of the Exchange Offer or the acceptance for exchange of, or payment of Exchange Consideration in respect of, Convertible Notes tendered pursuant to the Exchange Offer; or

(6) there has occurred (a) any general suspension of, or limitation on prices for, trading in securities in the United States securities or financial markets, (b) any decline of more than 10% in the price of the Convertible Notes since the date of commencement of the Exchange Offer, (c) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or other major financial markets, (d) any limitation (whether or not mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in the Offerors reasonable judgment, might affect the extension of credit by banks or other lending institutions, (e) a commencement of a war or armed hostilities or other national or international calamity directly or indirectly involving the United States or (f) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof.

The foregoing conditions are for the sole benefit of the Offerors and may be asserted by the Offerors regardless of the circumstances giving rise to any such condition and may be waived by the Offerors, in whole or in part, at any time and from time to time, in their sole discretion. Notwithstanding the previous sentence, unless the Exchange Offer is terminated, all conditions to the Exchange Offer will be either satisfied or waived by the Offerors prior to the Expiration Date. The failure by the Offerors at any time to exercise any of the foregoing rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted at any time and from time to time, but only prior to 11:59 p.m., New York City time, on the Expiration Date.

We currently do not anticipate extending the Expiration Date beyond September 8, 2006.

BUSINESS

For a chart showing our ownership structure, see page 3. The data included in this Business section does not take into account the effect of the sale of various assets to Cebridge described under Summary Recent Events Assets Sales unless otherwise noted.

Overview

We are a broadband communications company operating in the United States, with approximately 6.17 million customers at June 30, 2006. 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 Internet access, advanced broadband cable services (such as video on demand (VOD), high definition television service and interactive television) and, in some of our markets, telephone service. See Products and Services for further description of these terms, including customers.

At June 30, 2006, we served approximately 5.88 million analog video customers, of which approximately 2.89 million were also digital video customers. We also served approximately 2.38 million high-speed Internet customers (including approximately 272,500 who received only high-speed Internet services). We also provided telephone service to approximately 257,600 customers (including approximately 24,100 who received telephone service only).

At June 30, 2006, Charter s investment in cable properties, long-term debt and total shareholder s deficit was $14.7 billion, $19.9 billion and $5.8 billion, respectively. Charter s working capital deficit was $152 million at June 30, 2006. For the six months ended June 30, 2006, Charter s revenues from continuing operations and net loss were approximately $2.7 billion and $841 million, respectively.

At June 30, 2006, CCH II s investment in cable properties, long-term debt and total member s equity was $14.6 billion, $11.1 billion and $2.6 billion, respectively. CCH II s working capital deficit was $33 million at June 30, 2006. For the six months ended June 30, 2006, CCH II s revenues from continuing operations and net loss were approximately $2.7 billion and $335 million, 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 combination of operating costs and interest costs we incur because of our high level of debt and the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties. We expect that these expenses will remain significant, and we therefore expect to continue to report net losses for the foreseeable future.

CCH II is wholly-owned by its parent, CCH I, and indirectly owned 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, for accounting purposes, an approximate 48% equity interest and a 100% voting interest in Charter Holdco, the direct parent of CCHC which is the direct parent of 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 most of its subsidiaries. Certain of our subsidiaries commenced operations under the Charter Communications name in 1994, and our growth through 2001 was primarily due to acquisitions and business combinations. 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. See Summary Recent Events Assets Sales. Paul G. Allen owns 44% of Charter Holdco through affiliated entities. His membership units are convertible at any time for shares of the Class A Common Stock on a one-for-one basis. Paul G. Allen controls Charter with an as-converted common equity interest of approximately 47% and a voting control interest of 90% as of June 30, 2006.

Business Strategy

Our strategy is to leverage the capacity and the capabilities of our broadband network to become the premier provider of in-home entertainment and communications services in the communities we serve. By offering excellent value and variety to our customers through creative product bundles, strategic pricing and packaging of all our products and services, our goal is to increase profitable revenues that will enable us to maximize return on our invested capital.

Building on the foundation established throughout 2005, in 2006 we will strive toward:

- improving the end-to-end customer experience and increasing customer loyalty;
- growing sales and retention for all our products and services; and
- driving operating and capital effectiveness.

The Customer Experience

Providing superior customer service is an essential element of our fundamental business strategy. We strive to continually improve the end-to-end customer experience and increase customer loyalty by effectively managing our customer care contact centers in alignment with technical operations. We are seeking to instill a customer-service-oriented culture throughout the organization and will continue to focus on excellence by pursuing further improvements in customer service, technical operations, sales and marketing.

We are dedicated to fostering strong relationships and making not only financial investments, but the investment of time and effort to strengthen the communities we serve. We have developed programs and initiatives that provide valuable television time to groups and organizations over our cable networks.

Sales and Retention

Providing desirable products and services and investing in profitable marketing programs are major components of our sales strategy. Bundling services, combining two or more services for one discounted price, is fundamental to our marketing strategy. We believe that combining our products into bundled offerings provides value to our customers that distinguishes us from the competition. We believe bundled offerings increase penetration of all our products and services and improves customer retention and perception. Through targeted marketing of bundled services, we will pursue growth in our customer base and improvements in customer satisfaction. Targeted marketing also promotes the appropriate matching of services with customer needs leading to improved retention of existing customers and lower bad debt expense.

Expanding telephone service to additional markets and achieving increased telephone service penetration will be a high priority in 2006 and will be important to revenue growth. We plan to add enhancements to our high-speed Internet service to provide customers the best possible Internet experience. Our digital video platform enables us to provide customers advanced video products and services such as VOD, high-definition television and digital video recorder (DVR) service. We will also continue to explore additional product and service offerings to complement and enhance our existing offerings and generate profitable revenue growth.

In addition to the focus on our primary residential customer base, we will strive to expand the marketing of our video and high-speed Internet services to the business community and introduce telephone service, which we believe has growth potential.

Operating and Capital Effectiveness

We plan to further capitalize on initiatives launched during 2005 to continue to drive operating and capital effectiveness. Specifically, additional improvements in work force management will enhance the efficient operation of our customer care centers and technical operations functions. We will continue to

place the highest priority for capital spending on revenue-generating initiatives such as telephone deployment.

With over 92% of our homes passed having bandwidth of 550 megahertz or higher, we believe our broadband network provides the infrastructure to deliver the products and services today s consumer desires. See Our Network Technology. In 2005 we invested in programs and initiatives to improve all aspects of operations, and going forward we will seek to capitalize on that solid foundation. We plan to leverage both our broadband network and prior investments in operational efficiencies to generate profitable revenue growth.

Through our targeted marketing strategy, we plan to meet the needs of our current customers and potential customers with desirable, value-based offerings. We will seek to capitalize on the capabilities of our broadband network in order to bring innovative products and services to the marketplace. Our employees are dedicated to our customer-first philosophy, and we will strive to support their continued professional growth and development, providing the right tools and training necessary to accomplish our goals. We believe our strategy differentiates us from the competition and plan to enhance our ability to continue to grow our broadband operations in the communities we serve.

We continue to pursue opportunities to improve our liquidity. Our efforts in this regard have resulted in the completion of a number of transactions in 2005 and 2006, as follows:

- the July 2006 sale of cable systems to Cebridge and New Wave for proceeds of approximately $896 million;
- the April 2006 refinancing of our existing credit facilities (see Management s Discussion and Analysis of Financial Condition and Results of Operations of Charter Liquidity and Capital Resources Recent Financing Transactions and Management s Discussion and Analysis of Financial Condition and Results of Operations of CCH II, LLC Liquidity and Capital Resources Recent Financing Transactions included elsewhere in this Exchange Offer Prospectus;
- the January 2006 sale by CCH II of an additional $450 million principal amount of CCH II Notes;
- the September 2005 exchange by Charter Holdings, CCH I and CCH I Holdings, LLC (CIH), of approximately $6.8 billion in total principal amount of outstanding debt securities of Charter Holdings in a private placement for new debt securities;
- the August 2005 sale by our subsidiaries, CCO Holdings, LLC (CCO Holdings) and CCO Holdings Capital Corp., of $300 million of $8^{3}/4$% senior notes due 2013;
- the March and June 2005 issuance of $333 million of Charter Operating notes in exchange for $346 million of Charter Holdings notes;
- the repurchase during 2005 of $136 million of Charter s 4.75% convertible senior notes due 2006 leaving $20 million in principal amount outstanding; and
- the March 2005 redemption of all of CC V Holdings, LLC s outstanding 11.875% senior discount notes due 2008 at a total cost of $122 million.

Charter Background

In 1998, Mr. Allen acquired approximately 99% of the non-voting economic interests in Marcus Cable, which owned various operating subsidiaries that served approximately 1.1 million customers. Thereafter, in December 1998, Mr. Allen acquired, through a series of transactions, approximately 94% of the equity interests of CII, which controlled various operating subsidiaries that serviced approximately 1.2 million customers.

In March and April of 1999, Mr. Allen acquired the remaining interests in Marcus Cable and, through a series of transactions, combined the Marcus companies with the Charter companies. As a

consequence, the former operating subsidiaries of Marcus Cable and all of the cable systems they owned came under the ownership of Charter Holdings.

In July 1999, Charter was formed as a wholly owned subsidiary of CII, and in November 1999, Charter completed its initial public offering.

During 1999 and 2000, Charter completed 16 cable system acquisitions for a total purchase price of $14.7 billion including $9.1 billion in cash, $3.3 billion of assumed debt, $1.9 billion of equity interests issued and Charter cable systems valued at $420 million. These transactions resulted in a net total increase of approximately 3.9 million customers as of their respective dates of acquisition.

In February 2001, Charter entered into several agreements with AT&T Broadband, LLC involving several strategic cable system transactions that resulted in a net addition of customers for our systems. In the AT&T transactions, which closed in June 2001, Charter acquired cable systems from AT&T Broadband, LLC serving approximately 551,000 customers for a total of $1.74 billion consisting of $1.71 billion in cash and a Charter cable system valued at $25 million. In 2001, Charter also acquired all of the outstanding stock of Cable USA, Inc. and the assets of certain of its related affiliates in exchange for consideration valued at $100 million (consisting of Series A Preferred Stock with a face amount of $55 million and the remainder in cash and assumed debt).

