

CCH II LLC  
Form S-4/A  
August 28, 2006

**Table of Contents**

**As filed with the Securities and Exchange Commission on August 28, 2006**

**Registration No. 333-136508**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**Amendment No. 1  
to  
Form S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
Charter Communications, Inc.,  
CCH II, LLC  
and  
CCH II Capital Corp.**

*(Exact name of registrants as specified in their charters)*

<b>Delaware</b>	<b>4841</b>	<b>43-1857213</b>
<b>Delaware</b>	<b>4841</b>	<b>03-0511293</b>
<b>Delaware</b>	<b>4841</b>	<b>13-4257703</b>
<i>(State or other jurisdiction of incorporation or organization)</i>	<i>(Primary Standard Industrial Classification Code Number)</i>	<i>(I.R.S. Employer Identification Number)</i>

**12405 Powerscourt Drive  
St. Louis, Missouri 63131  
(314) 965-0555**

*(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)*

**Grier C. Raclin  
Executive Vice President, General Counsel and Corporate Secretary  
12405 Powerscourt Drive  
St. Louis, Missouri 63131  
(314) 965-0555**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Copies to:  
Dennis J. Friedman  
Barbara L. Becker  
Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, NY 10166  
(212) 351-4000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.   

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.   

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement

for the same offering.   o

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**The information in this Exchange Offer Prospectus may change. We may not offer these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Exchange Offer Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**EXCHANGE OFFER PROSPECTUS**

**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 will expire at 11:59 p.m., New York City time, on September 8, 2006, unless extended or earlier terminated (such date, as the same may be extended or earlier terminated, 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 22 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 August 28, 2006.

---

## TABLE OF CONTENTS

	Page
<u>IMPORTANT</u>	ii
<u>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS</u>	iv
<u>SUMMARY</u>	1
<u>RISK FACTORS</u>	22
<u>QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER</u>	44
<u>PRICE RANGE OF COMMON STOCK</u>	50
<u>BOOK VALUE PER COMMON SHARE</u>	50
<u>USE OF PROCEEDS</u>	50
<u>CAPITALIZATION</u>	51
<u>UNAUDITED PRO FORMA CONSOLIDATED FINANCIALS</u>	56
<u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA</u>	72
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CCH II, LLC</u>	109
<u>CCHC, LLC, CCH II, LLC AND CCH II CAPITAL CORP.</u>	140
<u>DESCRIPTION OF THE EXCHANGE OFFER</u>	141
<u>BUSINESS</u>	148
<u>REGULATION AND LEGISLATION</u>	164
<u>MANAGEMENT</u>	169
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	192
<u>CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS</u>	196
<u>DESCRIPTION OF OTHER INDEBTEDNESS</u>	209
<u>DESCRIPTION OF CAPITAL STOCK AND MEMBERSHIP UNITS</u>	231
<u>SHARES ELIGIBLE FOR FUTURE SALE</u>	241
<u>DESCRIPTION OF THE CCH II NOTES</u>	243
<u>BOOK ENTRY, DELIVERY AND FORM</u>	277
<u>DESCRIPTION OF THE CONVERTIBLE NOTES</u>	280
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	303
<u>INTEREST OF DIRECTORS AND OFFICERS IN THE TRANSACTION</u>	311
<u>DEALER MANAGERS</u>	311
<u>INFORMATION AGENT</u>	311
<u>EXCHANGE AGENT</u>	311
<u>FEES AND EXPENSES</u>	311
<u>LEGAL MATTERS</u>	312
<u>EXPERTS</u>	312
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	312
<u>PART II</u>	
<u>INFORMATION NOT REQUIRED IN PROSPECTUS</u>	II-1
<u>SIGNATURES</u>	S-1
<u>POWER OF ATTORNEY</u>	S-1
<u>SIGNATURES</u>	S-3
<u>POWER OF ATTORNEY</u>	S-3
<u>SIGNATURES</u>	S-5
<u>POWER OF ATTORNEY</u>	S-5
<u>EX-15.1: LETTER RE: UNAUDITED INTERIM FINANCIAL INFORMATION</u>	
<u>EX-23.1: CONSENT OF KPMG LLP</u>	

