CHARTER COMMUNICATIONS INC /MO/
Form S-1/A
February 07, 2005

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As filed with the Securities and Exchange Commission on February 7, 2005

Registration No. 333-121561

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
Charter Communications, Inc.
(Exact name of registrant as specified in its Charter)

Delaware	**4841**	**43-1857213**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

12405 POWERSCOURT DRIVE
ST. LOUIS, MISSOURI 63131
(314) 965-0555
(Address, including zip code, and telephone number, including area code, of registrant principal executive offices)
Curtis S. Shaw, Esq.
Executive Vice President, General Counsel and 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:
Alvin G. Segel, Esq.
Irell & Manella LLP
1800 Avenue of the Stars, Suite 900
Los Angeles, California 90067-4276
(310) 277-1010

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. þ

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

If this form is a post-effective amendment filed pursuant to Rule 462(c) 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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant 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.

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

SUBJECT TO COMPLETION, DATED FEBRUARY 7, 2005

PROSPECTUS

$862,500,000 5.875% Convertible Senior Notes due 2009

356,404,924 Shares of Class A Common Stock Issuable Upon Conversion of the 5.875% Convertible Senior Notes due 2009

This prospectus relates to $862,500,000 aggregate principal amount of 5.875% Convertible Senior Notes due 2009 of Charter Communications, Inc., and 356,404,924 shares of Class A common stock of Charter Communications, Inc., which are initially issuable upon conversion of the notes, plus an indeterminate number of shares as may become issuable upon conversion as a result of adjustments to the conversion rate.

The convertible senior notes were originally issued and sold by Charter Communications, Inc. to certain initial purchasers in a private placement. The convertible senior notes and shares offered by this prospectus are to be sold for the account of the holders. Holders of the convertible senior notes may convert the convertible senior notes into shares of Charter Communications, Inc. Class A common stock at any time before their maturity or their prior redemption or repurchase by Charter Communications, Inc.

The convertible senior notes are issued only in denominations of $1,000 and integral multiples of $1,000. The convertible senior notes are currently designated for trading in the Private Offerings, Resale and Trading through Automated Linkages (PORTAL) Market of the National Association of Securities Dealers, Inc. Charter Communications, Inc. s Class A common stock is quoted on the Nasdaq National Market under the symbol CHTR. On February 4, 2005, the last reported bid price for the Class A common stock on the Nasdaq National Market was $1.74 per share.

The principal terms of the convertible senior notes include the following:

Interest	accrues from November 22, 2004 at the rate of 5.875% per year, payable semi-annually on each May 16 and November 16, commencing on May 16, 2005.
Maturity Date	November 16, 2009
Conversion Rate	413.2231 shares of Class A common stock per each $1,000 principal amount of notes, subject to adjustment. This is equivalent to an initial conversion price of approximately $2.42 per share. Upon conversion, we will have the right to deliver, in lieu of our Class A common stock, cash or a combination of cash and Class A common stock.
Ranking	rank equally with any of Charter Communications, Inc. s existing and future senior unsecured indebtedness, but are effectively subordinated to our secured indebtedness and structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.
Redemption	Following the earlier of (1) the sale of the notes pursuant to an effective registration statement or (2) November 22, 2006, we may redeem the notes in whole or in part at any time at a redemption price equal to 100% of the accreted principal amount of the notes plus any accrued and unpaid interest and liquidated damages, if any, on the notes to but not including the redemption date, if the closing price of our Class A common stock has exceeded a specified percentage of the conversion price for at least 20 trading days in any consecutive

30 trading day period.

Make Whole Provisions	If you convert your notes at any time prior to November 16, 2007, you will receive, in addition to shares of our Class A common stock, or cash in lieu thereof, the remaining portion of a portfolio of U.S. government securities pledged as security in respect of the notes you converted, subject to certain limitations. If you convert notes that have been called for redemption, you will receive an additional redemption make whole amount. In addition, if certain corporate transactions that constitute a change of control occur on or prior to November 16, 2009, we will increase the conversion rate in certain circumstances, unless such transaction constitutes a public acquirer change of control and we elect to modify the conversion into public acquirer common stock, as described in this prospectus.

The convertible senior notes and the shares of Class A common stock offered by this prospectus may be offered in negotiated transactions, ordinary brokerage transactions or otherwise, at negotiated prices or at the market prices prevailing at the time of sale.

See Risk Factors beginning on page 15 of this prospectus to read about important factors you should consider before buying the convertible senior notes or shares of our Class A common stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The distribution of this prospectus and the offering and sale of the convertible senior notes or Class A common stock in certain jurisdictions may be restricted by law. Charter Communications, Inc. requires persons into whose possession this prospectus comes to inform themselves about and to observe any such restrictions. This prospectus does not constitute an offer of, or an invitation to purchase, any of the convertible senior notes or shares of Class A common stock in any jurisdiction in which such offer or invitation would be unlawful.

Neither Charter Communications, Inc. nor any of its representatives is making any representation to any offeree or purchaser of the convertible senior notes or shares of Class A common stock regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each purchaser should consult with his own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes or shares of Class A common stock.

Prospectus dated , 2005.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, 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 prospectus may be identified by the use of forward-looking words such as believe, expect, anticipate, should, planned, will, may, intend, estimate and potential, amo factors that could cause actual results to differ materially from the forward-looking statements we make in this prospectus are set forth in this prospectus and in other reports or documents that we file from time to time with the Securities and Exchange Commission, or SEC, and include, but are not limited to:

our ability to sustain and grow revenues and cash flows from operating activities by offering video, high-speed data, telephony and other services and to maintain a stable customer base, particularly in the face of increasingly aggressive competition from other service providers;

the availability of funds to meet interest payment obligations under our debt and to fund our operations and necessary capital expenditures, either through cash flows from operating activities, further borrowings or other sources;

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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 repay or refinance debt as it becomes due;

any adverse consequences arising out of our restatement of our 2000, 2001 and 2002 financial statements;

the results of the pending grand jury investigation by the United States Attorney s Office for the Eastern District of Missouri, and our ability to reach a final approved settlement with respect to the putative class action, the unconsolidated state action, and derivative shareholders litigation against us on the terms of the memoranda of understanding described herein;

our ability to obtain programming at reasonable prices or to pass programming cost increases on to our customers;

general business conditions, economic uncertainty or slowdown; and

the effects of governmental regulation, including but not limited to local franchise taxing authorities, on our business.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement.

ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 to register the sale of the securities covered by this prospectus. This prospectus, which forms part of that registration statement, does not contain all the information included in the registration statement. For further information about us and the securities described in this prospectus, you should refer to the registration statement and its exhibits.

Our Class A common stock is quoted on the Nasdaq National Market under the symbol CHTR. We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy at prescribed rates any document we file at the SEC s public reference room at Room 1200, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC s website at www.sec.gov.

SUMMARY

This summary contains a general discussion of our business, and summary financial information. It does not contain all the information that you should consider before making an investment decision regarding the notes or our Class A common stock. For a more complete understanding of an investment in the notes or our Class A common stock, you should read this entire prospectus. Unless otherwise noted, all business data in this summary is as of September 30, 2004.

Unless otherwise stated, the discussion in this prospectus of our business and operations includes the business and operations of Charter Communications, Inc. and its subsidiaries. Unless the context otherwise requires, the terms we, us and our refer to Charter Communications, Inc. and its direct and indirect subsidiaries on a consolidated basis. The term Charter refers to the issuer, Charter Communications, Inc.

Our Business

We are a broadband communications company operating in the United States, with approximately 6.3 million customers at September 30, 2004. Through our broadband network of coaxial and fiber optic cable, we offer our customers traditional cable video programming (analog and digital, which we refer to as video service), high-speed cable Internet access (which we refer to as high-speed data service), advanced broadband cable services (such as video on demand (VOD), high definition television service, and interactive television) and, in some of our markets, we offer telephone service (which we refer to as telephony). See Business Products and Services for further description of these terms, including customers.

At September 30, 2004, we served approximately 6.1 million analog video customers, of which approximately 2.7 million were also digital video customers. We also served approximately 1.8 million high-speed data customers (including approximately 205,000 who received only high-speed data services). We also provided telephony service to approximately 40,000 customers as of that date.

Our principal executive offices are located at Charter Plaza, 12405 Powerscourt Drive, St. Louis, Missouri 63131. Our telephone number is (314) 965-0555 and we have a website accessible at www.charter.com. The information posted or linked on our website is not part of this prospectus and you should rely solely on the information contained in this prospectus and the related documents to which we refer herein when deciding to make an investment in the notes or our Class A common stock.

Strategy

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

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

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

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

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

We have reduced the number of our customer contact centers from over 300 at December 31, 2000, to 36 at September 30, 2004. Our 14 largest customer contact centers now serve approximately 95% of our customers. We anticipate that this initiative will improve overall customer satisfaction while reducing costs. We believe that consolidation and standardization of call centers enable us to provide a more consistent experience for our customers and to improve sales through the use of better trained, more efficient and sales-oriented customer service representatives.

We continue to pursue opportunities to improve our balance sheet and liquidity. Our efforts in this regard have resulted in the completion of a number of transactions since September 2003, as follows:

- the issuance and sale by our subsidiaries CCO Holdings, LLC and CCO Holdings Capital Corp. of $550 million of senior floating rate notes in December 2004;

- the November 2004 sale of the $862.5 million of 5.875% convertible senior notes due 2009 described in this prospectus;

- the sale of non-core cable systems for $824 million, the proceeds of which we used to reduce our indebtedness;

- the 2003 issuance by our subsidiaries, CCH II and Charter Holdings, of approximately $1.6 billion of senior notes, which they exchanged in private transactions for approximately $1.9 billion of outstanding indebtedness of Charter and Charter Holdings, resulting in a $294 million reduction of our consolidated debt outstanding; and

- the sale in April 2004 of $1.5 billion of senior second lien notes by our subsidiary, Charter Communications Operating, LLC (Charter Operating), together with the concurrent refinancing of its credit facilities.

Going forward, we plan to continue to identify and pursue opportunities to improve our liquidity and reduce indebtedness in order to enhance the long-term strength of our balance sheet and our business.

Recent Events

Appointment of Robert P. May as Interim President and Chief Executive Officer

Effective on January 17, 2005, Carl E. Vogel resigned his position as President, Chief Executive Officer and a member of the Board of Directors of Charter and each of Charter s subsidiaries for which Mr. Vogel served as a director and officer. Robert P. May has been appointed as Interim President and Chief Executive Officer of Charter. Additionally, Mr. May was appointed to the Executive Committee of Charter s Board of Directors and will continue to serve on the Board s Strategic Planning Committee. He has also been appointed as an officer and director of Charter s subsidiaries for which Mr. Vogel was a director and officer.

Charter s Board of Directors has formed an Executive Search Committee to oversee Charter s nationwide search for a permanent President and Chief Executive Officer.

Sale of CCO Holdings, LLC Senior Floating Rate Notes

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

Sale of 5.875% Convertible Senior Notes

On November 22, 2004, we issued $862.5 million original principal amount of 5.875% Convertible Senior Notes due 2009, which are convertible into shares of our Class A common stock, par value $.001 per share, at a rate of 413.2231 shares per $1,000 principal amount of notes (or approximately $2.42 per share), subject to adjustment in certain circumstances. In connection with the issuance of the notes, we agreed to file the registration statement containing this prospectus for resale of the notes and shares of Class A common stock by the holders thereof. On December 23, 2004, we used a portion of the proceeds from the original sale of the notes to redeem our outstanding 5.75% convertible senior notes due 2005. We also used a portion of the proceeds from the original issuance of the notes to purchase certain U.S. government securities which were pledged as security for the notes and which we expect to use to fund the first six interest payments on the notes.

In connection with the initial sale of the notes, we also agreed to file a registration statement with the Securities and Exchange Commission that can be used by Citigroup Global Markets Inc. to sell up to 150 million shares of our Class A common stock that we will loan to an affiliate of Citigroup Global Markets Inc. pursuant to a share lending agreement.

For additional terms of the notes and the arrangements governing the loan of shares of our Class A common stock, see Registered Borrow Facility and Description of Notes.

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Organizational Structure

The chart below sets forth our organizational structure and that of our principal direct and indirect subsidiaries. The equity ownership, voting percentages and indebtedness amounts shown below are approximations as of September 30, 2004 on the pro forma basis described in Unaudited Pro Forma Consolidated Financial Statements 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. See Recent Events.

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

(2) These membership units are held by Charter Investment, Inc. and Vulcan Cable III Inc., each of which is 100% owned by Paul G. Allen, our Chairman and controlling shareholder. They are exchangeable at any time on a one-for-one basis for shares of Charter Class A common stock.

(3) The percentages shown in this table reflect the issuance of the 150 million shares of Class A common stock by Charter pursuant to the Share Lending Agreement 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 will remain at 47%, and Paul G. Allen s ownership of Charter Holdco will remain at 53%. These percentages exclude the 150 million mirror membership units issued to Charter due to the required return of the issued mirror units upon return of the shares pursuant to the Share Lending Agreement. See Registered Borrow Facility.

(4) Represents 100% of the preferred membership interests in CC VIII, LLC, a subsidiary of CC V Holdings, LLC. An issue has arisen regarding the ultimate ownership of such CC VIII, LLC membership interests following Mr. Allen s acquisition of those interests on June 6, 2003. See Certain Relations and Related Transactions Transactions Arising out of Our Organizational Structure and Mr. Allen s Investment in Charter Communications, Inc. and Its Subsidiaries Equity Put Rights CC VIII.

(5) CC V Holdings, LLC, the issuer of $113 million accreted value of senior discount notes, is a direct wholly owned subsidiary of CCO NR Holdings, LLC, and holds 100% of the common membership units of CC VIII, LLC. Mr. Allen through Charter Investment, Inc. holds 100% of the preferred membership units in CC VIII, LLC. CC VIII, LLC holds 100% of the equity of CC VIII Operating, LLC, which in turn holds 100% of the equity of a number of operating subsidiaries. One such operating subsidiary (CC Michigan, LLC) is a guarantor of the CC V Holdings senior discount notes.