During 2002, Charter purchased additional cable systems in Illinois serving approximately 28,000 customers, for a total cash purchase price of approximately $63 million.

In 2003 and 2004, Charter sold certain non-core cable systems serving approximately 264,100 customers in Florida, Pennsylvania, Maryland, Delaware, West Virginia and Washington for an aggregate consideration of approximately $826 million.

Products and Services

We offer our customers traditional cable video programming (analog and digital) and in some areas advanced broadband services such as high definition television, VOD and interactive television as well as high-speed Internet services. We sell our video programming and high-speed Internet 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 á la carte basis, and the equipment necessary to receive the services, with some variation in prices depending on geographic location. In addition, we offer telephone service to a portion of our homes passed.

The following table summarizes our customer statistics for analog and digital video, residential high-speed Internet, and residential telephone as of June 30, 2006 and 2005:

	Approximate as of	
	June 30, 2006(a)	**June 30, 2005(a)**
Cable Video Services:		
Analog Video:		
Residential (non-bulk) analog video customers(b)	5,600,300	5,683,400
Multi-dwelling (bulk) and commercial unit customers(c)	275,800	259,700
Total analog video customers(b)(c)	5,876,100	5,943,100
Digital Video:		
Digital video customers(d)	2,889,000	2,685,600
Non-Video Cable Services:		
Residential high-speed Internet customers(e)	2,375,100	2,022,200
Residential telephone customers(f)	257,600	67,800

(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). At June 30, 2006 and 2005, customers include approximately 55,900 and 45,100 persons whose accounts were over 60 days past due in payment, approximately 14,300 and 8,200 persons whose accounts were over 90 days past due in payment and approximately 8,900 and 4,500 of which were over 120 days past due in payment, respectively.

(b) Analog video customers include all customers who receive video services (including those who also purchase high-speed Internet and telephone services) but excludes approximately 296,500 and 248,400 customers at June 30, 2006 and 2005, respectively, who receive high-speed Internet service only or telephone service only and who are only counted as high-speed Internet customers or telephone customers.

(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 used consistently. 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 boxes. Included in digital video customers on June 30, 2006 and 2005 are approximately 8,400 and 9,700 customers, respectively, that receive digital video service directly through satellite transmission.

(e) Residential high-speed Internet customers represent those customers who subscribe to our high-speed Internet service.

(f) Residential telephone 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 box, an interactive electronic programming guide, an expanded menu of pay-per-view channels and the option to also receive digital packages which range from 8 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 Internet 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 Internet Services

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

We ended the second quarter of 2006 with 21% penetration of high-speed Internet homes passed, up from 18% penetration of high-speed Internet homes passed at June 30, 2005. This gave us an annual percentage increase in high-speed Internet customers of 17% and an increase in high-speed Internet revenues of 19% in the six months ended June 30, 2006 compared to the six months ended June 30, 2005.

Telephone Services

We provide voice communications services using voice over Internet protocol, or VoIP, to transmit digital voice signals over our systems. At June 30, 2006, telephone service was available to approximately 4.7 million homes passed, and we were marketing to approximately 92% of those homes. We will continue to prepare additional markets for telephone launches in 2006 and expect to have 6 to 8 million homes passed by the end of 2006.

Commercial Services

We offer integrated network solutions to commercial and institutional customers. These solutions include high-speed Internet and video services. In addition, we offer high-speed Internet services to small businesses. We will continue to expand the marketing of our video and high-speed Internet services to the business community and intend to introduce telephone services.

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 48 channels. We also provide cross-channel advertising to some programmers.

From time to time, certain of our vendors, including programmers and equipment vendors, have purchased advertising from us. For the six months ended June 30, 2006 and the years ending December 31, 2005, 2004 and 2003, we had advertising revenues from programmers of approximately $10 million, $15 million, $16 million and $15 million, respectively. These revenues resulted from purchases at market rates pursuant to binding agreements.

Table of Contents

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 (FCC) rules, the prices we charge for cable-related equipment, such as set-top boxes 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:

Service	Price Range as of June 30, 2006
Analog video packages	$ 6.38 - $ 58.00
Premium channels	$ 10.00 - $ 15.00
Pay-per-view events	$ 2.99 - $179.00
Digital video packages (including high-speed Internet service for higher tiers)	$34.00 - $172.99
High-speed Internet service	$ 21.95 - $ 59.99
Video on demand (per selection)	$ 0.99 - $ 29.99
High definition television	$ 3.00 - $ 10.99
Digital video recorder (DVR)	$ 9.99 - $ 14.99

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 June 30, 2006 based on a percentage of homes passed:

Less than 550 megahertz	550 megahertz	750 megahertz	860/870 megahertz	Two-way Enabled
8%	5%	40%	47%	87%

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 Internet 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 telephone services.

We have reduced the number of headends that serve our customers from 1,138 at January 1, 2001 to 711 at June 30, 2006. 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 of June 30, 2006, approximately 86% of our customers were served by headends serving at least 10,000 customers.

As of June 30, 2006, our cable systems consisted of approximately 223,000 strand miles, including approximately 59,400 strand miles of fiber optic cable, passing approximately 12.6 million households and serving 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 but 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. 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 Internet customers utilizing two-way high-speed Internet service. Our local dispatch centers focus primarily on monitoring the HFC plant.

Management of Our Systems

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

Customer Care

Our customer care centers are managed centrally by Corporate Vice Presidents of Customer Care. This team oversees and administers the deployment and execution of care strategies and initiatives on a company-wide basis. We have 36 customer service locations, including 14 regional contact centers that serve our customers. This reflects a substantial consolidation of our customer care facilities. We believe that this consolidation will continue to allow us to improve the consistency of our service delivery and customer satisfaction.

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 still need to make improvements in the area of customer care, and that this has, in part, led to a continued 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 have increased 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 multiple 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. We also offer chat and email functionality on-line to our customers.

Sales and Marketing

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 local decisions as to when and how marketing programs will be implemented. In 2005, our primary strategic direction was focused on eliminating aggressive promotional pricing and implementing targeted marketing programs designed to offer the optimal combination of products to the most appropriate consumers to accelerate the growth of profitable revenues.

In 2005, we increased our targeted marketing efforts and related expenditures, the long-term objective of which is to increase revenues through deeper market penetration of all of our services and increase the average number of services per household. Marketing expenditures from continuing operations increased 23% to $80 million for the six months ended June 30, 2006, as compared to the six months ended June 30, 2005. Marketing expenditures from continuing operations increased 19% over the year ended December 31, 2004 to $142 million for the year ended December 31, 2005. We will continue to invest in targeted marketing efforts in 2006.

We monitor 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 2005, we increased our focus on marketing and selling our services through consumer electronics retailers and other retailers that sell televisions or cable modems.

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 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/or ongoing marketing support. We also negotiate volume discount pricing structures. Programming costs are usually payable each month based on calculations performed by us and are subject to audits by the programmers.

Costs

Programming is usually 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 revenue attributable to our customers 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 provide for optional additional programming to be available on a surcharge basis during the term of the contract.

Over the past several years, we have not been able to increase prices sufficiently to offset increased programming costs and with the impact of competition and other marketplace factors, we will not be able to do so in the foreseeable future. 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 July 7, 2006 approximately 11% of our current programming contracts were expired, and approximately another 4% are scheduled to expire by the end of 2006. 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 may result in a loss of customers. In addition, our inability to fully pass these programming cost increases on to our customers has had an adverse impact on our cash flow and operating margins.

Franchises

As of June 30, 2006, our systems operated pursuant to a total of approximately 4,100 franchises, permits and similar authorizations issued by local and state governmental authorities. Each franchise, permit or similar authorization 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 gross 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 can take three years but in some instances can take a shorter period of time. The Communications Act of 1934, as amended (the Communications Act), which is the primary federal statute regulating interstate communications, provides for an orderly franchise renewal process in which granting authorities may not unreasonably withhold renewals. In 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 12% of our franchises, covering approximately 13% of our analog video customers, were expired as of June 30,

2006. Approximately 4% of additional franchises, covering approximately 6% of additional analog video customers, will expire on or before December 31, 2006, if not renewed prior to expiration. We do not expect the granting authorities to deny our right to renew substantially all of these franchises.

Different legislative proposals have been introduced in the United States Congress and in some state legislatures that would greatly streamline cable franchising. This legislation is intended to facilitate entry by new competitors, particularly local telephone companies. Such legislation has passed in a number of states in which we have operations and one of these newly enacted statutes is subject to court challenge. Although various legislative proposals provide some regulatory relief for incumbent cable operators, these proposals are generally viewed as being more favorable to new entrants due to a number of varying factors including efforts to withhold streamlined cable franchising from incumbents until after the expiration of their existing franchises and the potential for new entrants to serve only higher-income areas of a particular community. To the extent incumbent cable operators are not able to avail themselves of this streamlined franchising process, such operators may continue to be subject to more onerous franchise requirements at the local level than new entrants. The FCC recently initiated a proceeding to determine whether local franchising authorities are impeding the deployment of competitive cable services through unreasonable franchising requirements and whether any such impediments should be preempted. At this time, we are not able to determine what impact such proceeding may have on us.

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 telephone, 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 Internet, telephone and other interactive video services. In the broadband industry, our principal competitor for video services throughout our territory is direct broadcast satellite (DBS), our principal competitor for data services is digital subscriber line (DSL) provided by telephone companies and our principal competitors for telephone services are established telephone companies and other carriers, including VoIP providers. Based on telephone companies entry into video service and the upgrade of their networks, they will likely increasingly become an even more significant competitor for both data and video services. 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 any particular market, a cable operator overbuilder would likely be a significant competitor at the local level). As of June 30, 2006, we are aware of traditional overbuild situations in service areas covering approximately 8% of our total homes passed and potential overbuilds in areas servicing approximately an additional 5% 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 marketplace 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 and now serves more than 27 million subscribers nationwide. DBS service allows the subscriber to receive video services directly via satellite using a relatively small dish

antenna. EchoStar and DirecTV both have entered into joint marketing agreements with major telecommunications companies to offer bundled packages combining phone, data and video services.