EX-23.2: CONSENT OF KPMG LLP

EX-25.1: STATEMENT OF ELIGIBILITY OF TRUSTEE

EX-99.1: LETTER OF TRANSMITTAL

EX-99.2: LETTER TO BROKERS, DEALERS

EX-99.3: LETTER TO CLIENTS

*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.*

**Table of Contents**

**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.



**Table of Contents**

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, will 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.

**Table of Contents**

**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](http://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**

*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



**Table of Contents**

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 have commenced private offers (the Private Exchange Offers ) in which certain holders of certain of Charter Holdings outstanding notes are being offered the right to exchange those notes for up to \$200 million principal amount of 10.25% Senior Notes due 2013 of CCH II ( CCH II 2013 notes ) and up to \$675 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, if issued, 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 that may 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.

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 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.

**Table of Contents**

- (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.

**Table of Contents**

**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	<p>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:</p> <p>\$417.75 in cash,</p> <p>100 shares of Class A Common Stock, and</p> <p>\$325.00 principal amount of CCH II Notes.</p> <p>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.</p> <p>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.</p>
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





**Table of Contents**

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, unless extended or earlier terminated by the Offerors. 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. We do not currently intend to extend the Expiration Date beyond 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.

**Table of Contents**

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.

**Table of Contents**

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.

**Table of Contents**

**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

**Table of Contents**

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.





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)
<b>Loss per common share, basic and diluted:</b>					
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
<b>Other Financial Data:</b>					
Capital expenditures	\$ 854	\$ 924	\$ 1,088	\$ 542	\$ 539
Deficiency of earnings to cover fixed charges(a)	725	3,698	853	655	776
<b>Operating Data:</b>					
(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

**Table of Contents****CCH II, LLC**

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
(Dollars in millions)					
<b>Statement of Operations Data:</b>					
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
<b>Total revenues</b>	<b>4,616</b>	<b>4,760</b>	<b>5,033</b>	<b>2,481</b>	<b>2,703</b>
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
<b>Total costs and expenses</b>	<b>4,132</b>	<b>6,702</b>	<b>4,729</b>	<b>2,339</b>	<b>2,565</b>
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)			
<b>Net loss</b>	<b>\$ (15)</b>	<b>\$ (3,506)</b>	<b>\$ (425)</b>	<b>\$ (220)</b>	<b>\$ (335)</b>

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
<b>Other Financial Data:</b>					
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
<b>Operating Data:</b>					
(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

**Table of Contents**

*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<sup>3</sup>/<sub>4</sub>% 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	2005	2005	2005	2006	2006
	As Adjusted	Pro Forma	As Adjusted	Pro Forma	As Adjusted	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
<b>Total revenues</b>		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
<b>Total costs and expenses</b>		4,639		4,639		2,278		2,278		2,430		2,430

Operating income (loss) from continuing operations

		324		324		168		168		228		228
--	--	-----	--	-----	--	-----	--	-----	--	-----	--	-----

Edgar Filing: CCH II LLC - Form S-4/A

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
<b>Other Financial Data:</b>						
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
<b>Operating Data:</b>						
(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**

	<b>As of June 30, 2006</b>	
	<b>As Adjusted</b>	<b>Pro Forma</b>
	<b>(Dollars in millions)</b>	
<b>Balance Sheet Data:</b>		
(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.