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The Notes

Issuer	Charter Communications, Inc. (Charter)
Notes Offered	$862,500,000 original principal amount of 5.875% Convertible Senior Notes due 2009.
Maturity Date	November 16, 2009.
Interest	5.875% per annum on the accreted principal amount, payable semi-annually in arrears on May 16 and November 16 of each year, commencing May 16, 2005. If we elect to accrete the principal amount of the notes to pay any liquidated damages we owe, we will be entitled to defer any interest, which we refer to as the deferred interest, that accrues with respect to the excess of the accreted principal amount over the original principal amount until May 16, 2008, or any earlier repurchase, redemption or acceleration of the notes. We will not pay any interest on such deferred interest.
Security	Our subsidiary, Charter Communications Holding Company, LLC (Charter Holdco), has purchased and pledged to us as security for an intercompany note, and we have repledged to the trustee under the indenture as security for the benefit of the holders of the notes, approximately $144 million of U.S. government securities, which we refer to as the Pledged Securities. We believe that the total amount of the Pledged Securities will be sufficient, upon receipt of scheduled payments thereon, to provide for the payment in full of the first six scheduled interest payments due on the original principal amount of the notes, but not any liquidated damages we may owe or any deferred interest in respect of the accretion of the principal amount of the notes. The notes will not otherwise be secured. See Description of the Notes Security. Holders who convert their notes prior to November 16, 2007 will receive the cash proceeds from the liquidation of a portion of the Pledged Securities, as described below in Interest Make Whole Upon Conversion.
Ranking	The notes will be unsecured (except to the extent described above under Security) and unsubordinated obligations and will rank, in right of payment, the same as all of Charter s existing and future senior unsecured indebtedness. The notes will rank senior in right of payment to all of Charter s subordinated indebtedness and will be effectively subordinated to any of Charter s secured indebtedness and structurally subordinated to indebtedness and other liabilities of our subsidiaries. As of September 30, 2004, Charter had no secured indebtedness and our subsidiaries had total indebtedness and other liabilities of $20.3 billion, excluding intercompany obligations.
Conversion Rights	Holders may convert their notes at the conversion rate at any time prior to the close of business on the business day prior to the maturity date. The initial conversion rate will be 413.2231 shares of our Class A common stock, par value $.001 per share, per $1,000 original principal amount of notes. This represents an initial

conversion price of approximately $2.42 per share of our Class A common stock. We will increase the conversion rate in the same proportion that the principal amount of the notes increases if we elect to accrete the principal amount of the notes to pay certain liquidated damages instead of paying them in cash. In addition, if certain corporate transactions that constitute a change of control occur on or prior to the maturity date, we will increase the conversion rate in certain circumstances, unless such transaction constitutes a public acquirer change of control and we elect to satisfy our conversion obligation with public acquirer common stock. See Description of Notes Conversion Rights Make Whole Amount and Public Acquirer Change of Control.

Notwithstanding the foregoing, no holder of notes will be entitled to receive shares of our Class A common stock upon conversion to the extent, but only to the extent, that such receipt would cause such holder to become, directly or indirectly, a beneficial owner of more than the specified percentage of the shares of Class A common stock outstanding at such time. With respect to any conversion prior to November 16, 2008, the specified percentage will be 4.9%, and with respect to any conversion thereafter, the specified percentage will be 9.9%. See Description of Notes Conversion Rights Limitation on Beneficial Ownership.

Upon conversion, we will have the right to deliver, in lieu of shares of our Class A common stock, cash or a combination of cash and our Class A common stock. If we elect to pay holders cash upon conversion, such payment will be based on the average of the sale prices of our Class A common stock over the 20 trading day period beginning on the third trading day immediately following the conversion date of the notes, which we refer to as the average price.

As described in this prospectus, the conversion rate may be adjusted upon the occurrence of certain events, including for any cash dividend on our Class A common stock, but will not be adjusted for accrued and unpaid interest. By delivering to the holder shares of our Class A common stock, and in certain circumstances cash, we will satisfy our obligations with respect to the notes subject to the conversion, subject to our obligations described under Description of Notes Conversion Rights Interest Make Whole Upon Conversion below. Except to the extent we are required to pay any Early Conversion Make Whole Amount or Redemption Make Whole Amount, upon conversion of a note, accrued and unpaid interest will be paid or deemed to be paid in full, rather than canceled, extinguished or forfeited.

The notes called for redemption may be surrendered for conversion prior to the close of business on the business day immediately preceding the redemption date.

Interest Make Whole Upon Conversion	Holders who convert their notes prior to November 16, 2007 will receive, in addition to a number of shares of our Class A

	common stock calculated at the conversion rate for the accreted principal amount of notes, or cash in lieu thereof, the cash proceeds of the sale by the trustee of the Pledged Securities remaining with respect to the notes being converted, which we refer to as the Early Conversion Make Whole Amount, subject to the limitation described under Description of Notes Conversion Rights Interest Make Whole Upon Conversion . The percentage of the remaining Pledged Securities to be sold will be determined based on the aggregate original principal amount of notes being converted as a percentage of the total original principal amount of notes then outstanding. The trustee will liquidate the Pledged Securities to be released, rounded down to the nearest whole multiple of the minimum denomination of such Pledged Securities, and deliver the cash value thereof to the converting holder. The Early Conversion Make Whole Amount will not compensate a converting holder for interest such holder would have earned in respect of any increase in the principal amount of the notes if we elect to accrete such principal amount to pay any liquidated damages we may owe.
	Holders who convert notes that have been called for redemption will receive, in addition to the Early Conversion Make Whole Amount, the amount of any deferred interest and the present value of the interest on the notes converted that would have been payable for the period from and including November 16, 2007, or if later, the redemption date, to but excluding November 16, 2009, which we refer to as the Redemption Make Whole Amount. The Redemption Make Whole Amount will be calculated by discounting the amount of such interest on a semi-annual basis using a discount rate equal to 3.0% plus the published U.S. Treasury rate for the maturity most closely approximating the period from and including the redemption date to but excluding November 16, 2009. We may pay the Redemption Make Whole Amount in cash or in shares of our Class A common stock, with the number of such shares determined based on the average of the sale prices of our Class A common stock over the 10 trading days immediately preceding the applicable conversion date. If we elect to pay the Redemption Make Whole Amount in shares of our Class A common stock, the number of shares we deliver, together with the shares deliverable upon conversion, will not exceed 462 per $1,000 original principal amount of notes, subject to the anti-dilution adjustments, and we must deliver cash with respect to the remainder of the Redemption Make Whole Amount, if any.
Exchange in Lieu of Conversion	Unless we have called the relevant notes for redemption, we may, in lieu of delivering shares of our Class A common stock, or cash in lieu thereof, upon conversion, direct the conversion agent to surrender notes a holder has tendered for conversion to a financial institution designated by us for exchange in lieu of conversion. In order to accept any such notes, the designated institution must agree to deliver, in exchange for such notes, a number of shares of our Class A common stock calculated using the applicable conversion rate for the accreted principal amount

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	of the notes, plus cash for any fractional shares, or, at its option, cash or a combination of cash and shares of our Class A common stock in lieu thereof, calculated based on the average price. If the designated institution accepts any such notes, it will deliver the appropriate number of shares of our Class A common stock (and cash, if any), or cash in lieu thereof, to the conversion agent and the conversion agent will deliver those shares or cash to the holder. Such designated institution will also deliver cash equal to any Early Conversion Make Whole Amount we would owe such holder if we had paid it the conversion value of its notes. Any notes exchanged by the designated institution will remain outstanding. If the designated institution agrees to accept any notes for exchange but does not timely deliver the related consideration, we will, as promptly as practical thereafter, but not later than the third business day following (1) the conversion date or (2) if the designated institution elects to deliver cash or a combination of cash and shares of our Class A common stock, the determination of the average price, convert the notes and deliver shares of our Class A common stock, as described under Description of Notes Conversion Rights General, or, at our option cash in lieu thereof based on the average price, along with any applicable Early Conversion Make Whole Amount. See Description of Notes Exchange in Lieu of Conversion.
Fundamental Change	Upon a fundamental change, each holder of the notes may require us to repurchase some or all of its notes at a purchase price equal to 100% of the accreted principal amount of the notes, plus any accrued and unpaid interest, including any liquidated damages and deferred interest. See Description of Notes Fundamental Change Requires Us to Repurchase Notes at the Option of the Holder.
Make Whole Amount and Public Acquirer Change of Control	If certain transactions that constitute a change of control occur on or prior to the maturity date, under certain circumstances, we will increase the conversion rate by a number of additional shares for any conversion of notes in connection with such transactions, as described under Description of Notes Conversion Rights Make Whole Amount and Public Acquirer Change of Control. The number of additional shares will be determined based on the date such transaction becomes effective and the price paid per share of our Class A common stock in such transaction. However, if such transaction constitutes a public acquirer change of control, in lieu of increasing the conversion rate, we may elect to adjust our conversion obligation such that upon conversion of the notes, we will deliver acquirer common stock or cash in lieu thereof as described under Description of Notes Conversion Rights Make Whole Amount and Public Acquirer Change of Control.
Redemption	Following the earlier of (1) the sale of any notes pursuant to an effective registration statement or (2) November 22, 2006, we may redeem the notes (or, in the case of clause (1) above, any such notes that have been sold pursuant to an effective

	registration statement) in whole or in part for cash at any time at a redemption price equal to 100% of the accreted principal amount of the notes plus any accrued and unpaid interest, deferred interest and liquidated damages, if any, on the notes to but not including the redemption date, if the closing price of our Class A common stock has exceeded, for at least 20 trading days in any consecutive 30 trading day period, 180% of the conversion price if such 30 day trading period is prior to November 16, 2007 and 150% if such 30 trading day period begins thereafter. The conversion price as of any day will equal the accreted principal amount of $1,000 original principal amount of notes divided by the conversion rate in effect on such day.
Sinking Fund	None.
Registered Borrow Facility	We have filed and have agreed to use our reasonable best efforts to cause to become effective within 130 calendar days after the issue date of the notes, a registration statement with the Securities and Exchange Commission covering our Class A common stock that can be used by Citigroup Global Markets Inc., one of the initial purchasers of the notes, which we refer to as Citigroup, to sell up to 150 million shares that we will loan to an affiliate of Citigroup. If for any reason the registration statement relating to the registered borrow facility has not been declared effective by the required deadline, we will be required to pay liquidated damages in cash to all holders of the notes during the continuance of such failure until the date two years following the original issue date of the notes at a rate per month equal to .25% of the accreted principal amount of the notes for the first 60 days of such failure and .50% of the accreted principal amount of the notes thereafter, in each case with such damages accruing daily and paid monthly. In lieu of paying any such liquidated damages in cash, we may elect to add the liquidated damages to the accreted principal amount of the notes at the rate per month of .375% of the accreted principal amount of the notes for the first 60 days of such failure and .75% of the accreted principal amount of the notes thereafter, in each case accreting daily and compounding monthly. We have been advised by Citigroup that it intends to use the short sales of our Class A common stock registered pursuant to such registration statement to facilitate transactions by which investors in the notes will hedge their investment in the notes. We will not receive any of the proceeds from such short sales of Class A common stock, but we will receive a loan fee of $.001 for each share that we lend pursuant to the share lending agreement.
United States Federal Income Tax Considerations	Under the indenture governing the notes, we have agreed, and by acceptance of a beneficial interest in the notes each holder of a note is deemed to have agreed, to treat the notes for United States federal income tax purposes as debt instruments that are subject to the U.S. Treasury regulations governing contingent payment debt instruments. For United States federal income tax

	purposes, interest will accrue from the issue date of the notes at a constant rate of 15% per year (subject to certain adjustments), compounded semi-annually, which represents the yield on our comparable nonconvertible, fixed-rate debt instruments with terms and conditions otherwise similar to the notes. U.S. Holders (as defined herein) will be required to include interest in income as it accrues regardless of their method of tax accounting. The rate at which interest accrues for United States federal income tax purposes generally will exceed the cash payments of interest.
	U.S. Holders will recognize gain or loss on the sale, exchange, conversion, redemption or repurchase of a note in an amount equal to the difference between the amount realized, including the fair market value of any common stock received upon conversion, and their adjusted tax basis in the note. Any gain recognized by a U.S. Holder on the sale, exchange, conversion, redemption or repurchase of a note generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and, thereafter, capital loss. See United States Federal Income Tax Considerations.
Use of Proceeds	We will not receive any proceeds from the sales of notes or shares offered hereby by the selling security holders.
Events of Default	Customary events of default, including a default caused by the failure to pay interest or principal at maturity and the acceleration of indebtedness for borrowed money aggregating $100 million or more.
Trading	The notes are designated as eligible for trading in the PORTAL Market. Our Class A common stock is quoted on the Nasdaq National Market under the symbol CHTR.

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Summary Consolidated Financial Data

Charter is a holding company whose principal assets are a controlling common equity interest in Charter Communications Holding Company, LLC and mirror notes that are payable by Charter Communications Holding Company, LLC to Charter which have the same principal amount and terms as those of Charter s convertible senior notes. Charter Communications Holding Company, LLC is a holding company whose primary assets are equity interests in our cable operating subsidiaries and intercompany loan receivables. Charter consolidates Charter Communications Holding Company, LLC on the basis of voting control. Charter Communications Holding Company, LLC 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 Communications Holding Company, LLC. Voting control gives Charter full authority and control over the operations of Charter Communications Holding Company, LLC.

The following table presents summary financial and other data for Charter and its subsidiaries and has been derived from the audited consolidated financial statements of Charter and its subsidiaries for the three years ended December 31, 2003 and the unaudited consolidated financial statements of Charter and its subsidiaries for the nine months ended September 30, 2004. The consolidated financial statements of Charter and its subsidiaries for the years ended December 31, 2001 to 2003 have been audited by KPMG LLP, an independent registered public accounting firm. The pro forma data set forth below represent our unaudited pro forma consolidated financial statements after giving effect to the following transactions as if they occurred on January 1 of the respective period for the statement of operations data and other financial data and as of the last day of the respective period for the operating data and balance sheet data:

(1) the disposition of certain assets in October 2003 and in March and April 2004 and the use of proceeds in each case to pay down credit facilities;

(2) the issuance and sale of the CCH II senior notes in September 2003, the CCO Holdings senior notes in November 2003, the CCO Holdings senior floating rate notes in December 2004 and the Charter Operating senior second lien notes in April 2004 with proceeds used to refinance or repay outstanding debt and for general corporate purposes;

(3) an increase in amounts outstanding under the Charter Operating credit facilities in April 2004 and the use of such funds, together with the proceeds of the sale of the Charter Operating senior second lien notes, to refinance amounts outstanding under the credit facilities of our subsidiaries, CC VI Operating, CC VIII Operating and Falcon;

(4) the establishment of a registered borrow facility for the issuance of up to 150 million shares of our Class A common stock pursuant to a share lending agreement; and

(5) the issuance and sale of $863 million of 5.875% convertible senior notes in November 2004 with proceeds used for (i) the purchase of certain U.S. government securities pledged as security for the 5.875% convertible senior notes (and which we expect to use to fund the first six interest payments thereon), (ii) redemption of the outstanding 5.75% convertible senior notes due 2005 and (iii) general corporate purposes.