Video compression technology and high powered satellites allow DBS providers to offer more than 200 digital channels from a single satellite, thereby surpassing the typical analog cable system. In 2005, 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 $35 for 60 channels compared to approximately $45 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. 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 Internet and telephone services. We believe that this ability to bundle, combined with the introduction of more new products that DBS cannot readily 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. However, joint marketing arrangements between DBS providers and telecommunications carriers allow similar bundling of services in certain areas and DBS providers are making investments to offer more high definition programming including local high definition programming. Competition from DBS service providers may also present greater challenges in areas of lower population density, and we believe that our systems serve a higher concentration of such areas than those of other major cable service providers.

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. DBS providers continue to explore options, such as combining satellite communications with terrestrial wireless networks, to provide high-speed Internet and other services. 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

DSL 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 determined that DSL service is an information service, and based on that classification removed DSL service from many traditional telecommunications regulations. 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, particularly as we enter the telephone business and telephone companies aggressively bundle DSL with telephone service to discourage customers from switching. In addition, the continuing 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 Internet 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.

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 Internet services on our system is generally comparable to that for similar DSL services and that some residential customers prefer our ability to bundle Internet 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 telephone with Internet 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 AT&T and Verizon, are now deploying fiber deep into their networks that enables them in some areas to offer high bandwidth video services over their networks, in addition to established voice and Internet services.

Telephone Companies and Utilities

The competitive environment has been significantly affected by technological developments and regulatory changes enacted under the 1996 Telecom Act, which amended the Communications Act and which is designed to enhance competition in the cable television and local telephone markets (the 1996 Telecom Act). 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 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. Telephone companies can lawfully enter the cable television business and some telephone companies have been extensively deploying fiber in their networks, which enables them to provide video services, as well as telephone and Internet access service. At least one major telephone company plans to provide Internet protocol video over its upgraded network and 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. Telephone companies deploying fiber more extensively are already providing video services in some communities. Although telephone companies have obtained franchises or alternative authorizations in some areas and are seeking them in others, they are attempting through various means (including federal and state legislation and through FCC rulemaking) 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 that are applicable to cable operators like us, 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.

We provide telephone service over our broadband communications networks in a number of its service areas. We also provide traditional circuit-switched phone service in a few communities. In these areas, we compete directly with established telephone companies and other carriers, including VoIP providers, for voice service customers. As we expand our offerings to include voice services, we will be subject to considerable competition from telephone companies and 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. Utilities have deployed broadband over power line technology in a few limited markets.

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 June 30, 2006, we are aware of overbuild situations impacting approximately 8% of our total homes passed and potential overbuild situations in areas servicing approximately an additional 5% of our total homes passed. Additional overbuild situations may occur in other systems.

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.

Table of Contents

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. MMDS services, however, require unobstructed line of sight transmission paths and MMDS ventures have been quite limited to date.

The FCC 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.

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%. In addition, Charter has sold $15 million worth of surplus land and buildings. We plan to continue to reduce costs and excess capacity in this area through consolidation of sites within our system footprints. 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 Our Network Technology. We believe that our properties are generally in good operating condition and are suitable for our business operations.

Employees

As of June 30, 2006, we had approximately 16,100 full-time equivalent employees. At June 30, 2006, approximately 100 of our employees were represented by collective bargaining agreements. We have never experienced a work stoppage.

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, customer care, marketing and programming contract administration and oversight and coordination of external auditors and consultants and related professional fees. The corporate office performs these services on a cost reimbursement basis pursuant to a management services agreement. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Intercompany Management Arrangements and Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Mutual Services Agreements.

Table of Contents

Legal Proceedings

Other Litigation

Charter is a party to lawsuits and claims that have arisen in the ordinary course of conducting its business. The ultimate outcome of all of these legal matters pending against us or our subsidiaries cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on our consolidated financial condition, results of operations or liquidity, such lawsuits could have, in the aggregate, a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Table of Contents

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, 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, which amended the Communications 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 multi-channel 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 the minimum level of video programming service, referred to as basic service, and associated equipment. All other cable offerings are now universally exempt from rate regulation. Although basic 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 been 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, as defined under federal law. With increased DBS competition, our systems are increasingly likely to satisfy the effective competition standard. We have already secured FCC recognition of effective competition, and been rate deregulated, in many of our communities.

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. For example, there has been considerable legislative and regulatory interest in requiring cable operators to offer historically bundled programming services on an á la carte basis or to at least offer a separately available child-friendly Family Tier. Such constraints could adversely affect our operations.

Federal rate regulations generally require cable operators to allow subscribers to purchase premium or pay-per-view services without the necessity of subscribing to any tier of service, other than the basic service tier. The applicability of this rule in certain situations remains unclear, and adverse decisions by the FCC could affect our pricing and packaging of services. As we attempt to respond to a changing marketplace with competitive pricing practices, such as targeted promotions and discounts, we may face additional legal restraints and challenges that impede our ability to compete.

Must Carry/Retransmission Consent

There are two alternative legal methods for carriage of local broadcast television stations on cable systems. 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, federal law includes retransmission consent regulations, by which 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 in 2005 confirming an earlier ruling against mandating either dual carriage or multicast carriage, that decision is subject to a petition for reconsideration which is pending before the FCC. In addition, the FCC could reverse its own ruling or Congress could legislate additional carriage obligations. February 2009 has been established as the deadline for broadcasters to complete their transition to digital spectrum and for the federal government to reclaim analog spectrum. Cable operators may need to take additional operational steps at that time to ensure that customers not otherwise equipped to receive digital programming, retain access to broadcast programming.

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 Communications Act and the FCC s program access rules generally prevent video programmers affiliated with cable operators from favoring cable operators over competing multichannel video distributors, such as DBS, and limit the ability of such programmers to offer exclusive programming arrangements to cable operators. The FCC has extended the exclusivity restrictions through October 2007. Given the heightened competition and media consolidation that we face, 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 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 multi-channel 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 that would require cable operators offering Internet service to provide non-discriminatory access to its network to competing Internet service providers. In a 2005 ruling, commonly referred to as *Brand X*, the Supreme Court upheld an FCC decision making it less likely that any non-discriminatory open access requirements (which are generally associated with common carrier regulation of telecommunications services) will be imposed on the cable industry by local, state or federal authorities. The Supreme Court held that the FCC was correct in classifying cable-provided Internet service as an information service, rather than a telecommunications service. This favorable regulatory classification limits the ability of various governmental authorities to impose open access requirements on cable-provided Internet service.

Claiming an interest in maintaining network neutrality, certain internet content providers and consumer groups have advocated for new federal laws or regulations limiting the ability of broadband network owners (like us) to manage and control their own networks. In 2005, the FCC issued a non-binding policy statement establishing four basic principles that the FCC says will inform its ongoing policymaking activities regarding broadband-related Internet services. Those principles state that: consumers are entitled to access the lawful Internet content of their choice; consumers are entitled to run applications and services of their choice, subject to the needs of law enforcement; consumers are entitled to connect their choice of legal devices that do not harm the network; and consumers are entitled to competition among network providers, application and service providers and content providers. It is unclear what, if any, additional regulations the FCC or Congress might impose on our Internet service, and what, if any, impact such regulations might have on our business.

As the Internet has matured, it has become the subject of increasing regulatory interest. Congress and federal regulators have adopted a wide range of measures directly or potentially affecting Internet use, including, for example, consumer privacy, accommodation of law enforcement wiretaps, copyright protections (which afford copyright owners certain rights against us that could adversely affect our relationship with a customer accused of violating copyright laws), defamation liability, taxation, obscenity, and unsolicited commercial e-mail regulations. State and local governmental organizations have also adopted Internet-related regulations. These various governmental jurisdictions are also considering additional regulations in these and other areas, such as pricing, service and product quality, and intellectual property ownership. The adoption of new Internet regulations or the adaptation of existing laws to the Internet could adversely affect our business.

Phone Service

The 1996 Telecom Act, which amended the Communications Act, created a more favorable regulatory environment for us to provide phone 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 has concluded that alternative voice technologies, like certain types of VoIP, should be regulated only at the federal level, rather than by individual states. A legal challenge to that FCC decision is pending. While the FCC s decision appears to be a positive development for VoIP offerings, the FCC has demonstrated a willingness to impose some traditional telecommunications regulations on VoIP providers, requiring phone services using Internet Protocol technology to comply with traditional 911 emergency service obligations (E911) and universal service obligations. It has also extended its requirement for accommodating law enforcement wiretaps to such providers with a deadline for compliance in 2007, that requirement has been affirmed by the Court of Appeals for the D.C. Circuit. The extension of other traditional telecommunications common carrier requirements to VoIP providers could adversely affect our business. 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 subjects the rates charged for this access to either federal or state regulation. The Communications Act specifies that significantly higher rates apply if the cable plant is providing telecommunications service, in addition to cable service. The FCC has clarified that a cable operator s favorable pole rates are not endangered by the provision of Internet access, and that determination was upheld by the United States Supreme Court. To date, VoIP service has not been classified as either a telecommunications service or cable service under the Communications Act. If VoIP were classified as a telecommunications service under the Communications Act by the FCC, a state Public Utility Commission, or an appropriate court, it might result in significant increased pole attachment costs for us, which could adversely affect our financial condition and results of operations. It also 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 boxes 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 boxes that integrate security and basic navigation functions is currently scheduled to go into effect as of July 1, 2007. We have petitioned the FCC to waive the prohibition as applied to our least expensive digital set-top boxes. We cannot predict whether the FCC will grant our request.

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 equipped with built-in set-top box functionality. Cable operators must support basic home recording rights and copy protection rules for digital programming content. The FCC s plug and play rules are under appeal, although the appeal has been stayed pending FCC reconsideration.