**Table of Contents****CCH II, LLC****Year Ended  
December 31,****Six Months Ended June 30,**

	<b>2005 As Adjusted</b>	<b>2005 Pro Forma</b>	<b>2005 As Adjusted</b>	<b>2005 Pro Forma</b>	<b>2006 As Adjusted</b>	<b>2006 Pro Forma</b>
--	---------------------------------	-------------------------------	---------------------------------	-------------------------------	---------------------------------	-------------------------------

**(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
<b>Total revenues</b>	<b>4,963</b>	<b>4,963</b>	<b>2,446</b>	<b>2,446</b>	<b>2,658</b>	<b>2,658</b>
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
<b>Total costs and expenses</b>	<b>4,639</b>	<b>4,639</b>	<b>2,278</b>	<b>2,278</b>	<b>2,430</b>	<b>2,430</b>
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
<b>Other Financial Data:</b>						
Capital expenditures	\$ 1,051	\$ 1,051	\$ 524	\$ 524	\$ 524	\$ 524
Deficiency of earnings to cover fixed charges(a)	452	467	198	205	219	226
<b>Operating Data:</b>						
(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)

<b>Balance Sheet Data:</b>		
(end of period):		
Cash and cash equivalents	\$	168
Total assets		15,219
Long-term debt		10,462
Loans payable-related party		109
Minority interest(c)		631
Member s equity		2,621

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

**Table of Contents**

- (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
<b>Earnings</b>							
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
<b>Fixed Charges</b>							
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
<b>Earnings</b>							
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
<b>Fixed Charges</b>							
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).

**Table of Contents****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.

**Table of Contents****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,



**Table of Contents**

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, 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

**Table of Contents**

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 August 9, 2006, the trading price of the Class A Common Stock was \$1.17 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

**Table of Contents**

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

**Table of Contents**

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<sup>sm</sup> 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

**Table of Contents**

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

**Table of Contents**

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



**Table of Contents**

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 members' 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



**Table of Contents**

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

**Table of Contents**

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

**Table of Contents**

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-

**Table of Contents**

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.

**Table of Contents**

**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,

## **Table of Contents**

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 August 9, 2006 was \$1.17 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

**Table of Contents**

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



**Table of Contents**

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.

**Table of Contents**

**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 will expire at 11:59 p.m., New York City time, on September 8, 2006, unless extended or earlier terminated by the Offerors.

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

The Offerors may extend or amend the Exchange Offer in their and absolute discretion, and the Offerors expressly reserve the right, in their discretion and subject to Rule 14e-1(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.

**Table of Contents**

**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.

**Table of Contents****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.

	<b>High</b>	<b>Low</b>
<b>2004</b>		
First quarter	\$ 5.43	\$ 3.99
Second quarter	4.70	3.61
Third quarter	3.90	2.61
Fourth quarter	3.01	2.03
<b>2005</b>		
First quarter	\$ 2.30	\$ 1.35
Second quarter	1.53	0.90
Third quarter	1.71	1.14
Fourth quarter	1.50	1.12
<b>2006</b>		
First quarter	\$ 1.25	\$ 0.94
Second quarter	1.38	1.03
Third quarter through August 9, 2006	1.32	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 August 9, 2006 was \$1.17 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.

	<b>As of June 30, 2006</b>		
	<b>Actual</b>	<b>As Adjusted</b>	<b>Pro Forma</b>
	<b>(Dollars in millions, unaudited)</b>		
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 <sup>3</sup> / <sub>4</sub> % senior notes due 2013	795	795	795

Senior floating rate notes due 2010	550	550	550
-------------------------------------	-----	-----	-----

**Table of Contents**

<b>As of June 30, 2006</b>			
	<b>Actual</b>	<b>As Adjusted</b>	<b>Pro Forma</b>
<b>(Dollars in millions, unaudited)</b>			
<b>Charter Operating:</b>			
8.000% senior second lien notes due 2012	1,100	1,100	1,100
8 <sup>3</sup> / <sub>8</sub> % senior second lien notes due 2014	770	770	770
<b>Credit Facilities:</b>			
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)
<b>Total Capitalization</b>	<b>\$ 14,344</b>	<b>\$ 13,737</b>	<b>\$ 13,555</b>

(a) Represents the following Charter Holdings notes:

<b>As of June 30, 2006</b>	
<b>(Dollars in millions)</b>	
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
<b>Total</b>	<b>\$ 1,757</b>

(b) Represents the following CIH notes:

	<b>As of June 30, 2006</b>	
	<b>(Dollars in millions)</b>	
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
<b>Total</b>	<b>\$</b>	<b>2,520</b>

(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



**Table of Contents**

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.