The following information should be read in conjunction with Selected Historical Consolidated Financial Data, Capitalization, Unaudited Pro Forma Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, Registered Borrow Facility and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

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	Year Ended December 31,				Nine Months Ended September 30,	
	2001 Actual	2002 Actual	2003 Actual	2003 Pro Forma(a)	2004 Actual	2004 Pro Forma(a)
	(Dollars in millions, except per share, share and customer data)					
Statement of Operations Data:						
Revenues:						
Video	$ 2,971	$ 3,420	$ 3,461	$ 3,324	$ 2,534	$ 2,513
High-speed data	148	337	556	541	538	535
Advertising sales	197	302	263	255	205	204
Commercial	123	161	204	188	175	173
Other	368	346	335	322	249	247
Total revenues	3,807	4,566	4,819	4,630(b)	3,701	3,672(b)
Costs and Expenses:						
Operating (excluding depreciation and amortization)	1,486	1,807	1,952	1,881	1,552	1,540
Selling, general and administrative	826	963	940	914	735	731
Depreciation and amortization	2,683	1,436	1,453	1,413	1,105	1,099
(Gain) loss on sale of assets, net	10	3	5	26	(104)	1
Impairment of franchises		4,638			2,433	2,433
Option compensation expense (income), net	(5)	5	4	4	34	34
Special charges, net	18	36	21	21	100	100
			(72)	(72)		

Unfavorable contracts and other settlements						
Total costs and expenses	5,018	8,888	4,303	4,187	5,855	5,938
Income (loss) from operations	(1,211)	(4,322)	516	443	(2,154)	(2,266)
Interest expense, net	(1,310)	(1,503)	(1,557)	(1,719)	(1,227)	(1,286)
Gain (loss) on derivative instruments and hedging activities, net	(50)	(115)	65	65	48	48
Gain on debt exchange, net			267			
Loss on debt to equity conversions					(23)	(23)
Loss on extinguishment of debt					(21)	
Loss on equity investments	(54)	(3)	(3)	(3)		
Other, net	(5)	(1)	(13)	(13)		
Loss before minority interest, income taxes and cumulative effect of accounting change	(2,630)	(5,944)	(725)	(1,227)	(3,377)	(3,527)
Minority interest	1,461	3,176	377	377	24	24
Loss before income taxes and cumulative effect of accounting change	(1,169)	(2,768)	(348)	(850)	(3,353)	(3,503)

Income tax benefit		12		460		110		111		116		130
Loss before cumulative effect of accounting change	$	(1,157)	$	(2,308)	$	(238)	$	(739)	$	(3,237)	$	(3,373)
Loss per common share, basic and diluted(c)	$	(4.30)	$	(7.85)	$	(0.82)	$	(2.52)	$	(10.82)	$	(11.27)
Weighted-average common shares outstanding, basic and diluted		269,594,386		294,440,261		294,597,519		294,597,519		299,411,053		299,411,053
Other Financial Data:												
Capital expenditures	$	2,913	$	2,167	$	854	$	835	$	639	$	637
Deficiencies of earnings to cover fixed charges(d)	$	2,630	$	5,944	$	725	$	1,227	$	3,377	$	3,527

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	December 31,		September 30,
	2003 Actual	2003 Pro Forma	2004 Actual
Operating Data (end of period)(e):			
Analog video customers	6,431,300	6,200,500	6,074,600
Digital video customers	2,671,900	2,588,600	2,688,900
Residential high-speed data customers	1,565,600	1,527,800	1,819,900
Telephony customers	24,900	24,900	40,200

	Pro Forma As of September 30, 2004
	(Dollars in millions)
Balance Sheet Data (end of period):	
Cash and cash equivalents	$ 355
Total assets	17,511
Accounts payable and accrued expenses	1,311
Long-term debt	18,878
Other long-term liabilities	695
Minority interest(f)	637
Shareholders deficit	(4,079)

(a) Actual revenues exceeded pro forma revenues for the year ended December 31, 2003 and the nine months ended September 30, 2004 by $189 million and $29 million, respectively. Pro forma loss before cumulative effect of accounting, net of tax exceeded actual loss before cumulative effect of accounting, net of tax by $501 million and $136 million for the year ended December 31, 2003 and the nine months ended September 30, 2004, respectively. The unaudited pro forma financial information required allocation of certain revenues and expenses and such information has been presented for comparative purposes and is not intended (a) to provide any indication of what our actual financial position or results of operations would have been had the transactions described above been completed on the dates indicated or (b) to project our results of operations for any future date.

(b) Pro forma revenue by quarter is as follows:

	2003 Pro Forma Revenue	2004 Pro Forma Revenue
	(In millions)	
1st Quarter	$1,130	$1,185
2nd Quarter	1,168	1,239
3rd Quarter	1,159	1,248

Total through September 30	3,457	$3,672
4th Quarter 2003	1,173	
Total 2003 pro forma revenue	$4,630	

(c) Loss per common share, basic and diluted, assumes none of the membership units of Charter Communications Holding Company, LLC are exchanged for Charter common stock and none of the outstanding options to purchase membership units of Charter Communications Holding Company, LLC that are automatically exchanged for Charter common stock are exercised. Basic loss per share equals loss before cumulative effect of accounting change less dividends on preferred stock-redeemable divided by weighted average shares outstanding. If the membership units were exchanged or options exercised, the effects would be antidilutive. Therefore, basic and diluted loss per common share is the same.

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

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

(f) Minority interest represents the percentage of Charter Communications Holding Company, LLC not owned by Charter, plus preferred membership interests in CC VIII, LLC, an indirect subsidiary of Charter Holdco. Paul G. Allen indirectly holds the preferred membership units in CC VIII as a result of the exercise of a put right originally granted in connection with the Bresnan transaction in 2000. An issue has arisen regarding the ultimate ownership of the CC VIII membership interests following the consummation of the Bresnan put transaction on June 6, 2003. See Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights

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CC VIII. Reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Communications Holding Company, LLC. Because minority interest in Charter Communications Holding Company, LLC was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, Charter began to absorb substantially all losses before income taxes that otherwise would have been allocated to minority interest. As a result of negative equity at Charter Communications Holding Company, LLC, during the nine months ended September 30, 2004, no additional losses were allocated to minority interest, resulting in an approximate additional $2.0 billion of net losses. Subject to any changes in Charter Communications Holding Company, LLC s capital structure, Charter will absorb substantially all future losses.

RISK FACTORS

An investment in the notes or our Class A common stock entails the following risks. You should carefully consider these risk factors, as well as the other information contained in this prospectus, before making a decision to invest in the notes or our Class A common stock.

Risks Related to Significant Indebtedness of Us and Our Subsidiaries

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

We and our 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 September 30, 2004, our total debt was approximately $18.5 billion, and our shareholders deficit was approximately $4.1 billion. On the pro forma basis set forth in Summary Consolidated Financial Data , our total debt would have been approximately $18.9 billion at September 30, 2004, and the deficiency of earnings to cover fixed charges for the nine-month period ended September 30, 2004 would have been approximately $3.5 billion. In 2006 and beyond, significant amounts will become due under our remaining long-term debt obligations. The maturities of these obligations are set forth in Description of Certain Indebtedness.

We believe that as a result of our significant levels of debt and operating performance, our access to the debt markets could be limited. If our business does not generate sufficient cash flow from operating activities, and sufficient funds are not available to us from borrowings under our credit facilities or from other sources, we may not be able to repay our debt, grow our business, respond to competitive challenges, or to fund our other liquidity and capital needs. Further, if we are unable to refinance our debt, we could be forced to restructure our obligations or seek protection under the bankruptcy laws. If we were to raise capital through the issuance of additional equity or to engage in a recapitalization or other similar transaction, our shareholders could suffer significant dilution and our noteholders might not receive all principal and interest payments to which they are contractually entitled on a timely basis or at all.

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

- require us to dedicate a significant portion of our cash flow from operating activities to 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 amount of our borrowings are, and will continue to be, at variable rates of interest;
- expose us to increased interest expense as we refinance our existing lower interest rate instruments;
- adversely affect our relationship with customers and suppliers;
- limit our ability to borrow additional funds in the future; and
- 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 bondholders.

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 and our obligations under the notes and our other convertible notes. We may not have the ability to fund our obligations under the notes in the event of such a default. If current debt levels increase, the related risks that we and you now face will intensify.

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

Our principal assets are our equity interests in Charter Communications Holding Company, LLC (Charter Holdco) (which in turn holds indirect equity interests in our operating subsidiaries) and certain mirror debt instruments issued to us by Charter Holdco, the terms of which match our existing outstanding indebtedness. We have no operating assets. Accordingly, except for those interest payments to be funded by the Pledged Securities, we will need to receive distributions from our subsidiaries or raise additional financing in order to service our debt. Our subsidiaries are separate and distinct legal entities and are not obligated to make funds available to us in the form of loans, distributions or otherwise for payment of the notes or our existing senior convertible notes or other obligations.

Our subsidiaries ability to make distributions to us are restricted by the terms of their credit facilities and indentures. Our indirect subsidiaries include the borrowers and guarantors under the Charter Communications Operating, LLC credit facilities. Some of our subsidiaries are also obligors under several series of senior high-yield notes issued by them. The notes are structurally subordinated in right of payment to indebtedness and other liabilities of our subsidiaries, the total principal amount of which was $20.3 billion as of September 30, 2004 excluding intercompany obligations.

The indentures governing the senior notes and senior discount notes of Charter Communications Holdings, LLC (Charter Holdings) permit Charter Holdings to make distributions to Charter Holdco for payment of interest on the notes and our existing convertible senior notes, but only if, after giving effect to the distribution, Charter Holdings can incur additional debt under the leverage ratio of 8.75 to 1.0, there is no default under its indentures and other specified tests are met. However, in the event that Charter Holdings could not incur any additional debt under the 8.75 to 1.0 leverage ratio test, the indentures governing the Charter Holdings notes permit Charter Holdings and its subsidiaries to make specified investments in Charter Holdco or Charter, up to an amount determined by a formula, if there is no default under the indentures, subject also to certain legal principles and requirements. Charter Holdings did not meet the leverage ratio test at September 30, 2004, and as a result, distributions from Charter Holdings to Charter Holdco will be restricted until that test is met. As of September 30, 2004, Charter Holdco had $31 million in cash on hand and was owed $39 million in intercompany loans, which are available to Charter Holdco to service interest on the notes and our existing convertible senior 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, then to any obligations owed by its parent companies that are our subsidiaries, and following such payments, such subsidiary may not have sufficient assets remaining to make payments to us as an equity holder or otherwise. In that event:

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

- although Mr. Allen s indirect ownership interest in CC VIII, LLC is currently the subject of a dispute, Paul G. Allen, as an indirect holder of preferred membership interests in our subsidiary, CC VIII, LLC, may have a claim on a portion of its assets that would reduce the amounts available for repayment to holders of the notes. See Risk Factors Risks Related to Our Business Our dispute with Paul G. Allen concerning the ownership of an interest in CC VIII, LLC could adversely impact our ability to repay our debt, the value of our common stock and our ability to obtain future financing.

In addition, the notes are unsecured and will rank equally with all other existing and future senior unsecured indebtedness of Charter and will be effectively subordinated in right of payment to all existing secured debt and any future secured debt we may incur to the extent of the value of the assets securing such debt. Our subsidiaries credit facilities are secured by pledges of equity interests and intercompany notes. See Description of Certain Indebtedness for a summary of our outstanding indebtedness and a description of our credit facilities and other indebtedness.

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 and adversely affect you, as holders of the notes.

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

pay dividends or make other distributions;

receive distributions from our subsidiaries;

make certain investments or acquisitions;

enter into related party transactions;

dispose of assets or merge;

incur additional debt;

repurchase or redeem equity interests and debt;

grant liens; and

pledge assets.

Furthermore, the credit facilities of Charter Communications Operating, LLC (Charter Operating) require Charter Operating and its subsidiaries to maintain specified financial ratios and meet financial tests and to provide audited financial statements with an unqualified opinion from our independent auditors. The 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 could result in a default under the applicable debt agreement or instrument and could trigger acceleration of the related debt, which in turn could trigger defaults under other agreements governing our long-term indebtedness. In addition, the secured lenders under the Charter Operating credit facilities and the Charter Operating senior second-lien notes could foreclose on their collateral, which includes equity interests in our subsidiaries, and exercise other rights of secured creditors. Any default under those credit facilities, the indenture governing the notes or the indentures governing our other 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 the notes, our other notes and the credit facilities and other debt of our subsidiaries. See Description of Certain Indebtedness.

We may not generate sufficient cash flow to fund our capital expenditures, ongoing operations and debt obligations, including our payment obligations under the notes.

Our ability to service our debt (including payments on the notes) and our subsidiaries debt and to fund our subsidiaries planned capital expenditures and our subsidiaries ongoing operations will depend on our ability to generate cash flow. 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, we may not be able to repay our debt (including the notes), operate our business, respond to competitive

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challenges or fund our other liquidity and capital needs. Additionally, franchise valuations performed in accordance with the requirements of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, are based on the projected cash flows derived by selling products and services to new customers in future periods. Declines in future cash flows could result in lower valuations which in turn may result in impairments to the franchise assets in our financial statements.

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. Unused availability under the Charter Operating credit facilities was approximately $957 million as of September 30, 2004. However, our access to these funds is subject to our satisfaction of the covenants and conditions to borrowing in those 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 the 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. In addition, an event of default under the credit facilities, such as the failure to maintain the applicable required financial ratios, would prevent additional borrowing under our subsidiary credit facilities, which could materially adversely affect our ability to operate our business and to make payments under our debt instruments.

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 the notes, our other convertible senior notes and our subsidiaries senior notes, senior discount notes, senior floating rate notes and credit facilities following a change of control. Under the indentures governing the notes and our other convertible senior notes, upon the occurrence of specified change of control events, we are required to offer to repurchase all of our outstanding convertible senior notes. However, we may not have sufficient funds at the time of the change of control event to make the required repurchase of our convertible senior notes, and our subsidiaries are limited in their ability to make distributions or other payments to us to fund any required repurchase. In addition, a change of control under our subsidiaries credit facilities and indentures governing our subsidiaries notes would require the repayment of borrowings totaling $17.7 billion at September 30, 2004 under those credit facilities and indentures. Because such credit facilities and 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 notes and our other convertible senior notes. Our failure to make or complete a change of control offer would place us in default under the notes and our other convertible senior notes. The failure of our subsidiaries to make a change of control offer or repay the amounts outstanding under their credit facilities would place them in default of these agreements and could result in a default under the indentures governing the notes and our other convertible senior notes and our subsidiaries notes.

If we do not fulfill our obligations to you under the notes, you will not have any recourse against Mr. Allen or his affiliates.

None of our direct or indirect equity holders, directors, officers, employees or affiliates, including, without limitation, Mr. Allen or his affiliates, Charter Investment, Inc. or Vulcan Cable III Inc., will be an obligor or guarantor under the notes. The indenture governing the notes expressly provides that these parties will not have any liability for our obligations under the notes or the indenture governing the notes. If we do not fulfill our obligations to you under the notes, you will have no recourse against any of our

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direct or indirect equity holders, directors, officers, employees or affiliates including, without limitation, Mr. Allen, Charter Investment, Inc. or Vulcan Cable III Inc.

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 in the future.

Paul G. Allen and his affiliates have purchased equity, contributed funds and provided other financial support to Charter and Charter Holdco in the past. However, Mr. Allen and his affiliates are not obligated to purchase equity from, contribute to or loan funds to us or any of our subsidiaries in the future.

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 customers to direct broadcast satellite competition, and further loss of customers could have a material negative impact on our business.