The FCC is conducting additional related rulemakings, and the cable and consumer electronics industries are currently negotiating an agreement that would establish additional specifications for two-way digital televisions. Congress is also considering companion broadcast flag legislation to provide copy protection for digital broadcast signals. 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 and telecommunications-specific privacy obligations. The Communications Act carefully limits our ability to collect and disclose personal information.

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; (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 indecency 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. Moreover, the Copyright Office has not yet provided any guidance as to 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.

Different legislative proposals have been introduced and are being actively considered in the United States Congress and in some state legislatures that would greatly streamline cable franchising. This legislation is intended to facilitate entry by new competitors, particularly local telephone companies. Such legislation has already passed in a number of states in which we have operations and one of these newly enacted statutes is subject to court challenge. Although various legislative proposals provide some regulatory relief for incumbent cable operators, these proposals are generally viewed as being more favorable to new entrants due to a number of factors, including provisions withholding streamlined cable franchising from incumbents until after the expiration of their existing franchises and allowing new entrants to serve only higher-income areas of a particular community. To the extent incumbent cable operators are not able to avail themselves of this streamlined franchising process, such operators may continue to be subject to more onerous franchise requirements at the local level than new entrants. The FCC has initiated a proceeding to determine whether local franchising authorities are impeding the deployment of competitive cable services through unreasonable franchising requirements and whether such impediments should be preempted. At this time, we are not able to determine what impact such proceeding may have on us.

MANAGEMENT

Directors

CCH II, LLC is a holding company with no operations. CCH II Capital Corp. is a direct, wholly owned finance subsidiary of CCH II, LLC that exists solely for the purpose of serving as co-obligor of CCH II s notes. Neither CCH II, LLC nor CCH II Capital Corp. has any employees. CCH II and its direct and indirect subsidiaries are managed by Charter. See Certain Relationships and Related Party Transactions Transactions Arising Out of Our Organization Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Intercompany Management Arrangements.

Neil Smit is the sole director of CCH II Capital Corp.

The persons listed below are directors of Charter or CCH II Capital Corp. as indicated.

Directors	Position(s)
Paul G. Allen	Chairman of the board of directors
W. Lance Conn	Director of Charter
Nathaniel A. Davis	Director of Charter
Jonathan L. Dolgen	Director of Charter
Rajive Johri	Director of Charter
Robert P. May	Director of Charter
David C. Merritt	Director of Charter
Marc B. Nathanson	Director of Charter
Jo Allen Patton	Director of Charter
Neil Smit	Director of Charter, CCH II Capital Corp., President and Chief Executive Officer of Charter and Charter Holdco
John H. Tory	Director of Charter
Larry W. Wangberg	Director of Charter

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

Paul G. Allen, 53, has been Chairman of Charter s 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-founded Microsoft Corporation with Bill Gates in 1976 and remained the company s chief technologist until he left Microsoft Corporation in 1983. Mr. Allen is the founder and chairman of Vulcan Inc., a multibillion dollar investment portfolio that includes large stakes in DreamWorks Animation SKG, Digeo, Oxygen Media, real estate and more than 40 other technology, media and content companies. In 2004, Mr. Allen funded SpaceShipOne, the first privately-funded effort to successfully put a civilian in suborbital space and winner of the Ansari X-Prize competition. Mr. Allen also owns the Seattle Seahawks NFL and Portland Trail Blazers NBA franchises. 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, 38, was elected to the board of directors of Charter 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 M.A. degree in history from the University of Mississippi and an A.B. degree in history from Princeton University.

Nathaniel A. Davis, 52, was elected to the board of directors of Charter on August 23, 2005. In July 2006, Mr. Davis became President and Chief Operating Officer of XM Satellite Radio Holdings, Inc. where he is also a director. Prior to that, from June 2003 until July 2006, Mr. Davis was Managing Director and owner of RANND Advisory Group, a technology consulting group, which advises venture capital, telecom and other technology related firms. From January 2000 through May of 2003, he was President and Chief Operating Officer of XO Communication, Inc. XO Communications filed a petition to reorganize under Chapter 11 of the Bankruptcy Code in June 2002 and completed its restructuring and emerged from Chapter 11 in January 2003. From October 1998 to December 1999 he was Executive Vice President, Network and Technical Services of Nextel Communications, Inc. Prior to that, he worked for MCI Communications from 1982 until 1998 in a number of positions, including as Chief Financial Officer of MCIT from November 1996 until October 1998. Previously, Mr. Davis served in a variety of roles that include Senior Vice President of Network Operations, Chief Operating Officer of MCImetro, Senior Vice President of Finance and Vice President of Systems Development. Mr. Davis holds a B.S. degree from Stevens Institute of Technology, an M.S. degree from Moore School of Engineering and an M.B.A. degree from the Wharton School at the University of Pennsylvania. He is a member of the board of Mutual of America Capital Management Corporation.

Jonathan L. Dolgen, 61, was elected to the board of directors of Charter in October 2004. Since July 2004, Mr. Dolgen has also been a Senior Advisor to Viacom Inc. (Old Viacom), a worldwide entertainment and media company, where he provided advisory services to the Chief Executive Officer of Old Viacom, or others designated by him, on an as requested basis. Effective December 31, 2005, Old Viacom was separated into two publicly traded companies, Viacom Inc. (New Viacom) and CBS Corporation. Since the separation of Old Viacom, Mr. Dolgen provides advisory services to the Chief Executive Officer of New 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 seeks investment and other opportunities primarily in the media sector and seeks to provide consulting services. Mr. Dolgen is also a member of the board of directors of Expedia, Inc. From April 1994 to July 2004, Mr. Dolgen served as Chairman and Chief Executive Officer of the Viacom Entertainment Group, a unit of Old Viacom, where he oversaw various operations of Old 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. As a result of the separation of Old Viacom, Old Viacom s motion picture production and distribution and theatrical exhibition businesses became part of New Viacom s businesses, and the remainder of Old Viacom s businesses overseen by Mr. Dolgen remained with CBS Corporation. 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.

Rajive Johri, 56, was elected to the board of directors of Charter on April 18, 2006. Since June 2006, Mr. Johri has served as President and Director of First National Bank of Omaha. From September 2005 to June 2006, he served as President of the First National Credit Cards Center for First National Bank of Omaha. From August 2004 to September 2005, he served as Executive Consultant for Park Li Group in New York, NY. Prior to that, Mr. Johri served as Executive Vice President, Marketing for J.P. Morgan Chase Bank from September 1999 until August 2004. From 1985 to 1999, Mr. Johri was employed by Citibank N.A. in a number of management positions. Mr. Johri is a director for First National Bank of Nebraska and Chairman of InfiCorp/InfiBank. Mr. Johri received a bachelor s of technology degree in Mechanical Engineering from Indian Institute of Technology in New Delhi, India and a M.B.A. degree in Marketing and Finance from Indian Institute of Management in Calcutta, India.

Robert P. May, 57, was elected to Charter s board of directors in October 2004 and was Charter s Interim President and Chief Executive Officer from January until August 2005. Mr. May was named Chief Executive Officer and a director of Calpine Corporation, a power company, in December 2005. Calpine filed for Chapter 11 bankruptcy reorganization in December 2005. He served on the board of directors of HealthSouth Corporation, a national provider of healthcare services, from October 2002 until October 2005, and was its Chairman from July 2004 until October 2005. 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. 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. He is a member of Deutsche Bank of Americas Advisory Board. Mr. May was educated at Curry College and Boston College and attended Harvard Business School s Program for Management Development.

David C. Merritt, 52, was elected to the board of directors of Charter in July 2003, and was also appointed as Chairman of Charter s 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 provided financial advisory services to the entertainment and media industries from January 2001 through April 2003. From July 1999 to November 2000, 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. 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. In December 2003, he became a director of Outdoor Channel Holdings, Inc. and serves as Chairman of its audit committee. Mr. Merritt joined KPMG 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. Mr. Merritt was an audit and consulting partner of KPMG for 14 years. In February 2006, Mr. Merritt became a director of Calpine Corporation. Mr. Merritt holds a B.S. degree in business and accounting from California State University Northridge.

Marc B. Nathanson, 61, has been a director of Charter since January 2000 and serves as Vice Chairman of Charter s board of directors, a non-executive position. 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 B.A. degree in mass communications from the University of Denver and a M.A. degree in political science from University of California/Santa Barbara.

Jo Allen Patton, 48, 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 serves 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.

Neil Smit, 47, was elected a director and President and Chief Executive Officer of Charter on August 22, 2005. He had previously worked at Time Warner, Inc. since 2000, most recently serving as the President of Time Warner s America Online Access Business. He also served at America Online (AOL) as Executive Vice President, Member Development, Senior Vice President of AOL s product and programming team, Chief Operating Officer of AOL Local and Chief Operating Officer of MapQuest. Prior to that he was a Regional President with Nabisco and was with Pillsbury in a number of management positions. Mr. Smit has a B.S. degree from Duke University and a M.S. degree with a focus in international business from Tufts University s Fletcher School of Law and Diplomacy.

John H. Tory, 52, 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. 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 Rogers Telecommunications Limited and Cara Operations Limited and is Chairman of Cara Operations Audit Committee. Mr. Tory was educated at University of Toronto Schools, Trinity College (University of Toronto) and Osgoode Hall Law School. Effective September 18, 2004, Mr. Tory was elected Leader of the Ontario Progressive Conservative Party. On March 17, 2005, he was elected a Member of the Provincial Parliament and on March 29, 2005, became the Leader of Her Majesty s Loyal Opposition.

Larry W. Wangberg, 64, has been a director of Charter since January 2002. Since July 2002, Mr. Wangberg has been an independent business consultant. From August 1997 to May 2004, Mr. Wangberg was a director of TechTV L.L.C., a cable television network controlled by Mr. 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, Inc. Mr. Wangberg holds a B.S. degree in mechanical engineering and a M.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 from time to time. Management is not present at these meetings.