	<b>As of June 30, 2006</b>		
	<b>Actual</b>	<b>As Adjusted</b>	<b>Pro Forma</b>
	<b>(Dollars in millions, unaudited)</b>		
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 <sup>3</sup> / <sub>4</sub> % 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 <sup>3</sup> / <sub>8</sub> % senior second lien notes due 2014	770	770	770

**Table of Contents**

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

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

Edgar Filing: CCH II LLC - Form S-4/A

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)

**Table of Contents**

**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
<b>(Dollars in millions)</b>							
<b>REVENUES</b>							
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
<b>COSTS AND EXPENSES:</b>							
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
		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

**Table of Contents**

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 <sup>3</sup> / <sub>4</sub> % 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				
<b>(Dollars in millions)</b>											
<b>REVENUES</b>											
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
<b>COSTS AND EXPENSES:</b>											
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).

**Table of Contents**

- (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 <sup>3</sup> / <sub>4</sub> % 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**

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

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
<b>SHAREHOLDERS DEFICIT:</b>						
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



**Table of Contents**

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
<b>Net decrease in long-term debt</b>	<b>\$ (125)</b>

- (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
<b>Net decrease in long-term debt</b>	<b>\$ (267)</b>
Fair value of Charter Class A Common stock issued	\$ 60
Net gain on exchange	25
<b>Net increase in equity</b>	<b>\$ 85</b>

**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
<b>(Dollars in millions)</b>						
<b>REVENUES</b>						
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
<b>COSTS AND EXPENSES:</b>						
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	(465)	(7)	(472)
Other income (expense), net	(19)		27	8		8
	(507)	26	34	(457)	(7)	(464)
Loss from continuing operations before	(369)	116	34	(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.

**Table of Contents**

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

	Acquisition/ Historical Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
(Dollars in millions)						
<b>REVENUES</b>						
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
<b>COSTS AND EXPENSES:</b>						
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)	(847)	(15)	(862)
Other income, net	99		5	104		104
	(759)	34	2	(743)	(15)	(758)

Loss from continuing operations before income taxes	(455)	54	2	(20)	(419)	(15)	(434)
<b>INCOME TAX EXPENSE</b>	<b>(9)</b>				<b>(9)</b>		<b>(9)</b>
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).

**Table of Contents**

- (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 <sup>3</sup> / <sub>4</sub> % 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

**Table of Contents**

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

	Acquisition/ Historical Dispositions(a)	Prior Financing Transactions(b)	Private Exchange Offers(c)	As Adjusted	Exchange Offer(d)	Pro Forma
<b>(Dollars in millions)</b>						
<b>REVENUES</b>						
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
<b>COSTS AND EXPENSES:</b>						
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)	(412)	(7)	(419)
Other income, net	35		5	40		40
	(373)	11		(372)	(7)	(379)
Loss from continuing	(231)	37		(204)	(7)	(211)