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

Our principal competitor for video services throughout our territory is direct broadcast satellite television services, or DBS, and, in markets where it is available, our principal competitor for data services is digital subscriber line service, or DSL. Competition from DBS, including intensive marketing efforts, aggressive pricing and the ability of DBS to provide certain services that we currently do not provide, has had an adverse impact on our ability to retain customers. Our major DBS competitors continue to offer a greater variety of channel packages than do we, and are especially competitive at the lower end pricing and have been intensively marketing their services. DBS has grown rapidly over the last several years and continues to do so. We have lost a significant number of customers to DBS competition, and will continue to face serious challenges from DBS providers.

Local telephone companies and electric utilities can offer video and other services in competition with us and they may increasingly do so in the future. For example, certain telephone companies have begun more extensive deployment of fiber in their networks that will enable them to begin providing video services, as well as telephony and Internet access services, to residential and business customers. We also face competition from free broadcast television and from other communications and entertainment media. Further loss of customers to DBS or other alternative video and data services could have a material negative impact on our business.

With respect to our high-speed data services, we face competition, including intensive marketing efforts and aggressive pricing, from telephone companies and other providers of dial-up and DSL. DSL service is competitive with high-speed data service over cable systems. Telephone companies (which already have telephone lines into the household, an existing customer base and other operational functions in place) and other companies offer DSL service. In addition, certain DBS providers are now providing two-way high-speed Internet access services, which are competing with our ability to provide bundled services to our customers.

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 terminals. 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 an 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, and the repeal of certain ownership rules may provide additional benefits to some of our competitors, either through access to financing, resources or efficiencies of scale, or the ability to provide multiple services in direct competition with us.

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.

Our dispute with Paul G. Allen concerning the ownership of an interest in CC VIII, LLC could adversely impact the value of our common stock, our ability to repay our debt and our ability to obtain future financing.

As part of our acquisition of the cable systems owned by Bresnan Communications Company Limited Partnership in February 2000, CC VIII, LLC, our indirect limited liability company subsidiary, issued, after adjustments, 24,273,943 Class A preferred membership units (which we refer to collectively as the CC VIII interest) with a value and an initial capital account of approximately $630 million to certain sellers affiliated with AT&T Broadband, subsequently owned by Comcast Corporation (which we refer to as the Comcast sellers). Our controlling shareholder, Paul G. Allen, granted the Comcast sellers the right to sell to him the CC VIII interest for approximately $630 million plus 4.5% interest annually from February 2000 (which we refer to as the Comcast put right). In April 2002, the Comcast sellers exercised the Comcast put right in full, and this transaction was consummated on June 6, 2003. Accordingly, Mr. Allen has become the holder of the CC VIII interest, indirectly through an affiliate.

We are in a dispute with Mr. Allen as to whether he is entitled to retain the CC VIII interest, or whether he must exchange that interest for units of our subsidiary, Charter Holdco. The dispute concerns whether the documentation for the Bresnan transaction was correct and complete with regard to the ultimate ownership of the CC VIII interest following consummation of the Comcast put right. The law firm that prepared the documents for the Bresnan transaction brought this matter to the attention of Charter and representatives of Mr. Allen in 2002. After subsequently conducting an investigation of the relevant facts and circumstances, a Special Committee of Charter s Board of Directors determined that a scrivener s error had occurred in February 2000 in connection with the preparation of the Bresnan transaction documents, resulting in the inadvertent deletion of a provision that would have required an automatic exchange of the CC VIII interest for 24,273,943 Charter Holdco membership units if the Comcast sellers exercised the Comcast put right and sold the CC VIII interest to Mr. Allen or his affiliates. Mr. Allen disagrees with the Special Committee s determinations and contends that the transaction is accurately reflected in the transaction documentation and contemporaneous and subsequent company public disclosures. This dispute and related matters (including certain issues associated with the ultimate disposition of the interest in CC VIII) are more fully described in Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII.

If it is determined that Mr. Allen is entitled to retain the CC VIII interest, then our indirect interest in CC VIII would continue to exclude the value of Mr. Allen s interest in CC VIII, consistent with our current treatment of the CC VIII interest in our financial statements. As a result, the amounts available for repayment to holders of the notes or our other creditors, including creditors of our subsidiaries, would not include the value represented by Mr. Allen s CC VIII interest, and the value of our Class A common stock similarly would not reflect any value attributable to Mr. Allen s CC VIII interest (which also could affect the trading value of the notes). Further, such retained interest in CC VIII could reduce our borrowing capacity (due to a portion of the equity interest being held by a party other than Charter or a Charter subsidiary) or make it more difficult for us to secure financing for our CC VIII subsidiary due to concerns as to possible claims that could be asserted by Mr. Allen as the holder of a minority interest in CC VIII. In addition, if it is determined that Mr. Allen is entitled to retain the CC VIII interest, such retention could complicate efforts to sell our CC VIII subsidiary or its assets to a third party, and Mr. Allen could be entitled to receive a portion of the proceeds of such a sale, thereby reducing the amount of such proceeds that would otherwise be available to us and our security holders.

We are currently the subject of certain lawsuits and other legal matters, the unfavorable outcome of which could adversely affect our business and financial condition.

A number of putative federal class action lawsuits were filed against us and certain of our former and present officers and directors alleging violations of securities laws. These actions were consolidated for pretrial purposes. In addition, a number of other lawsuits were filed against us in other jurisdictions. A shareholders derivative suit was filed in the U.S. District Court for the Eastern District of Missouri against us and our then current directors. Also, three shareholders derivative suits were filed in Missouri state court against us, our then current directors and our former independent auditor, which actions have been consolidated. The federal shareholders derivative suit and the consolidated derivative suit each allege that the individual defendants breached their fiduciary duties.

In August 2004, we entered into Memoranda of Understanding setting forth agreements in principal to settle and resolve the class actions and derivative suits described above on the terms set forth in the Memoranda. The parties have negotiated and executed settlement documents (including a stipulation of settlement and related papers). The settlements are still subject to a number of conditions, including court approval of the terms of the settlement and certain payments by our insurance carriers. Accordingly, there can be no assurance that the settlements will become effective or that the actions will be resolved on the terms set forth in the Memoranda or at all. In the event that the settlements do not become final, the litigations would presumably resume.

In August 2002, we became aware of a grand jury investigation being conducted by the U.S. Attorney s Office for the Eastern District of Missouri into certain of our accounting and reporting practices focusing on how we reported customer numbers, and our reporting of amounts received from digital set-top terminal suppliers for advertising. The U.S. Attorney s Office publicly stated in July 2003 that we are not a target of the investigation. We have also been advised by the U.S. Attorney s Office that no member of our board of directors is a target of the investigation. On July 24, 2003, a federal grand jury charged four of our former officers with conspiracy and mail and wire fraud, alleging improper accounting and reporting practices focusing on revenue from digital set-top terminal suppliers and inflated customer account numbers. All four of the former officers who were indicted have entered guilty pleas and are now awaiting sentencing. We are fully cooperating with the investigation.

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

In October 2001, two customers, Nikki Nicholls and Geraldine M. Barber, filed a class action suit against Charter Holdco in South Carolina state court purportedly on behalf of a class of Charter Holdco s customers, alleging, among other things, that Charter Holdco improperly charged them a wire maintenance fee without request or permission. They also claimed that Charter Holdco improperly required them to rent analog and/or digital set-top terminals even though their television sets were cable ready. A substantively identical case was filed in the Superior Court of Athens Clarke County, Georgia by Emma S. Tobar on March 26, 2002, alleging a nationwide class for these claims. Following mediation the parties reached a tentative settlement, subject to final documentation and court approval. On November 10, 2004, the court granted final approval of the settlement, rejecting the positions advanced by two objectors to the settlement. On December 13, 2004 the court entered a written order formally approving that settlement. On January 11, 2005, however, certain class members appealed the order entered by the Georgia court. That appeal was dismissed on or about February 3, 2005. Additionally, one of the objectors to this settlement recently filed a similar, but not identical, lawsuit.

Furthermore, we are also a party to, or otherwise involved in, other lawsuits, claims, proceedings and legal matters that have arisen in the ordinary course of conducting our business. In addition, our restatement of our 2000, 2001 and 2002 financial statements could lead to additional or expanded claims or investigations.

We cannot predict with certainty the ultimate outcome of any of the lawsuits, claims, investigations, proceedings and other legal matters to which we are a party to, or otherwise involved in, due to, among other things, (i) the inherent uncertainties of litigation, government investigations and proceedings and legal matters generally, (ii) the remaining conditions to the finalization of the settlements described above, (iii) the possibility of appeals and objections to the settlements described above, and (iv) the need for us to comply with, and/or otherwise implement, certain covenants, conditions, undertakings, procedures and other obligations that would be, or have been, imposed under the terms of the settlements and resolutions described above.

The termination of the settlements described above, an unfavorable outcome in any of the lawsuits pending against us, in any government investigation or proceeding or in any other legal matter, including those described above, or our failure to comply with or properly implement the terms of the settlements described above, could result in substantial potential liabilities and otherwise have a material adverse effect on our business, consolidated financial condition and results of operations, in our liquidity, our operations, and/or our ability to comply with any debt covenants. Further, these legal matters, and our actions in response to them, could result in substantial potential liabilities, additional defense and other costs, increase our indemnification obligations, divert management s attention, and/or adversely affect our ability to execute our business and financial strategies.

See Business Legal Proceedings for additional information concerning these and other litigation matters.

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 interest costs we incur because of our high level of debt, the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties, and the amortization and impairment of our franchise intangibles. We expect that these expenses (other than amortization and impairment of franchises) will remain significant, and we expect to continue to report net losses for the foreseeable future. We reported losses before cumulative effect of accounting change of $1.2 billion for 2001, $2.3 billion for 2002, $238 million for 2003 and $181 million and $3.2 billion for the nine months ended September 30, 2003 and 2004, 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 this escalation to continue, and because of market and competitive factors, we may not be able to pass programming cost increases on to our customers. As measured by programming costs, and excluding premium services (substantially all of which were renegotiated and renewed in 2003) as of September 30, 2004, approximately 33% of our current programming contracts (computed based on programming expenditures) have expired or are scheduled to expire by the end of 2004, and approximately another 12% will expire by the end of 2005. There can be no assurance that these agreements will be renewed on favorable or comparable terms. The inability to fully pass programming cost increases on to our customers would have an adverse impact on our cash flow and operating margins.

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

During the nine months ended September 30, 2004, we spent approximately $639 million on capital expenditures. During 2004 we expect to spend approximately $850 million to $950 million on capital expenditures. The actual amount of our capital expenditures depends on the level of growth in high-speed data customers and in the delivery of other advanced services, as well as the cost of introducing any new services. We may need additional capital if there is accelerated growth in high-speed data 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 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.

We may not be able to carry out our strategy to improve operating results by standardizing and streamlining operations and procedures.

In prior years, we experienced rapid growth through acquisitions of a number of cable operators and the rapid rebuild and rollout of advanced services. Our future success will depend in part on our ability to standardize and streamline our operations. The failure to implement a consistent corporate culture and management, operating or financial systems or procedures necessary to standardize and streamline our operations and effectively operate our enterprise could have a material adverse effect on our business, results of operations and financial condition.

The loss of any of our key executives could adversely affect our ability to manage our business.

Our success is substantially dependent upon the retention and the continued performance of our management team. The loss of the services of a significant portion of our management team could disrupt our operations and adversely affect our growth, financial condition and results of operations.

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

Our high-speed data 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 (or 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 data customers or revenue or significant increase in costs of serving those customers could adversely affect our growth, financial condition and results of operations.

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We 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.

Our principal assets are our equity interests in Charter Holdco and certain indebtedness of Charter Holdco. If our membership interest in Charter Holdco were to constitute less than 50% of the voting securities issued by Charter Holdco, then our 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 accordance with the terms of the Charter Holdco limited liability company agreement, our membership units in Charter Holdco were to lose their special voting privileges. A determination that such interest was an investment security could cause us 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 us 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 and the notes.

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 and the notes;
- how the Class A common stock and the notes trade 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 and the notes.

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 and the notes.

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 Mr. Allen 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 the notes and our and our subsidiaries other indebtedness, including borrowings under the Charter Operating credit facilities. See Risks Related to Significant Indebtedness of Us and Our Subsidiaries 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.

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 of approximately 93% of the voting power of our capital stock, Mr. Allen, as sole Class B shareholder, is entitled to elect all but one of its board members and effectively has the voting power to elect the remaining board member as well since he controls more than the majority of the vote of the Class A and Class B shareholders voting together as a class. By virtue of Mr. Allen s control of the voting power of Charter, we are a controlled company under Nasdaq rule 4350(c)(5) and are not subject to requirements that a majority of our directors be independent (as defined in Nasdaq s rules) or that there be a nominating committee of Charter s board. Charter does not have a nominating committee. 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 and engaged in, other businesses involving or related to the operation of cable television systems, video programming, high-speed data service, telephony 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 notes and our Class A common 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.

Our certificate of incorporation and Charter Holdco s limited liability company agreement provide that Charter and Charter Holdco and its subsidiaries, cannot engage in any business activity outside the cable transmission business except for specified businesses. This will be the case unless we first offer the opportunity to pursue the particular business activity to Mr. Allen, he decides not to pursue it and he 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,

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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 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. and Charter Investment, Inc. 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. However, beginning in 2002, due to tax capital account limitations, certain net tax losses of Charter Holdco were allocated to us and have continued to be so allocated since that time. The limited liability company agreement further provides that beginning at the time that Charter Holdco generates net tax profits (as determined under the applicable federal income tax rules for determining book profits), the net tax profits that would otherwise have been allocated to us based generally on our percentage of outstanding common membership units of Charter Holdco will instead generally be allocated to membership units held by Vulcan Cable III Inc. and Charter Investment, Inc. In some situations, the special tax allocation provisions could result in our having to pay taxes in an amount that is more or less than if Charter Holdco losses and net tax profits to its members were based generally on the percentage of outstanding common membership units owned by such members from the time of the completion of the offering. See Description of Capital Stock and Membership Units Special Tax Allocation Provisions. For further discussions on the details of the tax allocation provision see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Income Taxes.

The issuance of our Class A common stock pursuant to the share lending agreement, as well as possible future conversions of the notes, significantly increases the risk that we will experience an ownership change in the future for tax purposes, resulting in a material limitation on the use of a substantial amount of our existing net operating loss carryforwards.