Charter s 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, 2005 the following were the committees of Charter s board of directors: Audit Committee, Financing Committee, Compensation Committee, Executive Committee, Strategic Planning Committee, and a Special Committee for matters related to the CC VIII put dispute.

Charter s Audit Committee, which has a written charter approved by the board, consists of Nathaniel Davis, Rajive Johri and David Merritt, all of whom are believed to be independent in accordance with the applicable corporate governance listing standards of the Nasdaq Global 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 Charter s board receives an annual retainer of $40,000 in cash plus restricted stock, vesting one year after the date of grant, with a value on the date of grant of $50,000. In

addition, Charter s Audit Committee chair receives $25,000 per year, and the chair of each other committee receives $10,000 per year. Prior to February 22, 2005, all committee members also received $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. Vulcan has informed us that, in accordance with its internal policy, Mr. Conn turns over to Vulcan all cash compensation he receives for his participation on Charter s board of directors or committees thereof.

Directors who were employees did not receive additional compensation in 2004 or 2005. Messrs. Vogel and Smit, who were Charter s President and Chief Executive Officer in 2005, were the only directors who were also employees during 2005. Mr. May, who was Charter s Interim President and Chief Executive Officer from January 2005 until August 2005, was not an employee. However, he received fees and a bonus pursuant to an agreement. See Employment Arrangements and Related Agreements.

Charter s 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 Charter or its subsidiaries.

Executive Officers

The following persons are executive officers of Charter and other than Mr. Allen, also hold similar positions with Charter Holdco, CCHC, Charter Holdings, CCH II, LLC, CCH II Capital Corp. and Charter Operating:

Executive Officers	Position
Paul G. Allen	Chairman of the Board of Directors
Neil Smit	President and Chief Executive Officer
Michael J. Lovett	Executive Vice President and Chief Operating Officer
Jeffrey T. Fisher	Executive Vice President and Chief Financial Officer
Grier C. Raclin	Executive Vice President, General Counsel and Corporate Secretary
Marwan Fawaz	Executive Vice President and Chief Technical Officer
Robert A. Quigley	Executive Vice President and Chief Marketing Officer
Sue Ann R. Hamilton	Executive Vice President, Programming
Lynne F. Ramsey	Senior Vice President, Human Resources
Kevin D. Howard	Vice President and Chief Accounting Officer

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

Michael J. Lovett, 45, Executive Vice President and Chief Operating Officer. Mr. Lovett was promoted to his current position in April 2005. Prior to that he served as Executive Vice President, Operations and Customer Care from September 2004 through March 2005, and as Senior Vice President, Midwest Division Operations and as Senior Vice President of Operations Support, since joining Charter in August 2003 until September 2004. Mr. Lovett was Chief Operating Officer of Voyant Technologies, Inc., a voice conferencing hardware and 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 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. Mr. Lovett serves on the board of directors for Conversant Communications and Digeo, Inc.

Jeffrey T. Fisher, 44, Executive Vice President and Chief Financial Officer. Mr. Fisher was appointed to the position of Executive Vice President and Chief Financial Officer, effective February 6, 2006. Prior to joining Charter, Mr. Fisher was employed by Delta Airlines, Inc. from 1998 to 2006 in a number of positions including Senior Vice President Restructuring from September 2005 until January 2006, President and General Manager of Delta Connection, Inc. from January to September 2005, Chief Financial Officer of Delta Connection from 2001 until January 2005, Vice President of Finance, Marketing and Sales Controller of Delta Airlines in 2001 and Vice President of Financial Planning and Analysis of Delta Airlines from 2000 to 2001. Delta Airlines filed a petition under Chapter 11 of the Bankruptcy Code on September 14, 2005. Mr. Fisher received a B.B.M. degree from Embry Riddle University and a M.B.A. degree in International Finance from University of Texas in Arlington, Texas.

Grier C. Raclin, 53, Executive Vice President, General Counsel and Corporate Secretary. Mr. Raclin joined Charter in his current position in October 2005. Prior to joining Charter, Mr. Raclin had served as the Chief Legal Officer and Corporate Secretary of Savvis Communications Corporation from January 2003 until October 2005. Prior to joining Savvis, Mr. Raclin served as Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary from 2000 to 2002 and as Senior Vice President of Corporate Affairs, General Counsel and Corporate Secretary from 1997 to 2000 of Global TeleSystems Inc. (GTS). In 2001, GTS filed, in pre-arranged proceedings, a petition for surseance (moratorium), offering a composition, in The Netherlands and a petition under Chapter 11 of the United States Bankruptcy Code, both in connection with the sale of the company to KPNQwest. Prior to joining GTS, Mr. Raclin was Vice-Chairman and a Managing Partner of Gardner, Carton and Douglas in Washington, D.C. Mr. Raclin earned a J.D. degree from Northwestern University Law School, where he served on the Editorial Board of the Northwestern University Law School Law Review, attended business school at the University of Chicago Executive Program and earned a B.S. degree from Northwestern University, where he was a member of Phi Beta Kappa.

Marwan Fawaz, 43, Executive Vice President and Chief Technical Officer. Mr. Fawaz joined Charter in his current position on August 1, 2006. Prior to that, he served as Senior Vice President and Chief Technical Officer for Adelphia Communications Corporation (Adelphia) from March 2003 until July 2006. Adelphia filed a petition under Chapter 11 of the Bankruptcy Code in June 2002. From May 2002 to March 2003, he served as Investment Specialist/Technology Analyst for Vulcan, Inc. Mr. Fawaz served as Regional Vice President of Operations for the Northwest Region for Charter from July 2001 to March 2002. From July 2000 to Dec 2000, he served as Chief Technology Officer for Infinity Broadband. He served as Vice President Engineering and Operations at MediaOne, Inc. from January 1996 to June 2000. Mr. Fawaz received a B.S. degree in electrical engineering and a M.S. in electrical/communication-engineering from California State University Long Beach.

Robert A. Quigley, 62, Executive Vice President and Chief Marketing Officer. Mr. Quigley joined Charter in his current position in December 2005. Prior to joining Charter, Mr. Quigley was President and CEO at Quigley Consulting Group, LLC, a private consulting group, from April 2005 to December 2005. From March 2004 to March 2005, he was Executive Vice President of Sales and Marketing at Cardean Education Group (formerly UNext com LLC), a private online education company. From February 2000 to March 2004, Mr. Quigley was Executive Vice President of America Online and Chief Operating Officer of its Consumer Marketing division. Prior to America Online, he was owner, President and CEO of Wordsquare Publishing Co. from July 1994 to February 2000. Mr. Quigley is a graduate of Wesleyan University with a B.A. degree in history and is a member of the Direct Marketing Association board of directors.

Sue Ann R. Hamilton, 45, Executive Vice President, Programming. Ms. Hamilton joined Charter as Senior Vice President of Programming in March 2003 and was promoted to her current position in April 2005. From March 1999 to November 2002, Ms. Hamilton served as Vice President of Programming for

AT&T Broadband, L.L.C. Prior to that, from October 1993 to March 1999, Ms. Hamilton held numerous management positions at AT&T Broadband, L.L.C. and Tele-Communications, Inc. (TCI), which was acquired by AT&T Broadband, L.L.C. in 1999. Prior to her cable television career with TCI, she was a partner with Kirkland & Ellis representing domestic and international clients in complex commercial transactions and securities matters. A magna cum laude graduate of Carleton College in Northfield, Minnesota, Ms. Hamilton received a J.D. degree from Stanford Law School, where she was Associate Managing Editor of the *Stanford Law Review* and Editor of the *Stanford Journal of International Law*.

Lynne F. Ramsey, 48, Senior Vice President, Human Resources. Ms. Ramsey joined Charter s Human Resources group in March 2001, serving as Corporate Vice President, Human Resources and was promoted to Senior Vice President in July 2004. Before joining Charter, Ms. Ramsey was Executive Vice President of Human Resources for Broadband Infrastructure Group from March 2000 through November 2000. From 1994 to 1999, Ms. Ramsey served as Senior Vice President of Human Resources for Firstar Bank, previously Mercantile Bank of St. Louis. She served as Vice President of Human Resources for United Postal Savings, where she worked from 1982 through 1994, at which time it was acquired by Mercantile Bank of St. Louis. Ms. Ramsey received a bachelor s degree in Education from Maryville College and a master s degree in Human Resources Management from Washington University in St. Louis.

Kevin D. Howard, 37, Vice President and Chief Accounting Officer. Mr. Howard was promoted to his current position in April 2006. Prior to that, he served as Vice President of Finance from April 2003 until April 2006 and as Director of Financial Reporting since joining Charter in April 2002. Mr. Howard began his career at Arthur Andersen LLP in 1993 where he held a number of positions in the audit division prior to leaving in April 2002. Mr. Howard received a B.S.B.A. degree in finance and economics from the University of Missouri Columbia and is a certified public accountant, certified managerial accountant and certified in financial management.

Compensation Committee Interlocks and Insider Participation

At the beginning of 2005, Mr. Lillis and Mr. Merritt served as the Option Plan Committee which administered the 1999 Charter Communications Option Plan and the Charter Communications, Inc. 2001 Stock Incentive Plan and the Compensation Committee consisted of Messrs. Allen, Lillis and Nathanson. The Option Plan Committee and the Compensation Committee merged in February 2005 and the committee then consisted of Messrs. Allen, Merritt and Nathanson. Mr. May joined the committee in August 2005. The Compensation Committee is currently comprised of Messrs. Allen, May, Merritt and Nathanson.

No member of Charter s Compensation Committee or its Option Plan Committee was an officer or employee of Charter or any of its subsidiaries during 2005, except for Mr. Allen who served as a non-employee chairman of the Compensation Committee and Mr. May who served in a non-employee capacity as Interim President and Chief Executive Officer from January 2005 until August 2005. Mr. May joined the Compensation Committee in August 2005 after his service as Interim President and Chief Executive Officer. 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 2005. Mr. Allen is the 100% owner and a director of Vulcan Inc. and certain of its affiliates, which employs Mr. Conn and Ms. Patton as executive officers. Mr. Allen also was a director of and indirectly owned 98% of TechTV, of which Mr. Wangberg, one of Charter s 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 Certain Relationships and Related Party Transactions Other Miscellaneous Relationships.