operations before income taxes						
<b>INCOME TAX EXPENSE</b>	(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 <sup>3</sup> / <sub>4</sub> % 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
<b>(Dollars in millions)</b>						
<b>ASSETS</b>						
<b>CURRENT ASSETS:</b>						
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)				
<b>Total current assets</b>	<b>1,010</b>	<b>(620)</b>	<b>(24)</b>	<b>366</b>	<b>(168)</b>	<b>198</b>
<b>INVESTMENT IN CABLE PROPERTIES:</b>						
Property, plant and equipment, net	5,354			5,354		5,354
Franchises, net	9,280			9,280		9,280
<b>Total investment in cable properties, net</b>	<b>14,634</b>			<b>14,634</b>		<b>14,634</b>
<b>OTHER NONCURRENT ASSETS</b>	<b>217</b>		<b>2</b>	<b>219</b>	<b>5</b>	<b>224</b>
<b>Total assets</b>	<b>\$ 15,861</b>	<b>\$ (620)</b>	<b>\$ (22)</b>	<b>\$ 15,219</b>	<b>\$ (163)</b>	<b>\$ 15,056</b>
<b>LIABILITIES AND MEMBER S EQUITY</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses	\$ 917	\$	\$	\$ 917	\$	\$ 917
Payables to related parties	106			106		106
Liabilities held for sale	20	(20)				
<b>Total current liabilities</b>	<b>1,043</b>	<b>(20)</b>		<b>1,023</b>		<b>1,023</b>
<b>LONG-TERM DEBT</b>	<b>11,057</b>	<b>(800)</b>	<b>205</b>	<b>10,462</b>	<b>157</b>	<b>10,619</b>
<b>NOTE PAYABLE RELATED PARTY</b>	<b>109</b>			<b>109</b>		<b>109</b>

DEFERRED MANAGEMENT FEES RELATED PARTY	14			14			14
OTHER LONG-TERM LIABILITIES	359			359			359
MINORITY INTEREST	631			631			631
<b>MEMBER S EQUITY:</b>							
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

**Table of Contents****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
<b>(Dollars in millions)</b>							
<b>Statement of Operations</b>							
<b>Data:</b>							
Revenues	\$ 3,648	\$ 4,377	\$ 4,616	\$ 4,760	\$ 5,033	\$ 2,481	\$ 2,703
<b>Costs and Expenses:</b>							
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)

**Table of Contents**

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
<b>(Dollars in millions)</b>							
<b>Loss per common share, basic and diluted:</b>							
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
<b>Other Data:</b>							
Deficiencies of earnings to cover fixed charges(a)	\$ 2,630	\$ 5,994	\$ 725	\$ 3,698	\$ 853	\$ 655	\$ 776
<b>Balance Sheet Data (end of period):</b>							
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
<b>Costs and Expenses:</b>							
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

**Table of Contents**

- (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<sup>3</sup>/<sub>4</sub>% 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

**Table of Contents**

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

**Table of Contents**

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;

**Table of Contents**

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.



**Table of Contents**

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



**Table of Contents**

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

**Table of Contents**

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:

<b>Assumption</b>	<b>Percentage/ Percentage Point Change</b>	<b>Franchise Value Increase/(Decrease) (Dollars in millions)</b>
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



**Table of Contents**

- (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

**Table of Contents**

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.





**Table of Contents**

**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):

	<b>Six Months Ended June 30,</b>				
	<b>2006</b>		<b>2005</b>		
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

**Table of Contents**

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):

	<b>Six Months Ended June 30,</b>					
	<b>2006</b>		<b>2005</b>		<b>2006 over 2005</b>	
	<b>Revenues</b>	<b>% of Revenues</b>	<b>Revenues</b>	<b>% of Revenues</b>	<b>Change</b>	<b>% Change</b>
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%
	<b>\$ 2,703</b>	<b>100%</b>	<b>\$ 2,481</b>	<b>100%</b>	<b>\$ 222</b>	<b>9%</b>

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.

**Table of Contents**

**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
--	------	------	----------------

		<b>% of</b>		<b>% of</b>		
	<b>Expenses</b>	<b>Revenues</b>	<b>Expenses</b>	<b>Revenues</b>	<b>Change</b>	<b>% Change</b>
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

**Table of Contents**

\$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).

	<b>Year Ended December 31,</b>								
	<b>2005</b>		<b>2004</b>		<b>2003</b>				
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

**Table of Contents****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

**Table of Contents**

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.

**Table of Contents**

***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	\$					