As of December 31, 2003, we had approximately $2.8 billion of tax net operating losses (resulting in a gross deferred tax asset of approximately $1.1 billion), expiring in the years 2019 through 2023 and anticipate that we will generate approximately an additional $2.0 billion (which would result in an additional gross deferred tax asset of approximately $814 million) by December 31, 2004, which would expire in 2024. Due to uncertainties in projected future taxable income, valuation allowances have been established against the gross deferred tax assets for book accounting purposes except for deferred benefits available to offset certain deferred tax liabilities. Currently, such tax net operating losses can accumulate and be used to offset any future taxable income of Charter. 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 to shelter any future taxable income we may generate. Such limitations, in conjunction with the net operating loss expiration provisions, could effectively eliminate our ability to use a substantial portion of our net operating losses to offset future taxable income. In connection with the original issuance of the notes offered hereby, we agreed to issue additional shares of our Class A common stock pursuant to a share lending agreement. See Registered Borrow Facility. While the tax treatment of the issuance of shares issued pursuant to a borrowing transaction under the share lending agreement is uncertain, we do not believe that such issuance would result in our experiencing

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an ownership change. However, future transactions and the timing of such transactions, such as additional stock issuances by us (including but not limited to issuances upon future conversion of the notes), reacquisitions of the borrowed shares by us, or acquisitions or sales of shares by certain holders of our shares, including persons who have held, currently hold, or accumulate in the future five percent or more of our outstanding stock (including upon an exchange by Paul Allen or his affiliates, directly or indirectly, of membership units of Charter Holdco), could cause an ownership change. Many of the foregoing transactions are beyond our control.

Risks Related to Regulatory and Legislative Matters

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

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 that, under specified circumstances, a cable system carry a local broadcast station or obtain consent to carry a local or distant broadcast station;
- 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 11% of our franchises, covering approximately 10% of our video customers, were expired at December 31, 2004. Approximately 8% of additional franchises, covering approximately an additional 9% of our video customers, will expire on or before December 31, 2005, 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 and/or a sustained failure to renew a franchise in one or more key markets could adversely affect our business in the affected geographic area.

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. 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. 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 September 30, 2004, we are aware of overbuild situations impacting approximately 5% of our estimated homes passed, and potential overbuild situations in areas servicing approximately 2% of our estimated homes passed. Additional overbuild situations may occur in other systems.

Some telephone companies have begun more extensive deployment of fiber in their networks that will enable them to begin providing video services, as well as telephony and Internet access service. At least one major telephone company, SBC, plans to provide Internet protocol video over its upgraded network. SBC contends that its use of this technology should allow it to provide video service without a cable franchise as required under Title VI of the Communications Act. Other telephone companies deploying fiber more extensively are attempting through various means to weaken or streamline the franchising requirements applicable to them. If telephone companies are successful in avoiding or weakening the franchise and other regulatory requirements applicable to Charter, their competitive posture would be enhanced.

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 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 Federal Communications Commission (or 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 interest recently in requiring cable operators to offer historically bundled programming services on an á la carte basis. Although the FCC recently made a recommendation to Congress against the á la carte mandate, it is still possible that new marketing restrictions could be adopted in the future. If á la carte restrictions were imposed on cable operators, it could have a material adverse impact on our ability to offer services in a manner that we believe maximizes our revenue and overall customer satisfaction. If a mandatory á la carte regime were imposed, some customers might elect to purchase fewer video services from us. This loss would be compounded by a likely increase in programming, equipment, marketing, and customer service costs to accommodate á la carte ordering.

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, except that subsequently on October 6, 2003, the United States Court of Appeals for the Ninth Circuit held that cable modem service is not cable service but is part telecommunications service and part information service, which possibly could lead to higher pole attachment rates. The Ninth Circuit s decision has been appealed to the U.S. Supreme Court, which has agreed to hear the case. 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. In addition, the favorable pole attachment rates afforded cable operators under federal law can be increased by utility companies if the operator provides telecommunications services, as well as cable service, over plant attached to utility poles. 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, which could significantly increase our competition and adversely affect our ability to provide new products and services.

A number of companies, including telephone companies and 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, which allows cable to deliver a multitude of channels and/or services, so that these companies may deliver Internet services directly to customers over cable facilities. A federal court in each of California, Virginia and Florida has struck down open-access requirements imposed by a variety of franchising authorities as unlawful. Each of these decisions struck down the open-access requirements on different legal grounds. On October 6, 2003, however, the United States Court of Appeals for the Ninth Circuit issued a decision holding that cable modem service is part telecommunications service and part information service. The U.S. Supreme Court has agreed to hear an appeal of that decision. If not overturned, the decision could potentially result in open access requirements being imposed on us.

We believe that allocating a portion of our bandwidth capacity to other Internet service providers:

- would impair our ability to use our bandwidth in ways that would generate maximum revenues; and
- would strengthen our Internet service provider competitors by granting them access and lowering their costs to enter into our markets.

In addition, if we were required to provide access in this manner, it could have a significant adverse impact on our profitability. This requirement could impact us in many ways, including by:

- increasing competition;
- increasing the expenses we incur to maintain our systems; and/or
- increasing the expense of upgrading and/or expanding our systems.

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 the FCC were to require cable systems to carry both the analog and digital versions of local broadcast signals or to carry multiple program streams included with a single digital broadcast transmission. The FCC currently is conducting a proceeding in which it is considering these channel usage possibilities, although it previously issued a tentative decision against such dual carriage. Additional government-mandated broadcast carriage obligations could disrupt existing programming commitments, interfere with our preferred use of limited channel capacity and limit our ability to offer services that would maximize customer appeal and revenue potential. The FCC is expected to resolve this issue at a February 10, 2005 meeting.

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 explore development and deployment of VOIP services. The regulatory requirements applicable to VOIP service are unclear although the FCC recently declared that certain VOIP services are not subject to traditional state public utility regulation. The full extent of the FCC preemption of VOIP services is not yet clear. Expanding our offering of these services may require us to obtain certain authorizations, including federal, state and local licenses. We may not be able to obtain such authorizations in a timely manner, or at all, and conditions could be imposed upon such licenses or authorizations that may not be favorable to us. Furthermore, telecommunications companies generally are subject to significant regulation, and it may be difficult or costly for us to comply with such regulations, were it to be determined that they applied to VOIP offerings such as ours. In addition, pole attachment rates are higher for providers of telecommunications services than for providers of cable service. If there were to be a final legal determination by the FCC, a state Public Utility Commission, or appropriate court that VOIP services are subject to these higher rates, our pole attachment costs could increase significantly, which could adversely affect our financial condition and results of operations.

Additional Risks Related to this Offering, the Notes and the Class A Common Stock.

We may be unable to purchase the notes for cash following a fundamental change.

Holders of the notes have the right to require us to repurchase the notes in cash upon the occurrence of a fundamental change prior to maturity. Any of our future debt agreements may contain a similar provision. We may not have sufficient funds to make the required purchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to purchase the notes may be limited by law or the terms of other agreements relating to our debt outstanding at the time. However, if we fail to purchase the notes as required by the indenture, that would constitute an event of default under the indenture governing the notes which, in turn, may constitute an event of default, and result in the acceleration of the maturity of our then existing indebtedness.

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

The notes are a new issue of securities, and there is no existing market for the notes. Although the notes are eligible for trading in the PORTAL Market, we do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes on any automated dealer quotation system. A market may not develop for the 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 notes, the market price and liquidity of the notes may be adversely affected. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our Class A common stock, our ability to register the resale of the notes, our ability to register the sale of common stock loaned to an affiliate of Citigroup as described in Registered Borrow Facility Registration Rights on Shares Covered by Share Lending Agreement, 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. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. The market for the notes may be subject to disruptions that could have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

Although the Pledged Securities will secure both principal and interest on the notes, the ability of holders of notes to enforce their security interest in the Pledged Securities will be delayed if we become the subject of a case under the U.S. Bankruptcy Code.

Although the Pledged Securities are primarily intended to secure the first six installments of interest on the notes, if the principal amount of the notes becomes due and payable prior to November 16, 2007, any Pledged Securities then held by the trustee would also secure the accreted principal amount of the notes then due. If we become the subject of a case under the U.S. Bankruptcy Code, however, the ability of holders of notes to enforce their security interest in the Pledged Securities and receive payment in respect of the Pledged Securities, or any other payment of principal on the notes, would be delayed by the imposition of the automatic stay under Section 362 of the Bankruptcy Code. Any such delay could be for a substantial period of time.

The notes do not restrict our ability to incur additional debt, repurchase our securities or to take other actions that could negatively impact holders of the notes.

We are not restricted under the terms of the notes from incurring additional debt, including secured debt, or from repurchasing our securities. In addition, the limited covenants applicable to the notes do not require us to achieve or maintain any minimum financial results relating to our financial position or results of operations. Our ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due. Certain of our other debt instruments may, however, restrict these and other actions.

The trading prices for the notes will be directly affected by the trading prices for our Class A common stock, which may be volatile and are impossible to predict, and which in turn could cause the value of your investment to decline.

We expect that the trading price of the notes in the secondary market will be significantly affected by the trading price of our Class A common stock, the general level of interest rates and our credit quality. This may result in greater volatility in the trading prices of the notes than would be expected for nonconvertible debt securities.

It is impossible to predict whether the price of our Class A common stock or interest rates will rise or fall. Trading prices of our Class A common stock will be influenced by our operating results and prospects and by economic, financial, regulatory and other factors. In addition, general market conditions, including the level of, and fluctuations in, the trading prices of stocks generally, and sales of substantial amounts of our Class A common stock by us in the market after the offering of the notes, or the perception that such sales may occur, could affect the price of our Class A common stock.

The price of our Class A common stock also could be affected by any sales of our Class A common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our Class A common stock as a result of the issuance of the notes. The hedging or arbitrage trading activity that could develop with respect to our Class A common stock as a result of the issuance of the notes could cause a decline or retard any increase in the trading prices of our Class A common stock or the notes since investors in the notes may sell short our Class A common stock in order to establish initial hedge positions, and may increase those positions, particularly as the trading price of our Class A common stock increases, in order to hedge their notes. See Registered Borrow Facility.

If the registration statement covering the shares to be lent pursuant to the share lending agreement is not declared effective in a timely manner, the trading price of the notes may be adversely affected.

Although we have filed and have agreed to use our reasonable best efforts to cause to become effective a registration statement by a specified date covering the shares of our Class A common stock to be lent to an affiliate of Citigroup pursuant to the share lending agreement, we cannot assure you that such registration statement will be declared effective within the required time period or at all. The SEC has broad discretion in reviewing any registration statement and may delay or deny the effectiveness of a registration statement for a variety of reasons. If such registration statement is not declared effective in a timely manner, the trading price of the notes may be adversely affected.

We will be entitled to defer payment of a portion of the interest on the notes if we elect to accrete the principal amount of the notes.

We have filed and have agreed to use our reasonable best efforts to cause to become effective a registration statement covering up to 150 million shares of our Class A common stock that can be used by Citigroup to facilitate hedging transactions by purchasers of the notes. If we fail to cause that registration statement to become effective within the required time periods or at all, we will be required to pay liquidated damages to all holders of the notes during the continuance of such failure. In lieu of paying any such liquidated damages in cash, we may elect to accrete the principal amount of the notes. If we make this election, we will have the right to defer the interest payable on the portion of the accreted principal amount of the notes that exceeds the original principal amount of the notes. This deferred interest will not bear additional interest and will be payable on May 16, 2008 or upon any earlier redemption, repurchase or acceleration of the notes unless paid earlier. We may also pay any deferred interest on any interest payment date prior to May 16, 2008, upon prior notice to holders.

Your right to convert your notes will be limited if, upon conversion of your notes, you would have beneficial ownership of more than a specified percentage of our Class A common stock.

Holders of notes will not be entitled to receive shares of our Class A common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of more than the specified percentage of the shares of Class A common stock outstanding at such time. With respect to any conversion prior to November 16, 2008, the specified percentage will be 4.9%, and with respect to any conversion thereafter, the specified percentage will be 9.9%. If any delivery of shares of our Class A common stock owed to a holder upon conversion of notes is not made, in whole or in part, as a result of this limitation, our obligation to make such delivery shall not be extinguished and we shall deliver such shares as promptly as practicable after, but in no event later than two trading days after, any such converting holder gives notice to us that such delivery would not result in it being the beneficial owner of more than the specified percentage of the shares of Class A common stock outstanding at such time. Although we have the right to deliver cash in lieu of delivering shares of our Class A common stock upon conversion of the notes, we have no obligation to do so, even if by doing so we would enable you to avoid these limitations on your right to convert the notes.

If you hold notes, you will not be entitled to any rights with respect to our Class A common stock, but you will be subject to all changes made with respect to our Class A common stock.

If you hold notes, you will not be entitled to any rights with respect to our Class A common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our Class A common stock), but you will be subject to all changes affecting the Class A common stock. You will only be entitled to rights on the Class A common stock if and when we deliver shares of our

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Class A common stock to you upon conversion of your notes. For example, in the event that an amendment is proposed to our charter or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to your conversion of notes, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our Class A common stock or other classes of capital stock.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events including, but not limited to, dividends on our Class A common stock, the issuance of certain rights or warrants, subdivisions or combinations of our Class A common stock, certain distributions of assets, debt securities, capital stock or cash to holders of our Class A common stock and certain tender or exchange offers as described under Description of Notes Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for other events, such as an issuance of Class A common stock for cash, that may adversely affect the trading price of the notes or the Class A common stock. There can be no assurance that an event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate, will not occur.

The make whole premium payable on notes converted in connection with certain fundamental changes may not adequately compensate you for the lost option time value of your notes as a result of such fundamental change.

If certain transactions that constitute a change of control occur prior to the maturity date of the notes, under certain circumstances, we will increase the conversion rate by a number of additional shares for any conversions of notes in connection with such transaction. The amount of the additional shares will be determined based on the date on which the transaction becomes effective and the price paid per share of our Class A common stock in such transaction as described below under Description of Notes Conversion Rights Make Whole Amount and Public Acquirer Change of Control. While the number of additional shares is designed to compensate you for the lost option time value of your notes as a result of such transaction, the amount of the make whole premium is only an approximation of such lost option time value and may not adequately compensate you for such loss. In addition, if the price paid per share of our Class A common stock in the transaction is less than $2.16 or greater than $5.00, the conversion rate will not be increased. In no event will the number of shares issuable upon conversion of a note exceed 462 per $1,000 original principal amount of notes, subject to anti-dilution adjustments, regardless of when the transaction becomes effective or of the price paid per share of our Class A common stock in the transaction.

You may have to pay taxes with respect to some distributions on our Class A common stock that result in adjustments to the conversion rate.

The conversion rate of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See Description of Notes Conversion Rights Conversion Rate Adjustments. If the conversion rate is adjusted as a result of a distribution that is taxable to our Class A common stock holders, such as a cash dividend, you may be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. The amount that you would have to include in income would generally be equal to the amount of the distribution that you would have received if you had converted your notes into our Class A common stock. In addition, Non-U.S. Holders (as defined herein) of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See United States Federal Income Tax Considerations.

Conversion of the notes will dilute the ownership interests of existing stockholders.

If and to the extent we deliver shares of our Class A common stock upon conversion of the notes, the conversion of some or all of the notes will dilute the ownership interest of existing stockholders. Any sales in the public market of the Class A common stock issuable upon such conversion could adversely affect prevailing market prices of our Class A common stock.