During 2005, (1) none of Charter s executive officers served on the compensation committee of any other company that has an executive officer currently serving on Charter s board of directors, Compensation Committee or Option Plan Committee and (2) none of Charter s executive officers served as a director of another entity, one of whose executive officers served on the Compensation Committee or

Table of Contents

Option Plan Committee, 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. Mr. Lovett was appointed a director of Digeo, Inc. in December 2005.

Summary Compensation Table

The following table sets forth information as of December 31, 2005 regarding the compensation of those executive officers listed below for services rendered for the fiscal years ended December 31, 2003, 2004 and 2005. These officers consist of the three individuals who served as Chief Executive Officer and each of the other four most highly compensated executive officers as of December 31, 2005.

		Annual Compensation			Long-Term Compensation Award		
Name and Principal Position	Year Ended Dec. 31	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Awards ($)	Securities Underlying Options (#)	All Other Compensation ($)(1)
Neil Smit(2)	2005	415,385	1,200,000(9)		3,278,500(21)	3,333,333	23,236(28)
President and Chief	2004						
Executive Officer	2003						
Robert P. May(3)	2005		839,000(10)	1,360,239(16)	180,000(22)		
Former Interim President	2004			10,000(16)	50,000(22)		
and Chief Executive Officer	2003						
Carl E. Vogel(4)	2005	115,385		1,428(17)			1,697,451(29)
Former President and Chief	2004	1,038,462	500,000(11)	38,977(17)	4,729,400(23)	580,000	3,239
Executive Officer	2003	1,000,000	150,000(12)	40,345(17)		750,000	3,239
Michael J. Lovett(5)	2005	516,153	377,200	14,898(18)	265,980(24)	216,000	59,013(30)
Executive Vice President	2004	291,346	241,888	7,797(18)	355,710(24)	172,000	6,994
and Chief Operating Officer	2003	81,731	60,000	2,400(18)		100,000	1,592
Paul E. Martin(6)	2005	350,950	299,017(13)		52,650(25)	83,700	7,047
Senior Vice President,	2004	193,173	25,000(13)		269,100(25)	77,500	6,530
Interim Chief Financial	2003	167,308	14,000				4,048
Officer, Principal							
Accounting Officer and							
Corporate Controller							
Wayne H. Davis(7)	2005	409,615	184,500		108,810(26)	145,800	3527
Executive Vice President	2004	269,231	61,370(14)		435,635(26)	135,000	2,278
and Chief Technical Officer	2003	212,885	47,500	581(19)		225,000	436
Sue Ann R. Hamilton(8)	2005	362,700	152,438		107,838(27)	145,000	6,351
Executive Vice President	2004	346,000	13,045		245,575(27)	90,000	3,996
Programming	2003	225,000	231,250(15)	4,444(20)		200,000	1,710

(1) Except as noted in notes 28 through 30 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.

(2) Mr. Smit joined Charter on August 22, 2005 in his current position.

(3) Mr. May served as Interim President and Chief Executive Officer from January 2005 through August 2005.

(4) Mr. Vogel resigned from all of his positions with Charter and its subsidiaries on January 17, 2005.

(5) Mr. Lovett joined Charter in August 2003 and was promoted to his current position in April 2005.

(6) Mr. Martin resigned from all of his positions with Charter and its subsidiaries on April 3, 2006.

(7) Mr. Davis resigned from all of his positions with Charter and its subsidiaries on March 23, 2006.

(8) Ms. Hamilton joined Charter in March 2003 and was promoted to her current position in April 2005.

(9) Pursuant to his employment agreement, Mr. Smit received a $1,200,000 bonus for 2005.

(10) This bonus was paid pursuant to Mr. May s Executive Services Agreement. See Employment Arrangements and Related Agreements.

(11) Mr. Vogel s 2004 bonus was a mid-year discretionary bonus.

(12) Mr. Vogel s 2003 bonus was determined in accordance with the terms of his employment agreement.

(13) Includes (i) for 2005, Mr. Martin s bonus included a guarantee bonus of $50,000 for Mr. Martin s services as Interim Co-Chief Financial Officer and a discretionary bonus of $50,000 and (ii) for 2004, a SOX implementation bonus of $25,000.

(14) Mr. Davis 2004 bonus included a $50,000 discretionary bonus.

(15) Ms. Hamilton s 2003 bonus included a $150,000 signing bonus.

(16) Includes (i) for 2005, $1,177,885 as compensation for services of Mr. May as Interim President and Chief Executive Officer pursuant to his Executive Services Agreement (see Employment Arrangements and Related Agreements), $67,000 as compensation for services as a director on Charter s board of directors, $15,717 attributed to personal use of the corporate airplane and $99,637 for reimbursement for transportation and living expenses pursuant to Mr. May s Executive Services Agreement, and (ii) for 2004, compensation for services as a director on Charter s board of directors.

(17) Includes (i) for 2005, $1,428 attributed to personal use of the corporate airplane, (ii) for 2004, $28,977 attributed to personal use of the corporate airplane and $10,000 for tax advisory services, and (iii) for 2003, $30,345 attributed to personal use of the corporate airplane and $10,000 for tax advisory services.

(18) Includes (i) for 2005, $7,698 attributed to personal use of the corporate airplane and $7,200 for automobile allowance, (ii) for 2004, $597 attributed to personal use of the corporate airplane and $7,200 for automobile allowance and (iii) for 2003, $2,400 for automobile allowance.

(19) Amount attributed to personal use of the corporate airplane.

(20) Amount attributed to personal use of the corporate airplane.

(21) Pursuant to his employment agreement, Mr. Smit received 1,250,000 restricted shares in August 2005, which will vest on the first anniversary of the grant date and 1,562,500 restricted shares in August 2005, which will vest over three years in equal one-third installments. See Employment Arrangements and Related Agreements. At December 31, 2005, the value of all of Mr. Smit s unvested restricted stock holdings was $3,431,250, based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(22) Includes (i) for 2005, 100,000 restricted shares granted in April 2005 under our 2001 Stock Incentive Program for Mr. May s services as Interim President and Chief Executive Officer that vested upon his termination in that position in August 2005 and 40,650 restricted shares granted in October 2005 under our 2001 Stock Incentive Program for Mr. May s annual director grant which vest on the first anniversary of the grant date, and (ii) for 2004, 19,685 restricted shares granted in October 2004 under our 2001 Stock Incentive Program for Mr. May s annual director grant, which vested on the first anniversary of the grant date in October 2005. At December 31,

2005, the value of all of Mr. May s unvested restricted stock holdings was $49,593, based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(23) 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 Mr. Vogel 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 met certain performance criteria, and the other half of which were to vest over

three years in equal one-third installments. Under the terms of the separation agreement described below in Employment Arrangements and Related Agreements, Mr. Vogel s options and remaining restricted stock vested until December 31, 2005, and all vested options were exercisable until sixty (60) days thereafter. All performance shares were forfeited upon termination of employment. All remaining unvested restricted stock and stock options were cancelled on December 31, 2005. Therefore, at December 31, 2005, the value of all of Mr. Vogel s unvested restricted stock holdings was $0.

(24) Includes (i) for 2005, 129,600 performance shares granted in April 2005 under our Long-Term Incentive Program which will vest on the third anniversary of the grant date only if Charter meets certain performance criteria and 75,000 restricted shares granted in April 2005 under our 2001 Stock Incentive Plan that will vest on the third anniversary of the grant date, and (ii) for 2004, 88,000 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, 2005, the value of all of Mr. Lovett s unvested restricted stock holdings (including performance shares) was $356,972, based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(25) Includes (i) for 2005, $40,500 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, and (ii) for 2004, 37,500 performance shares granted in January 2004 under our Long-Term Incentive Program which were to vest on the third anniversary of the grant date only if Charter meets certain performance criteria and 17,214 restricted shares issued in exchange for stock options held by Mr. Martin 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, 2005, the value of all of Mr. Martin s unvested restricted stock holdings (including performance shares) was $112,661, based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(26) Includes (i) for 2005, 83,700 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., and (ii) for 2004, 77,500 performance shares granted in January 2004 under our Long-Term Incentive Program which will vest on the third anniversary of the grant date only if Charter meets certain performance criteria and 8,000 restricted shares issued in exchange for stock options held by Mr. Davis pursuant to the February 2004 option exchange program described below, one half of which constituted performance shares which will vest on the third anniversary of the grant date only if Charter meets certain performance criteria, and the other half of which will vest over three years in equal one-third installments. At December 31, 2005, the value of all of Mr. Davis s unvested restricted stock holdings (including performance shares) was $204,797, based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(27) These restricted shares consist of 83,700 and 47,500 performance shares granted in 2005 and 2004 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, 2005, the value of all of Ms. Hamilton s unvested restricted stock holdings (including performance shares) was $160,064 based on a per share market value (closing sale price) of $1.22 for the Class A Common Stock on December 31, 2005.

(28) In addition to items in Note 1 above, includes $19,697 attributed to reimbursement for taxes (on a grossed up basis) paid in respect of prior reimbursements for relocation expenses.

(29) In addition to items in Note 1 above, includes accrued vacation at time of termination and severance payments pursuant to Mr. Vogel s separation agreement (See Employment Arrangements and Related Agreements).

Table of Contents

(30) In addition to items in Note 1 above, includes $51,223 attributed to reimbursement for taxes (on a grossed up basis) paid in respect of prior reimbursements for relocation expenses.

2005 Option Grants

The following table shows individual grants of options made to individuals named in the Summary Compensation Table during 2005. All such grants were made under the 2001 Stock Incentive Plan and the exercise price was based upon the fair market value of our Class A Common Stock on the respective grant dates.