The effect of the issuance of our shares of Class A common stock pursuant to the share lending agreement and upon conversion of the notes, including sales of our Class A common stock in short sale transactions by purchasers of the notes, may have a negative effect on the market price of our Class A common stock.

We have agreed pursuant to a share lending agreement to lend to an affiliate of Citigroup Global Markets Limited, one of the initial purchasers of the notes, up to 150 million shares of our Class A common stock. We refer to Citigroup Global Markets Limited as Citigroup. On or following the effectiveness of the registration statement that we filed with the SEC relating to such shares, we expect to loan all or substantially all of the 150 million shares of our Class A common stock to such affiliate, to be sold in a registered offering by Citigroup on behalf of such affiliate. Such loaned shares must be returned by November 16, 2009. See Registered Borrow Facility. Any shares not initially borrowed may be borrowed by the affiliate of Citigroup from time to time prior to November 16, 2006 and sold to others under the registration statement. We have been advised by Citigroup that it or an affiliate intends to facilitate the establishment by the note holders of hedged positions in the notes. The effect of the increase in the number of outstanding shares of our Class A common stock issued or issuable pursuant to the share lending agreement or upon conversion of the notes could have a negative effect on the market price of our Class A common stock. Since there will be more shares sold or available for sale, the market price of our Class A common stock may decline or not increase as much as it might have without the availability of such shares. The market price of our Class A common stock also could decline as a result of other short sales of our Class A common stock by the holders of the notes to hedge investments in the notes. We expect that many investors in the notes will hedge their investment by selling additional shares of our Class A common stock short in order to establish initial hedge positions, and that they may increase those positions as the market price of the Class A common stock increases, since such price increases will increase the likelihood that such holders will convert their notes and receive Class A common stock. Therefore, such short sales could retard any increase in the market price of our Class A common stock or cause a decline. See Registered Borrow Facility.

The market price of our Class A common stock and therefore the price of the notes could be adversely affected by the large number of additional shares of Class A common stock eligible for issuance in the future.

As of December 31, 2004, 305,203,770 shares of Class A common stock were issued and outstanding, and 50,000 shares of Class B common stock were issued and outstanding. An additional 339,132,031 shares of Class A common stock were issuable upon conversion of outstanding units of Charter Holdco (increasing by 24,273,943 shares if Mr. Allen is required to contribute his CC VIII membership interest to Charter Holdco), and 24,834,513 shares were issuable upon the exercise of outstanding options. An additional 356 million shares are now issuable upon conversion of the notes. In addition, additional shares and warrants to acquire shares are expected to be issued in connection with the settlement of certain outstanding litigation matters, as more fully described in Business Legal Proceedings. All of the 339,132,031 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 our Class B common stock will have demand and/or piggyback registration rights attached to them. All of the 356 million shares issuable upon conversion of the notes will be eligible for resale pursuant to this prospectus. 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.

You should consider the United States federal income tax consequences of owning the notes.

Under the indenture governing the notes, we have agreed, and, by acceptance of a beneficial interest in a note, each holder is deemed to have agreed, to treat the notes for U.S. federal income tax purposes as indebtedness that is subject to the U.S. Treasury regulations governing contingent payment debt instruments.

Consequently, despite some uncertainty as to the proper application of such regulations, you will generally be required to accrue interest income at a constant rate of 15% per year (subject to certain adjustments), compounded semi-annually, which represents the estimated yield on our comparable non-convertible, fixed rate debt instruments with terms and conditions otherwise similar to the notes. The amount of interest required to be included by you in income for each year generally will be in excess of the stated coupon on the notes for that year.

You will recognize gain or loss on the sale, exchange, conversion, redemption or repurchase of a note in an amount equal to the difference between the amount realized, including the fair market value of any of our common stock received, and your adjusted tax basis in the note. Any gain recognized by you on the sale, exchange, conversion, redemption or repurchase of a note will be treated as ordinary interest income; any loss will be ordinary loss to the extent of interest previously included in income, and thereafter will be treated as capital loss.

A discussion of the material United States federal income tax consequences of ownership of the notes is contained in this prospectus under the heading United States Federal Income Tax Considerations. You are strongly urged to consult your tax advisor as to the federal, state, local or other tax consequences of acquiring, owning, and disposing of the notes.

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USE OF PROCEEDS

We will not receive any of the proceeds from the sale by the selling security holders of the notes or shares of Class A common stock offered hereby.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

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

2005	**High**	**Low**
First Quarter through February 4	$2.30	$1.65

2004	**High**	**Low**
First Quarter	$5.43	$3.99
Second Quarter	$4.70	$3.61
Third Quarter	$3.90	$2.61
Fourth Quarter	$3.01	$2.03

2003	**High**	**Low**
First Quarter	$1.73	$0.76
Second Quarter	$4.18	$0.94
Third Quarter	$5.50	$3.32
Fourth Quarter	$4.71	$3.72

2002	**High**	**Low**
First Quarter	$16.85	$9.10
Second Quarter	$11.53	$2.96
Third Quarter	$ 4.65	$1.81
Fourth Quarter	$ 2.27	$0.76

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

The last reported sale price of our Class A common stock on the Nasdaq National Market on February 4, 2005 was $1.74 per share.

We have never paid and do not expect to pay any cash dividends on our 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.

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CAPITALIZATION

The following table sets forth as of September 30, 2004, on a consolidated basis:

the actual (historical) capitalization of Charter;

the capitalization of Charter, on a pro forma basis to reflect:

(1) the sale by CCO Holdings, LLC of $550 million of senior floating rate notes due 2010 with the net proceeds used to repay borrowings under Charter Communications Operating, LLC s revolving credit facility and for general corporate purposes;

(2) the establishment of a registered borrow facility for the issuance of up to 150 million shares of our Class A common stock pursuant to a share lending agreement; and

(3) the issuance and sale of $863 million of 5.875% convertible senior notes in November 2004 with proceeds used for (i) the purchase of certain U.S. government securities which were pledged as security for the 5.875% convertible senior notes (and which we expect to use to fund the first six interest payments thereon), (ii) redemption of the outstanding 5.75% convertible senior notes due 2005 and (iii) general corporate purposes.

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

	As of September 30, 2004	
	Actual	**Pro Forma**
	(Dollars in millions)	
Cash and cash equivalents	$ 129	$ 355
Long-term debt:		
Charter Communications, Inc.:		
5.875% convertible senior notes due 2009(a)	$	$ 832
5.75% convertible senior notes due 2005	588	
4.75% convertible senior notes due 2006	156	156
Charter Holdings:		
Senior and senior discount notes(b)	8,517	8,517
CCH II:		
10.250% senior notes due 2010	1,601	1,601
CCO Holdings:		
8 3/4% senior notes due 2013	500	500
Senior floating rate notes due 2010		550
Charter Operating:		
8.000% senior second lien notes	1,100	1,100
8.375% senior second lien notes	400	400
Renaissance:		
10.00% senior discount notes due 2008	116	116

CC V Holdings:		
11.875% senior discount notes due 2008	113	113
Credit facilities:		
Charter Operating(c)	5,393	4,993
Total long-term debt	18,484	18,878
Preferred stock redeemable(d)	55	55
Minority interest(e)	637	637
Shareholders deficit:		
Class A common stock; $.001 par value; 1.75 billion shares authorized; 304,803,455 and 454,803,455 shares issued and outstanding, respectively(f)		
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		

	As of September 30, 2004	
	Actual	Pro Forma
	(Dollars in millions)	
Additional paid-in-capital	4,783	4,796
Accumulated deficit	(8,856)	(8,866)
Accumulated other comprehensive income	(9)	(9)
Total shareholders deficit	(4,082)	(4,079)
Total capitalization	$15,094	$15,491

(a) Represents issuance and sale of the 5.875% convertible senior notes. This assumes proceeds of $863 million of which $30 million, related to certain provisions of the 5.875% convertible senior notes that for accounting purposes were derivatives which required bifurcation, is recorded as accounts payable and accrued expenses and other long-term liabilities with the resulting long-term debt of $832 million. The debt will accrete from the $832 million to the $863 million face value over three years, the duration of our pledged securities. The derivative valuation is based on preliminary estimates and may be revised as a result of the finalization of the valuation.

	As of September 30, 2004	
	Actual	Pro Forma
	(Dollars in millions)	
(b) Represents the following Charter Holdings notes:		
8.250% senior notes due 2007	$ 451	$ 451
8.625% senior notes due 2009	1,242	1,242
9.920% senior discount notes due 2011	1,108	1,108
10.000% senior notes due 2009	640	640
10.250% senior notes due 2010	318	318
11.750% senior discount notes due 2010	435	435
10.750% senior notes due 2009	874	874
11.125% senior notes due 2011	500	500
13.500% senior discount notes due 2011	571	571
9.625% senior notes due 2009	638	638
10.000% senior notes due 2011	708	708
11.750% senior discount notes due 2011	780	780
12.125% senior discount notes due 2012	252	252
Total	$8,517	$8,517

(c) The amounts outstanding under the Charter Operating credit facilities as of September 30, 2004 totaled $5.4 billion. Borrowing availability under the credit facilities totaled $957 million as of September 30, 2004, none of which was restricted due to covenants.

(d) 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. The preferred stock is redeemable by Charter at its option on or after August 31, 2004 and must be redeemed by Charter at any time upon a change of control, or if not previously redeemed or converted, on August 31, 2008. The preferred stock is convertible, in whole or in part, at the option of the holders from April 1, 2002 through August 31, 2008, into shares 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.

(e) Minority interest represents the percentage of Charter Communications Holding Company, LLC not owned by Charter, or approximately 53% of total members equity of Charter Communications Holding Company, LLC, plus $650 million of preferred membership interests in CC VIII, LLC, an indirect subsidiary of Charter Communications Holding Company, LLC. Paul G. Allen indirectly holds the 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. An issue has arisen regarding the ultimate

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ownership of the CC VIII membership interests following the consummation of the Bresnan put transaction on June 6, 2003. See Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and its Subsidiaries Equity Put Rights CC VIII. Reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Communications Holding Company, LLC. Because minority interest in Charter Communications Holding Company, LLC was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, Charter began to absorb substantially all losses before income taxes that otherwise would have been allocated to minority interest. Subject to any changes in Charter Communications Holding Company, LLC s capital structure, Charter will absorb substantially all future losses.

(f) As part of the issuance of the $863 million of 5.875% convertible senior notes in November 2004, we have committed to establish a registered borrow facility. An affiliate of Citigroup Global Markets Inc. will be loaned up to 150 million shares pursuant to a share lending agreement. These loaned shares will be sold in a public offering following the effectiveness of their registration with the SEC pursuant to a separate registration statement which we have filed but which has not yet been declared effective. The shares will be considered issued and outstanding; however we do not expect they will impact earnings per share under current accounting literature.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial statements are based on the historical consolidated financial statements of Charter, adjusted on a pro forma basis to reflect the following transactions as if they had occurred on September 30, 2004 (for the unaudited pro forma consolidated balance sheet) and on January 1, 2003 (for the unaudited pro forma consolidated statement of operations):

(1) the disposition of certain assets in October 2003 and in March and April 2004 and the use of proceeds in each case to pay down credit facilities;

(2) the issuance and sale of the CCH II senior notes in September 2003, the CCO Holdings senior notes in November 2003, the CCO Holdings senior floating rate notes in December 2004 and the Charter Operating senior second lien notes in April 2004 with proceeds used to refinance or repay outstanding debt and for general corporate purposes;

(3) an increase in amounts outstanding under the Charter Operating credit facilities in April 2004 and the use of such funds, together with the proceeds of the sale of the Charter Operating senior second lien notes, to refinance amounts outstanding under the credit facilities of our subsidiaries, CC VI Operating, CC VIII Operating and Falcon;

(4) the establishment of a registered borrow facility for the issuance of up to 150 million shares of our Class A common stock pursuant to a share lending agreement; and

(5) the issuance and sale of $863 million of 5.875% convertible senior notes in November 2004 with proceeds used for (i) the purchase of certain U.S. government securities pledged as security for the 5.875% convertible senior notes (and which we expect to use to fund the first six interest payments thereon), (ii) redemption of outstanding 5.75% convertible senior notes due 2005 and (iii) general corporate purposes.

The unaudited pro forma adjustments are based on information available to us as of the date of this 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 (a) to provide any indication of what our actual financial position or results of operations would have been had the transactions described above been completed on the dates indicated or (b) to project our results of operations for any future date.

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CHARTER COMMUNICATIONS, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2003

	Historical	Asset Dispositions (Note A)	Financing Transactions (Note B)	Subtotal	Offering Adjustments (Note C)	Pro Forma
	(Dollars in millions, except per share and share data)					
Revenues						
Video	$ 3,461	$ (137)	$	$ 3,324	$	$ 3,324
High-speed data	556	(15)		541		541
Advertising sales	263	(8)		255		255
Commercial	204	(16)		188		188
Other	335	(13)		322		322
Total revenues	4,819	(189)		4,630		4,630
Costs and Expenses:						
Operating(excluding depreciation and amortization)	1,952	(71)		1,881		1,881
Selling, general and administrative	940	(26)		914		914
Depreciation and amortization	1,453	(40)		1,413		1,413
Loss on sale of assets, net	5	21		26		26
Option compensation expense, net	4			4		4
Special charges, net	21			21		21
Unfavorable contracts and other adjustments	(72)			(72)		(72)
	4,303	(116)		4,187		4,187
Income (loss) from operations	516	(73)		443		443
Interest expense, net	(1,557)	27	(174)	(1,704)	(15)	(1,719)
Gain on derivative instruments and hedging activities, net	65			65		65
Gain on debt exchange, net	267		(267)			
Loss on equity investments	(3)			(3)		(3)
Other, net	(13)			(13)		(13)
	(1,241)	27	(441)	(1,655)	(15)	(1,670)

Loss before minority interest and income taxes	(725)	(46)	(441)	(1,212)	(15)	(1,227)
Minority interest	377			377		377
Loss before income taxes	(348)	(46)	(441)	(835)	(15)	(850)
Income tax benefit	110	1		111		111
Net loss	(238)	$ (45)	$ (441)	$ (724)	$ (15)	(739)
Dividends on preferred stock redeemable	(4)					(4)
Net loss applicable to common stock	$ (242)					$ (743)
Loss per common share, basic and diluted	$ (0.82)					$ (2.52)
Weighted average common shares outstanding, basic and diluted	294,597,519					294,597,519

Note A: Represents the elimination of operating results related to the disposition of certain assets in October 2003 and in March and April 2004 and a reduction of interest expense related to the use of the net proceeds from such sales to repay a portion of our subsidiaries credit facilities.

Note B: Represents adjustment to interest expense associated with the completion of the financing transactions discussed in pro forma assumptions two and three (in millions):

Interest in the Charter Operating senior second lien notes and the amended and restated Charter Operating credit facilities at a weighted average rate of 5.1%	$ 340
Interest on CCH II 10.25% senior notes	123
Interest on CCO Holdings 8 3/4% senior notes	38
Interest on CCO Holdings senior floating rate notes	36
Amortization of deferred financing costs	27
Less:	
Historical interest expense for Charter Operating credit facilities and on subsidiary credit facilities repaid	(253)
Historical interest expense for CCI and CCH senior and senior discount notes repaid with proceeds from CCH II refinancing	(117)
Interest expense for Charter Operatings revolving credit facility repaid with proceeds from issuance of the CCO Holdings senior floating rate notes	(20)
Net increase in interest expense for other financing transactions	$ 174

Net gain on debt exchange represents the elimination of the gain realized on the purchase of an aggregate of $609 million principal amount of our convertible senior notes and $1.3 billion principal amount of Charter Communications Holdings, LLC s senior notes and senior discount notes in consideration for an aggregate of $1.6 billion principal amount of 10.25% notes due 2010 issued by CCH II, LLC. The gain is net of the write-off of deferred financing costs associated with the retired debt of $27 million.

Note C: Represents the increase in interest expense from the issuance of $863 million of convertible senior notes due 2009 with a stated interest rate of 5.875% and the amortization of deferred debt issuance cost associated with such issuance reduced by the use of proceeds to retire $588 million of the 5.75% convertible senior notes due in 2005 and the interest on the $144 million of securities purchased and pledged as security for interest payments on such debt (in millions):

Interest on the convertible senior notes issued in November 2004	$ 51
Amortization of deferred debt issuance costs(a)	4
Less interest from the pledged securities	(3)
Less interest on 5.75% convertible senior notes retired with proceeds	(37)
Pro forma interest expense adjustment	$ 15

(a) The adjustment related to the amortization of deferred financing cost is based on preliminary information available at this time and is subject to change based on finalization of the valuation and on finalization of the amount of financing costs to be deferred.

CHARTER COMMUNICATIONS, INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2004

	Historical	Asset Dispositions (Note A)	Financing Transactions (Note B)	Subtotal	Offering Adjustments (Note C)	Pro Forma
	(Dollars in millions, except per share and share data)					
Revenues						
Video	$ 2,534	$ (21)	$	$ 2,513	$	$ 2,513
High-speed data	538	(3)		535		535
Advertising	205	(1)		204		204
Commercial	175	(2)		173		173
Other	249	(2)		247		247
Total	3,701	(29)		3,672		3,672
Costs and Expenses						
Operating (excluding depreciation and amortization)	1,552	(12)		1,540		1,540
Selling, general and administrative	735	(4)		731		731
Depreciation and amortization	1,105	(6)		1,099		1,099
Impairments of franchises	2,433			2,433		2,433
Gain (loss) on sale of assets, net	(104)	105		1		1
Option compensation expense, net	34			34		34
Special charges, net	100			100		100
	5,855	83		5,938		5,938
Loss from operations	(2,154)	(112)		(2,266)		(2,266)
Interest expense, net	(1,227)	4	(52)	(1,275)	(11)	(1,286)
Gain on derivative instruments and hedging activities, net	48			48		48
Loss on debt to equity conversions	(23)			(23)		(23)
Loss on extinguishment of debt	(21)		21			
	(1,223)	4	(31)	(1,250)	(11)	(1,261)
Loss before minority interest, income taxes,	(3,377)	(108)	(31)	(3,516)	(11)	(3,527)

and cumulative effect of accounting change						
Minority interest	24			24		24
Loss before income taxes and cumulative effect of accounting change	(3,353)	(108)	(31)	(3,492)	(11)	(3,503)
Income tax benefit	116	14		130		130
Loss before cumulative effect of accounting change	$ (3,237)	$ (94)	$ (31)	$ (3,362)	$ (11)	$ (3,373)
Loss per common share, basic and diluted	$ (10.82)					$ (11.27)
Weighted average common shares outstanding, basic and diluted (Note D)	299,411,053					299,411,053

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Note A: Represents the elimination of operating results related to the disposition of certain assets in March and April 2004 and a reduction of interest expense related to the use of the net proceeds from such sales to repay a portion of our subsidiaries credit facilities.

Note B: Represents adjustment to interest expense associated with the completion of the financing transactions discussed in pro forma assumptions two and three (in millions):

Interest on the Charter Operating senior second lien notes and the amended and restated Charter Operating credit facilities at a weighted average rate of 4.9%	$114
Interest on CCO Holdings senior floating rate notes	27
Amortization of deferred financing costs	9
Less:	
Historical interest expense for Charter Operating credit facilities and on subsidiary credit facilities repaid	(83)
Interest expense for Charter Operating s revolving credit facility repaid with proceeds from issuance of the CCO Holdings senior floating rate notes	(15)
Net increase in interest expense for other financing transactions	$ 52

Loss on extinguishment of debt represents the elimination of the write-off of deferred financing fees and third party costs related to the Charter Operating refinancing in April 2004.

Note C: Represents the increase in interest expense from the issuance of $863 million of convertible senior notes due 2009 with a stated interest rate of 5.875% and the amortization of deferred debt issuance cost associated with such issuance reduced by the use of proceeds to retire $588 million of the 5.75% convertible senior notes due in 2005 and the interest on the $144 million of securities purchased and pledged as security for interest payments on such debt (in millions):

Interest on the convertible senior notes issued in November 2004	$ 38
Amortization of deferred debt issuance costs(a)	3
Less interest from the pledged securities	(2)
Less interest on 5.75% convertible senior notes retired with proceeds	(28)
Pro forma interest expense adjustment	$ 11

(a) The adjustment related to the amortization of deferred financing cost is based on preliminary information available at this time and is subject to change based on finalization of the amount of financing costs to be deferred.

Note D: Loss per common share, basic and diluted assumes none of the membership units of Charter Communications Holding Company, LLC are exchanged for Charter common stock and none of the outstanding options to purchase membership units of Charter Communications Holding Company, LLC that are automatically exchanged for Charter common stock are exercised. Basic loss per share equals loss before cumulative effect of accounting change less dividends on preferred stock-redeemable divided by the weighted average shares outstanding. If the membership units were exchanged or options exercised, the effects would be antidilutive. Therefore, basic and diluted loss per common share is the same.

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CHARTER COMMUNICATIONS, INC.
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
As of September 30, 2004

	Historical	Financing Transactions (Note A)	Subtotal	Offering Adjustments (Note B)	Pro Forma
	(Dollars in millions)				
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 129	$137	$ 266	$ 89	$ 355
Accounts receivable, net	186		186		186
Receivables from related party					
Prepaid expenses and other current assets	30		30	48	78
Total current assets	345	137	482	137	619
INVESTMENT IN CABLE PROPERTIES:					
Property, plant and equipment, net	6,415		6,415		6,415
Franchises, net	9,885		9,885		9,885
Total investment in cable properties, net	16,300		16,300		16,300
OTHER NONCURRENT ASSETS	439	13	452	140	592
Total assets	$17,084	$150	$17,234	$277	$17,511
LIABILITIES AND SHAREHOLDERS DEFICIT					
CURRENT LIABILITIES:					
Accounts payable and accrued expenses	$ 1,301	$	$ 1,301	$ 10	1,311
Total current liabilities	1,301		1,301	10	1,311
LONG-TERM DEBT	18,484	150	18,634	244	18,878
DEFERRED MANAGEMENT FEES RELATED PARTY	14		14		14
OTHER LONG-TERM LIABILITIES	675		675	20	695
MINORITY INTEREST	637		637		637
	55		55		55

PREFERRED STOCK-REDEEMABLE					
SHAREHOLDERS DEFICIT:					
Class A common stock					
Class B common stock					
Preferred stock					
Additional paid-in capital	4,783		4,783	13	4,796
Accumulated deficit	(8,856)		(8,856)	(10)	(8,866)
Accumulated other comprehensive loss	(9)		(9)		(9)
Total shareholders deficit	(4,082)		(4,082)	3	(4,079)
Total liabilities and shareholders deficit	$17,084	$150	$17,234	$277	$17,511

Note A: Financing transactions represent the issuance in December 2004 of $550 million of senior floating rate notes by CCO Holdings with proceeds used for (i) repayment of $400 million under Charter Operatings revolving credit facility, (ii) payment of financing costs and (iii) general corporate purposes. The amount of financing costs deferred is based on preliminary information regarding actual expenses. Sources and uses are as follows (in millions):

Source of funds:	
Issuance of senior floating rate notes due 2010	$550
Total sources	$550
Uses of funds:	
Repay Charter Operatings revolving credit facility	$400
Payment of financing costs	13
General corporate purposes	137
Total uses	$550

Note B: Offering adjustments include the issuance and sale of approximately $863 million of convertible senior notes with proceeds used (i) to purchase approximately $144 million of securities, which are pledged as security for interest payments on such debt, (ii) to call, at 101.15%, the outstanding 5.75% convertible senior notes due 2005, (iii) to pay financing cost and (iv) for general corporate purposes. The short-term portion of the pledged securities is recorded on our unaudited pro forma consolidated balance sheet in prepaid expenses and other current assets, while the long-term portion is recorded in other assets. Certain provisions of the 5.875% convertible senior notes with a fair value of $30 million for accounting purposes are considered derivatives and require bifurcation. These derivatives are preliminary estimates and may be revised based on finalization of the valuations and have been bifurcated from the long-term debt, with the short-term portion recorded as accounts payable and accrued expenses and the long-term portion recorded as other long-term liabilities on the unaudited pro forma consolidated balance sheet. Additionally, the fair market value of the stock borrow arrangement of approximately $13 million was recorded as deferred financing cost (other noncurrent assets) and additional paid in capital on the unaudited consolidated balance sheet. The amount of financing costs deferred is based on preliminary information available at this time and is subject to adjustment based on final information regarding actual expenses. In addition, we wrote off approximately $4 million of deferred financing cost associated with the redemption of the 5.75% convertible senior notes. Sources and uses are as follows (in millions):

Sources of funds:	
Issuance of 5.875% convertible senior notes due 2009	$863
Total sources	$863
Uses of funds:	
Redeem 5.75% convertible senior notes due 2005	$595
Purchase pledged securities	144
Payment of financing cost	35
General corporate purposes	89
Total uses	$863

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents summary financial and other data for Charter and its subsidiaries and has been derived from (i) the audited consolidated financial statements of Charter and its subsidiaries for the four years ended December 31, 2003, (ii) the unaudited consolidated financial statements of Charter and its subsidiaries for the year ended December 31, 1999, and (iii) the unaudited consolidated financial statements of Charter and its subsidiaries for the nine months ended September 30, 2003 and 2004. The consolidated financial statements of Charter and its subsidiaries for the years ended December 31, 2000 to 2003 have been audited by KPMG LLP, an independent registered public accounting firm. The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(Dollars in millions, except share and per share amounts)						
Statement of Operations Data:							
Revenues	$1,428	$ 3,141	$ 3,807	$ 4,566	$ 4,819	$ 3,602	$ 3,701
Costs and Expenses:							
Operating (excluding depreciation and amortization)	460	1,187	1,486	1,807	1,952	1,457	1,552
Selling, general and administrative	329	606	826	963	940	702	735
Depreciation and amortization	745	2,398	2,683	1,436	1,453	1,095	1,105
(Gain) loss on sale of assets, net			10	3	5	23	(104)
Impairment of franchises				4,638			2,433
Option compensation expense (income), net	80	38	(5)	5	4	1	34
Special charges, net			18	36	21	18	100
Unfavorable contracts and other settlements					(72)		
	1,614	4,229	5,018	8,888	4,303	3,296	5,855
Income (loss) from operations	(186)	(1,088)	(1,211)	(4,322)	516	306	(2,154)
Interest expense, net	(444)	(1,040)	(1,310)	(1,503)	(1,557)	(1,163)	(1,227)
Gain (loss) on derivative instruments and hedging activities, net			(50)	(115)	65	35	48
					267	267	

Gain on debt exchange, net							
Loss on debt to equity conversions							(23)
Loss on extinguishment of debt							(21)
Loss on equity investments		(19)	(54)	(3)	(3)	(3)	
Other, net	(8)	(1)	(5)	(1)	(13)	(6)	
Loss before minority interest, income taxes and cumulative effect of accounting change	(638)	(2,148)	(2,630)	(5,944)	(725)	(564)	(3,377)
Minority interest	573	1,280	1,461	3,176	377	297	24
Loss before income taxes and cumulative effect of accounting change	(65)	(868)	(1,169)	(2,768)	(348)	(267)	(3,353)
Income tax benefit (expense)	(1)	10	12	460	110	86	116
Loss before cumulative effect of accounting change	(66)	(858)	(1,157)	(2,308)	(238)	(181)	(3,237)
Cumulative effect of accounting change, net of tax			(10)	(206)			(765)

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
	(Dollars in millions, except share and per share amounts)						
Net loss	(66)	(858)	(1,167)	(2,514)	(238)	(181)	(4,002)
Dividends on preferred stock redeemable			(1)	(3)	(4)	(3)	(3)
Net loss applicable to common stock	$ (66)	$ (858)	$ (1,168)	$ (2,517)	$ (242)	$ (184)	$ (4,005)
Loss per common share, basic and diluted	$ (2.22)	$ (3.80)	$ (4.33)	$ (8.55)	$ (0.82)	$ (0.62)	$ (13.38)
Weighted-average common shares outstanding, basic and diluted	29,811,202	225,697,775	269,594,386	294,440,261	294,597,519	294,503,840	299,411,053
Other Data:							
Deficiencies of earnings to cover fixed charges(a)	$ (638)	$ (2,148)	$ (2,630)	$ (5,944)	$ (725)	$ (564)	$ (3,377)
Balance Sheet Data (end of period):							
Total assets	$ 18,967	$ 24,352	$ 26,463	$ 22,384	$ 21,364	$ 21,451	$ 17,084
Long-term debt	8,937	13,061	16,343	18,671	18,647	18,498	18,484
Minority interest(b)	5,381	4,571	4,434	1,050	689	763	637
Redeemable securities	751	1,104					
Preferred stock redeemable			51	51	55	55	55
Shareholders equity (deficit)	3,011	2,767	2,585	41	(175)	(127)	(4,082)

(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 Communications Holding Company, LLC not owned by Charter, plus preferred membership interests in CC VIII, LLC, an indirect subsidiary of Charter. Paul G. Allen indirectly holds the preferred membership units in CC VIII, LLC as a result of the exercise of a put right originally granted in connection with the Bresnan transaction in 2000. An issue has arisen regarding the ultimate ownership of the CC VIII, LLC membership interest following the consummation of the Bresnan put transaction on June 6, 2003. See Certain Relationships and Related Transactions Transactions Arising Out of Our Organizational Structure and Mr. Allen s Investment in Charter and Its Subsidiaries Equity Put Rights CC VIII. Reported losses allocated to minority interest on the statement of operations are limited to the extent of any remaining minority interest on the balance sheet related to Charter Communications Holding Company, LLC. Because minority interest in Charter Communications Holding Company, LLC was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, Charter began to absorb substantially all losses before income taxes that otherwise would have been allocated to minority interest. As a result of negative equity at Charter Communications Holding Company, LLC, during the nine months ended September 30, 2004, no additional losses were allocated to minority interest, resulting in an approximate additional $2.0 billion of net losses. Subject to any changes in Charter Communications Holding Company, LLC s capital structure, Charter will absorb substantially all future losses.