Name	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in 2005	Exercise Price ($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation For Option Term(2) 5% ($)	10% ($)
Neil Smit	3,333,333	30.83%	$ 1.18	8/22/2015	$ 2,465,267	$ 6,247,470
Robert P. May						
Carl E. Vogel						
Michael J. Lovett	216,000	2.00%	1.30	4/26/2015	175,914	445,802
Paul E. Martin	83,700	0.77%	1.30	4/26/2015	68,430	173,415
Wayne H. Davis	145,800	1.35%	1.30	4/26/2015	118,742	300,916
Sue Ann R. Hamilton	97,200	0.90%	1.53	3/25/2015	93,221	236,240
	47,800	0.44%	1.27	10/18/2015	38,208	96,826

(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.

2005 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 2005, (ii) the number of shares of the Class A Common Stock underlying unexercised options at year-end 2005, 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 the Class A Common Stock) on December 31, 2005.

	Shares	Value	Number of Securities Underlying Unexercised Options at December 31, 2005 (#)(1)	Value of Unexercised In-the-Money Options at December 31, 2005 ($)(2)

Name	Acquired on Exercise (#)	Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Neil Smit				3,333,333		$ 133,333
Robert P. May						
Carl E. Vogel(3)			1,120,000			
Michael J. Lovett			93,000	395,000		
Paul E. Martin(4)			143,125	193,075		
Wayne H. Davis(5)			176,250	379,550		
Sue Ann R. Hamilton			122,500	312,500		

Table of Contents

(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 the 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 the Class A Common Stock.

(2) Based on a per share market value (closing price) of $1.22 as of December 31, 2005 for the Class A Common Stock.

(3) Mr. Vogel s employment terminated on January 17, 2005. Under the terms of the separation agreement, his options continued to vest until December 31, 2005, and all vested options were exercisable for sixty (60) days thereafter.

(4) Mr. Martin s employment terminated on April 3, 2006. Under the terms of his January 9, 2006 retention agreement, his options continue to vest until September 2, 2007, and all vested options are exercisable until sixty (60) days thereafter.

(5) Mr. Davis employment terminated on March 23, 2006. Under the terms of his separation agreement, his options continue to vest until September 30, 2007, and all vested options are exercisable until sixty (60) days thereafter.

Long-Term Incentive Plans Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts of Shares Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
Neil Smit					
Robert P. May					
Carl E. Vogel					
Michael J. Lovett	129,600	1 year performance cycle 3 year vesting	90,720	129,600	259,200
Paul E. Martin	40,500	1 year performance cycle 3 year vesting	28,350	40,500	81,000
Wayne H. Davis	83,700	1 year performance cycle 3 year vesting	58,590	83,700	167,400
Sue Ann R. Hamilton	83,700	1 year performance cycle 3 year vesting	58,590	83,700	167,400

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 the 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 shares of restricted stock (currently not to exceed 20,000,000 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.

Table of Contents

Together, the plans allow for the issuance of up to a total of 90,000,000 shares of the Class A Common Stock (or units exchangeable for the 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, 2005, 1,317,520 shares had been issued under the plans upon exercise of options, 825,725 had been issued upon vesting of restricted stock granted under the plans, and 4,252,570 shares were subject to future vesting under restricted stock agreements. Of the remaining 83,604,185 shares covered by the plans, as of December 31, 2005, 29,126,744 were subject to outstanding options (34% of which were vested), and there were 11,719,032 performance shares granted under Charter s Long-Term Incentive Program as of December 31, 2005, 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, 2005, 42,758,409 shares remained available for future grants under the plans. As of December 31, 2005, there were 5,341 participants in 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.

Long-Term Incentive Program. In January 2004, the Compensation Committee of our board of directors approved our Long-Term Incentive Program (the 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 on the third anniversary of the date of grant, conditional upon our performance against financial performance measures established by our management and approved by the board of directors or Compensation Committee as of the time of the award. Charter granted 3.2 million performance shares in 2005 under this program except that the 2005 performance share grants are based on a one-year performance cycle. We recognized expense of $1 million in the first three quarters of 2005. However, in the fourth quarter of 2005, we reversed the entire $1 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. In February 2006, Charter s Compensation Committee approved achievement of the financial performance measures required for the 2005 performance shares to vest at a level of 86.25%. Management believes that approximately 2.5 million of the performance shares are likely to vest. As such, expense of approximately $3 million will be amortized over the remaining two year service period.

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 non-employee 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

182

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 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.

The participation of the named executive officers in this exchange offer is reflected in the following table:

Name	Date	Number of Securities Underlying Options Exchanged	Market Price of Stock at Time of Exchange ($)	Exercise Price at Time of Exchange ($)	New Exercise Price ($)	Length of Original Option Term Remaining at Date of Exchange
Carl E. Vogel Former President and Chief Executive Officer	2/25/04	3,400,000	4.37	13.68	(1)	7 years 7 months
Paul E. Martin Former Senior Vice President,	2/25/04	15,000 50,000	4.37 4.37	23.09 11.99	(2)	7 years 0 months 7 years 7 months
Principal Accounting Officer and Corporate Controller		40,000	4.37	15.03		6 years 3 months
Wayne H. Davis Former Executive Vice President	2/25/04	40,000 40,000	4.37 4.37	23.09 12.27	(3)	7 years 0 months 7 years 11 months

and Chief Technical
Officer

(1) On February 25, 2004, in exchange for 3,400,000 options tendered, 340,000 performance shares were granted with a three year performance cycle and three year vesting along with 340,000 restricted stock units with one-third of the shares vesting on each of the first three anniversaries of the date of grant. On the grant date, the price of our common stock was $4.37.

(2) On February 25, 2004, in exchange for 105,000 options tendered, 8,607 performance shares were granted with a three year performance cycle and three year vesting along with 8,607 restricted stock

units with one-third of the shares vesting on each of the first three anniversaries of the grant date. On the grant date, the price of Charter s common stock was $4.37.

(3) On February 25, 2004, in exchange for 80,000 options tendered, 4,000 performance shares were granted with a three year performance cycle and three year vesting along with 4,000 restricted stock units with one-third of the shares vesting on each of the first three anniversaries of the grant date. On the grant date, the price of Charter s common stock was $4.37.

2005 Executive Cash Award Plan

On June 9, 2005, we adopted the 2005 Executive Cash Award Plan to provide additional incentive to, and retain the services of, certain officers of Charter and its subsidiaries, to achieve the highest level of individual performance and contribute to the success of Charter. Eligible participants are employees of Charter or any of its subsidiaries who have been recommended by the CEO and designated and approved as Plan participants by the Compensation Committee Charter s board of directors. At the time the Plan was adopted, the interim CEO recommended and the Compensation Committee designated and approved as Plan participants the permanent President and Chief Executive Officer position (when filled), Executive Vice President positions and selected Senior Vice President positions.

The Plan provides that each participant be granted an award which represents an opportunity to receive cash payments in accordance with the Plan. An award will be credited in book entry format to a participant s account in an amount equal to 100% of a participant s base salary on the date of Plan approval in 2005 and 20% of participant s base salary in each year 2006 through 2009, based on that participant s base salary as of May 1 of the applicable year. The Plan awards will vest at the rate of 50% of the plan award balance at the end of 2007 and 100% of the plan award balance at the end of 2009. Participants will be entitled to receive payment of the vested portion of the award if the participant remains employed by Charter continuously from the date of the participant s initial participation through the end of the calendar year in which his or her award becomes vested, subject to payment of pro-rated award balances to a participant who terminates due to death or disability or in the event we elect to terminate the Plan.

A participant s eligibility for, and right to receive, any payment under the Plan (except in the case of intervening death) is conditioned upon the participant first executing and delivering to Charter an agreement releasing and giving up all claims that participant may have against Charter and related parties arising out of or based upon any facts or conduct occurring prior to the payment date, and containing additional restrictions on post-employment use of confidential information, non-competition and nonsolicitation and recruitment of customers and employees.

In April 2006, the Plan was revised to accommodate new participants who become eligible for the Plan beginning in April 2006 through December 2006. For those new participants, an award will be credited in book entry format to a participant s account in an amount equal to 100% of a participant s base salary on the date of eligibility approval or hire in 2006 and 20% of participant s base salary in each year 2007 through 2010, based on that participant s base salary as of May 1 of the applicable year. The Plan awards will vest at the rate of 50% of the plan award balance at the end of 2008 and 100% of the Plan award balance at the end of 2010. All other terms and conditions remain the same.

Employment Arrangements and Related Agreements

Charter and Neil Smit entered into an agreement as of August 9, 2005 whereby Mr. Smit will serve as Charter s President and Chief Executive Officer (the Employment Agreement) for a term expiring on December 31, 2008, and Charter may extend the agreement for an additional two years by giving Mr. Smit written notice of its intent to extend not less than six months prior to the expiration of the Employment Agreement (Mr. Smit has the right to reject the extension within a certain time period as set forth in the Employment Agreement). Under the Employment Agreement, Mr. Smit will receive a $1,200,000 base salary per year, through the third anniversary of the Employment Agreement, and thereafter $1,440,000 per year for the remainder of the Employment Agreement. Mr. Smit shall be eligible

to receive a performance-based target bonus of 125% of annualized salary, with a maximum bonus of 200% of annualized salary, as determined by the Compensation Committee of Charter s board of directors. However, for 2005 only, he received a minimum bonus of $1,200,000, provided only that he was employed by Charter on December 31, 2005. Under Charter s Long-Term Incentive Plan, he received options to purchase 3,333,333 shares of Class A Common Stock, exercisable for 10 years, with annual vesting of one-third of the grant in each of the three years from his employment date; a performance share award for a maximum of 4,123,720 shares of Class A Common Stock, to be earned during a three-year performance cycle starting January 2006; and a restricted stock award of 1,562,500 shares of Class A Common Stock, with annual vesting over three years following his employment date. In addition, Mr. Smit received another restricted stock award for 1,250,000 shares of Class A Common Stock which will vest on the first anniversary of his employment date.

Mr. Smit received full reimbursement for his relocation expenses and will receive employee benefits consistent with those made generally available to other senior executives. In the event that Mr. Smit is terminated by Charter without cause or for good reason termination, as those terms are defined in the Employment Agreement, he will receive the greater of two times base salary or salary through the remainder to the term of the Employment Agreement; a pro rata bonus for the year of termination; full vesting of options and restricted shares; vesting of performance stock if targets are achieved; and a lump sum payment equal to twelve months of COBRA payments. The Employment Agreement contains non-compete provisions from six months to two years, depending on the type of termination. Charter will gross up federal taxes in the event that Mr. Smit is subject to any additional tax under Section 409A of the Internal Revenue Code.

Charter entered into an agreement with Robert May, effective January 17, 2005, whereby Mr. May served as Charter s Interim President and Chief Executive Officer (the May Executive Services Agreement). Under the May Executive Services Agreement, Mr. May received a $1,250,000 base fee per year. Mr. May continued to receive the compensation and reimbursement of expenses to which he was entitled in his capacity as a member of Charter s board of directors. The May Executive Services Agreement provided that Charter would provide equity incentives commensurate with his position and responsibilities, as determined by Charter s board of directors. Accordingly, Mr. May was granted 100,000 shares of restricted stock under Charter s 2001 Stock Incentive Plan. The 100,000 restricted shares vested on the date on which Mr. May s interim service as President and Chief Executive Officer terminated, August 22, 2005. Mr. May served as an independent contractor and was not entitled to any vacation or eligible to participate in any employee benefit programs of Charter. Charter reimbursed Mr. May for reasonable transportation costs from Mr. May s residence in Florida or other locations to Charter s offices and provided temporary living quarters or reimbursed expenses related thereto. The May Executive Services Agreement was terminated effective December 31, 2005 and upon termination of the Agreement, Mr. May was eligible for a bonus payment. On January 5, 2006, Charter paid him a bonus of $750,000, with the possibility that such bonus would be increased by an additional percentage. In February 2006, Charter s Compensation Committee approved an additional bonus of approximately $88,900 for Mr. May.

Charter and Michael Lovett entered into an employment agreement, effective as of February 28, 2006 (the Lovett Agreement), whereby Mr. Lovett will serve as its Executive Vice President and Chief Operating Officer at a salary of $700,000 per year which is to be reviewed annually, and will perform such duties and responsibilities set forth in the Lovett Agreement. The Lovett Agreement amends, supersedes and replaces Mr. Lovett s prior employment agreement dated March 31, 2005. The term of the Agreement is three years from the effective date and will be reviewed and considered for extension at 18-month intervals during Mr. Lovett s employment. Under the Lovett Agreement, Mr. Lovett will be entitled to receive cash bonus payments in an amount per year targeted at 100% of salary in accordance with the senior management plan and to participate in all employee benefit plans that are offered to other senior executives. Mr. Lovett received a grant of 150,000 restricted shares of Class A Common Stock on the effective date of the Lovett Agreement, which will vest in equal installments over a three-year period from employment date; an award of 300,000 restricted shares of Class A Common Stock on the first anniversary

of the Lovett Agreement, vesting in equal installments over a three-year period; an award of options to purchase 432,000 shares of Class A Common Stock under terms of Charter s 2001 Stock Incentive Plan on the effective date of the Lovett Agreement; an award of options to purchase 864,000 shares of Class A Common Stock under the terms of the 2001 Stock Incentive Plan on the first anniversary of the Lovett Agreement; an award of 259,200 performance shares under the 2001 Stock Incentive Plan on the effective date of the Lovett Agreement and will be eligible to earn these shares over a performance cycle from January 2006 to December 2006; and an award of 518,400 performance shares under the 2001 Stock Incentive Plan on the first anniversary of the Lovett Agreement and will be eligible to earn these shares over a three-year performance cycle January 2007-December 2009.

If terminated other than for cause, as such term is defined in the Lovett Agreement, prior to March 31, 2007, Mr. Lovett will receive relocation expenses to the city of his choice in the 48 contiguous states in accordance with Charter s relocation policy. In the event that Mr. Lovett is terminated by Charter without cause, for good reason or by Mr. Lovett within 60 days following a change in control, as those terms are defined in the Lovett Agreement, Mr. Lovett will receive his salary for the remainder of the term of the Lovett Agreement; a pro rata bonus for the year of termination; and the immediate vesting of options, restricted stock and performance shares. The Lovett Agreement also contains a two-year non-solicitation clause.

As of January 20, 2006, Charter entered into an employment agreement with Jeffrey Fisher, Executive Vice President and Chief Executive Officer (the Fisher Agreement). The Fisher Agreement provides that Mr. Fisher will serve in an executive capacity as its Executive Vice President at a salary of $500,000, to perform such executive, managerial and administrative duties as are assigned or delegated by the President and/or Chief Executive Officer, including but not limited to serving as Chief Financial Officer. The term of the Fisher Agreement is two years from the effective date. Under the Fisher Agreement, Mr. Fisher received a signing bonus of $100,000 and he shall be eligible to receive a performance-based target bonus of up to 70% of salary and to participate in the Long-Term Incentive Plan and to receive such other employee benefits as are available to other senior executives. Mr. Fisher will participate in the 2005 Executive Cash Award Plan commencing in 2006 and, in addition, Charter will provide the same additional benefit to Mr. Fisher that he would have been entitled to receive under the Plan if he had participated in the Plan at the time of its inception in 2005. He also received a grant of 50,000 restricted shares of Class A Common Stock, which will vest in equal installments over a three-year period from his employment date; an award of options to purchase 1,000,000 shares of Class A Common Stock under terms of the 2001 Stock Incentive Plan on the effective date of the Fisher Agreement; and in the first quarter of 2006, an award of additional options to purchase 145,800 shares of Class A Common Stock under the 2001 Stock Incentive Plan. Those options shall vest in equal installments over a four-year time period from the grant date. In addition, in the first quarter of 2006, he received 83,700 performance shares under the 2001 Stock Incentive Plan and will be eligible to earn these shares over a three-year performance cycle from January 2006 to December 2008.

Mr. Fisher received relocation assistance pursuant to Charter s executive homeowner relocation plan and the costs for temporary housing. In the event that Mr. Fisher is terminated by Charter without cause or for good reason, as those terms are defined in the Fisher Agreement, Mr. Fisher will receive his salary for the remainder of the term of the agreement or twelve months salary, whichever is greater; a pro rata bonus for the year of termination; a lump sum payment equal to payments due under COBRA for the greater of twelve months or the number of full months remaining in the term of the agreement; and the vesting of options and restricted stock for as long as severance payments are made. The Fisher Agreement contains a one-year non-compete provision (or until the end of the term of the Fisher Agreement, if longer) and a two-year non-solicitation clause.

Until his employment terminated on March 23, 2006, Wayne Davis was employed as Executive Vice President and Chief Technical Officer. On April 5, 2006, Charter entered into an agreement with Mr. Davis governing the terms and conditions of his resignation as an officer and employee of Charter, effective March 23, 2006 (the Separation Agreement). Under the terms of the Separation Agreement, Mr. Davis will receive the amount of base salary, calculated at an annual rate of $450,000 from March 23,

2006 until September 30, 2007, (the Separation Term), which will be paid over the remainder of the Separation Term in equal bi-weekly installments on Charter s regular pay days for executives. These payments will be made in accordance with section 409A of the Internal Revenue Code. Mr. Davis will be eligible for a prorated amount of incentive compensation for 2006 based on the period from January 1, 2006 and his termination date of March 23, 2006. This amount will be payable no later than April 1, 2007. Mr. Davis received a lump sum payment equal to 18 times the monthly cost, at the time of termination, for paid coverage for health, dental and vision benefits under COBRA. Any stock options and restricted stock previously granted to Mr. Davis will continue to vest during the remainder of the Separation Term. Mr. Davis agreed to abide by the non-disparagement provision in the Separation Agreement and released Charter from any claims arising out of or based upon any facts occurring prior to the date of the Separation Agreement. Mr. Davis has also agreed that he will continue to be bound by the non-competition, non-interference and non-disclosure provisions contained in his September 7, 2005 employment agreement.

On April 5, 2006, Charter entered into a consulting agreement with Mr. Davis governing the terms and conditions for his services as an independent consultant to Charter, effective March 23, 2006 (the Consulting Agreement). Mr. Davis will serve as an independent consultant for Charter providing such professional, executive and administrative duties, directives and assignments as may reasonable by assigned to him by the Chief Executive Officer, Chief Operating Officer or their designee, from March 24, 2006 until April 28, 2006 or such later date designated by Charter (the Consulting Period). Mr. Davis received $45,000 in return for his services through April 28, 2006, which was paid on the regular Charter pay period for executives following April 28, 2006. If Charter requests Mr. Davis services after April 28, 2006, Mr. Davis will be paid at a rate of $1,730 per day for each worked thereafter, which he will receive on the next regular Charter pay period for executives immediately following the last day of service. Mr. Davis payments as an independent consultant are separate from the payments he will receive pursuant to his Separation Agreement. During the Consulting Period, Mr. Davis will be reimbursed for reasonable expenses incurred at Charter s request in connection with his consulting activities, including but not limited to reasonable travel, lodging and entertainment expenses. Since Mr. Davis will not be an employee of Charter, he agrees that he will not be eligible for programs applicable to an employee of Charter, such as incentive, bonus and benefit plans, vacation, sick or paid leave and 401(k). Mr. Davis agrees that the confidentiality and non-disclosure obligations contained in his Separation Agreement and his employment agreement will extend during his Consulting Period.

On September 7, 2005, Charter entered into an employment agreement with Mr. Davis, then Executive Vice President and Chief Technical Officer. The agreement provided that Mr. Davis be employed in an executive capacity to perform such duties as were assigned or delegated by the President and Chief Executive Officer or the designee thereof, at a salary of $450,000. The term of this agreement was two years from the date of the agreement. Mr. Davis was eligible to participate in Charter s Long-Term Incentive Plan, 2001 Stock Incentive Plan and to receive such employee benefits as are available to other senior executives. In the event that he was terminated by Charter without