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SUPPLEMENTARY QUARTERLY FINANCIAL DATA

The following tables present quarterly financial data for the periods presented on the consolidated statements of operations (in millions):

	Nine Months Ended September 30, 2004		
	First Quarter	Second Quarter	Third Quarter
Revenues	$ 1,214	$ 1,239	$ 1,248
Income (loss) from operations	175	15	(2,344)
Loss before minority interest, income taxes and cumulative effect of accounting change	(235)	(366)	(2,776)
Net loss applicable to common stock	(294)	(416)	(3,295)
Basic and diluted loss per common share before cumulative effect of accounting change	(1.00)	(1.39)	(8.36)
Basic and diluted loss per common share	(1.00)	(1.39)	(10.89)
Weighted-average shares outstanding	295,106,077	300,522,815	302,604,978

	Year Ended December 31, 2003			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 1,178	$ 1,217	$ 1,207	$ 1,217
Income from operations	77	112	117	208
Income (loss) before minority interest and income taxes	(301)	(286)	23	(161)
Net income (loss) applicable to common stock	(182)	(38)	36	(58)
Basic income (loss) per common share	(0.62)	(0.13)	0.12	(0.20)
Diluted Income (loss) per common share	(0.62)	(0.13)	0.07	(0.20)
Weighted-average shares outstanding, basic	294,466,137	294,474,596	294,566,878	294,875,504
Weighted-average shares outstanding, diluted	294,466,137	294,474,596	637,822,843	294,875,504

	Year Ended December 31, 2002			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 1,074	$ 1,137	$ 1,166	$ 1,189
Income (loss) from operations	97	84	91	(4,597)
Loss before minority interest, income taxes and cumulative effect of accounting change	(234)	(354)	(367)	(4,989)

Net loss applicable to common stock	(317)	(161)	(167)	(1,872)
Basic and diluted loss per common share before cumulative effect of accounting change	(0.38)	(0.55)	(0.57)	(6.36)
Basic and diluted loss per common share	(1.08)	(0.55)	(0.57)	(6.36)
Weighted-average shares outstanding	294,394,939	294,453,454	294,454,659	294,457,134

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

Reference is made to Disclosure Regarding Forward-Looking Statements, which describes important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following discussion should be read in conjunction with the audited consolidated financial statements of Charter Communications, Inc. and subsidiaries as of and for the years ended December 31, 2003, 2002 and 2001 and the unaudited consolidated financial statements of Charter Communications, Inc. and subsidiaries as of and for the nine months ended September 30, 2004 included in this prospectus.

Introduction

During 2003, we undertook a number of transition activities including reorganizing our workforce, adjusting our video pricing and packages, call center consolidations and implementing billing conversions. Due to the focus on such activities and certain financial constraints, we reduced spending on marketing our products and services. The reduced marketing activities and other necessary operational changes negatively impacted customer retention and acquisition, primarily during the first half of the year. During the second half of 2003, we increased our marketing efforts and implemented promotional campaigns to slow the loss of analog video customers, and to accelerate advanced service penetration, especially in high-speed data.

In 2003 and the nine months ended September 30, 2004, we took a series of steps intended to improve our balance sheet and liquidity. The issuance of approximately $862.5 million original principal amount of convertible senior notes due 2009, the net proceeds of which have been used to purchase a portfolio of U.S. government securities as security for certain interest payments on the new notes and will be used to redeem Charter s $588 million outstanding 5.75% Convertible Senior Notes due October 2005, and our subsidiaries issuance of $550 million of senior floating rate notes with the net proceeds used to repay Charter Operatings revolving credit facility and for general corporate purposes, are our most recent examples of these efforts. In addition, since September 2003:

We and our subsidiaries exchanged $1.9 billion of indebtedness for $1.6 billion of indebtedness while extending maturities and achieving approximately $294 million of debt discount.

Our subsidiary, CCO Holdings, sold $500 million total principal amount of 8^{3}/4% senior notes and used the net proceeds to repay approximately $486 million principal amount of our subsidiaries credit facilities, providing additional financial flexibility for use of our subsidiary s credit facilities.

Our subsidiaries amended the Charter Operating credit facilities and concurrently issued $1.5 billion in senior second lien notes to refinance bank debt of CC VI Operating, CC VIII Operating and Falcon. The transaction extended beyond 2008 approximately $8.0 billion of scheduled debt maturities and credit facility commitment reductions which would have otherwise come due before that time.

Our subsidiaries completed the sale of cable systems in Port Orchard, Washington, for a total price of approximately $91 million, subject to adjustments.

We closed the sale of cable systems in Florida, Pennsylvania, Maryland, Delaware and West Virginia with Atlantic Broadband Finance, LLC. We closed on the sale of an additional cable system in New York to Atlantic Broadband Finance, LLC in April 2004. Subject to post-closing contractual adjustments, we expect the total net proceeds from the sale of all of these systems to be approximately $733 million, of which $5 million is currently held in an indemnity escrow account (with the unused portion thereof to be released by March 1, 2005). The proceeds received to date have been used to repay a portion of amounts outstanding under our subsidiary s credit facilities.

We significantly reduced capital spending from approximately $2.2 billion for the year ended December 31, 2002 to approximately $854 million for the year ended December 31, 2003, primarily due to the substantial completion of our network rebuild and upgrade.

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

The industry s and our most significant operational challenges in 2003 and the first nine months of 2004 included increased competition from direct broadcast satellite (DBS) providers and digital subscriber line (DSL) service providers. See Business Competition . The increased competition from DBS has resulted in net analog video customer losses and decreased growth rates for digital video customers. Increased competition from DSL providers combined with limited opportunities to expand our customer base now that approximately 27% of our analog video customers subscribe to our high-speed data services has resulted in decreased growth rates for high-speed data customers. To date, we have continued to grow revenues by offsetting video customer losses with price increases and sales of incremental advanced services such as high-speed data, video on demand, digital video recorders and high-definition television. We expect to continue to grow revenues through continued growth in high-speed data and incremental advanced services including VOIP telephony, high-definition television, video on demand and digital video recorders.

Historically, our ability to fund operations and investing activities has depended on our continued access to credit under our subsidiary s credit facilities. While our use of cash has changed over time such that the substantial majority of our cash now comes from cash flows from operating activities, we expect we will continue to borrow under our subsidiary s credit facilities from time to time to fund cash needs. The occurrence of an event of default under our subsidiary s credit facilities could result in borrowings from these facilities being unavailable to us and could, in the event of a payment default or acceleration, also trigger events of default under our notes and our subsidiaries outstanding notes and would have a material adverse effect on us.

Adoption of New Policies

Commencing in January 2002 and continuing through the first quarter of 2003, our management elected to implement a number of new policies including:

Change in Disconnect and Bad Debt Policies. Our estimated customer count is intended to include those people receiving cable service (regardless of payment status), except for complementary accounts (such as our employees). Our disconnect and bad debt guidelines for slow or nonpaying customers provide that, in general, customers are to be terminated for non-payment after approximately 60-75 days, and written off/referred to collection at approximately 90-110 days. We initially began implementing this policy in January 2002 after we decided to change our past practice under which we did not promptly disconnect these customers on a uniform basis. Effective year-end 2001, we also increased our allowance for doubtful accounts. The number of our customers who are presently more than 90 days overdue and our bad debt expense associated with such customers are lower than they were prior to the institution of these policies.

Procedures to Ensure Adherence to Disconnect and Customer Count Policies. During our review of internal audit findings and in the course of internal investigations, and subsequently in the course of responding to governmental investigations, we became concerned that certain employees either were not complying or had not previously been complying with our customer count and disconnect policies. We have since announced to our employees that a failure to follow these polices will be met with disciplinary action including, in appropriate cases, termination. We have terminated and disciplined employees who have not followed the policies. We have instituted regular review of customer reports by senior employees in an effort to ensure adherence to our policies and consistency of application throughout our various operating divisions, and we have established a telephone hotline number for employees to call and report misconduct relating to the reporting of customer numbers. We have also elected not to provide guidance on expected customer numbers in our public disclosures.

Corporate Compliance Program. Prior to 2003, we did not have a formal compliance program. In early 2003, we established a corporate compliance program, pursuant to which we provide training to our employees, and provide a revised Code of Conduct to our employees that is incorporated into our Employee Handbook. The Code and Handbook require that employees report violations of the Code or other behavior which they believe might be unethical or illegal. Employees can report matters to their supervisor, to the Human Resources Department, or through a hotline or through a secure website, and may do so anonymously. The compliance program is overseen by a compliance committee comprised of our high-ranking officers, which meets at least on a quarterly basis. The Chief Compliance Officer also reports to the Audit Committee on a quarterly basis.

Treatment of Data Only Customers. We have changed our methodology for reporting analog cable video customers to exclude those customers who receive high-speed data service only. This represents a change in our methodology from prior reports through September 30, 2002, in which high-speed data service only customers (which numbered approximately 55,900 at September 30, 2002) were included within our analog cable video customers. We made this change because we determined that a substantial number of those customers who only received high-speed data service were unable to receive our most basic level of analog video service because this service was physically secured or blocked, was unavailable in certain areas or the customers were unaware that this service was available to them. In addition, in light of our decision to begin marketing of our high-speed data services as a separate product, we believed that separate disclosure of this information would assist investors in understanding our current business and in monitoring what we expected to be an increasing number of data only customers. See Business Products and Services.

Disclosure Committee. We established a Disclosure Committee, consisting of senior personnel from the business units, our internal audit group, and the finance and legal groups, and we now follow an extensive review and certification process in connection with our filings with the SEC and other disclosure documents.

Audit Committee. We modified our Audit Committee s charter to expand the role of the committee and to comply with the Sarbanes-Oxley Act of 2002 and the rules issued thereunder (including applicable Nasdaq rules).

Accounting Policy Changes. Consistent with the description of the restatement, we have revised a number of our accounting policies, including treatment of launch incentives received from programmers. For a complete discussion of accounting changes and adjustments brought about as a result of the re-audit or restatement, see Restatement of Prior Results.

Restatement of Prior Results

There were no restatements in 2003 or 2004 of prior results. However, certain reclassifications have been made to 2002 and 2001 amounts to conform to 2003 presentation. Also, as discussed in our annual report on Form 10-K for the year ended December 31, 2002, on November 19, 2002, we announced that we had determined that additional franchise costs and deferred income tax liability should have been recorded for the differences between the financial statement and tax basis of assets we acquired in connection with certain cable businesses acquired throughout 1999 and 2000. As a result of this restatement, we engaged KPMG LLP to perform audits as of and for the years ended December 31, 2001 and 2000 because our former accountants, Arthur Andersen LLP, were no longer available to provide an opinion as to restated financial statements. In connection with these audits, we concluded that it was appropriate to make certain additional adjustments to previously reported results. Among other things, adjustments were made to previous interpretations and applications of generally accepted accounting principles (GAAP) that had been consistently followed by us since 2000 and throughout the restatement period.

These adjustments reduced revenues reported in our 2002 quarterly reports on Form 10-Q for the first three quarters of 2002 by a total of $38 million, and in our 2001 annual report on Form 10-K for the year ended December 31, 2001 and 2000 by $146 million and $108 million, respectively. Such adjustments represent approximately 1%, 4% and 3% of previously reported revenues for the respective periods in 2002, 2001 and 2000. Our previously reported consolidated net loss increased by a total of $26 million for the first three quarters of 2002 and decreased by $11 million for the year ended December 31, 2001. Our previously reported net loss increased by $29 million for the year ended December 31, 2000, primarily due to adjustments related to the original accounting for acquisitions and elements of our rebuild and upgrade activities. Net cash flows from operating activities for the years ended December 31, 2001 and 2000 were reduced by $30 million and $303 million, respectively. The most significant categories of adjustments related to the following items outlined below.

Launch Incentives from Programmers. Amounts previously recognized as advertising revenue in connection with the launch of new programming channels have been deferred and recorded in other long-term liabilities in the year such launch support was provided, and amortized as a reduction of programming costs based upon the relevant contract term. These adjustments decreased revenue $30 million for the first three quarters of 2002, and $118 million and $76 million for the years ended December 31, 2001 and 2000, respectively. Additionally, for the year ended December 31, 2000, we increased marketing expense by $24 million for other promotional activities associated with launching new programming services previously deferred and subsequently amortized. The corresponding amortization of such deferred amounts reduced programming expenses by $36 million for the first three quarters of 2002, and $27 million and $5 million for the years ended December 31, 2001 and 2000, respectively.

Customer Incentives and Inducements. Marketing inducements paid to encourage potential customers to switch from satellite providers to Charter-branded services and enter into multi-period service agreements were previously deferred and recorded as property, plant and equipment and recognized as depreciation and amortization expense over the life of customer contracts. These amounts have been restated as a reduction of revenue in the period such inducements were paid. Revenue declined a total of $5 million for the first three quarters of 2002, and $19 million and $2 million for the years ended December 31, 2001 and 2000, respectively. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Capitalized Labor and Overhead Costs. Certain elements of labor costs and related overhead allocations previously capitalized as property, plant and equipment as part of our rebuild activities, customer installation and new service introductions have been expensed in the period incurred. Such adjustments increased operating expenses by $73 million for the first three quarters of 2002, and $93 million and $52 million for the years ended December 31, 2001 and 2000, respectively.

Customer Acquisition Costs. Certain customer acquisition campaigns were conducted through third-party contractors in 2000, 2001 and portions of 2002. The costs of these campaigns were originally deferred and recorded as other assets and recognized as amortization expense over the average customer contract life. These amounts have been reported as marketing expense in the period incurred and totaled $32 million for the first three quarters of 2002, and $59 million and $4 million and for the years ended December 31, 2001 and 2000, respectively. We discontinued this program in the third quarter of 2002 as contracts for third-party vendors expired. Substantially all of these amounts are offset by reduced depreciation and amortization expense.

Rebuild and Upgrade of Cable Systems. In 2000, as we were completing our acquisitions, we initiated a three-year program to replace, upgrade and integrate a substantial portion of our network (the rebuild program). This rebuild/upgrade of the cable network infrastructure was envisioned as providing the platform capacity through which many broadband communication services could be provided to the marketplace for many years to come. Such a rebuild program was unprecedented and is not expected to recur. We began implementation of this three-year rebuild program in January 2000 and adhered to it over the period. It was expanded in July 2001 to encompass cable system assets acquired in June 2001 from AT&T Broadband. There were no other significant modifications to the rebuild program over the three-year period.

As the rebuild program was beginning in early 2000, we were nearing the end of a period in which we were acquired by Paul G. Allen and merged with Marcus Cable and in which we had subsequently completed an initial public offering and acquired 16 cable businesses adding approximately 5 million additional customers. We were faced with integrating these acquisitions, administering the rebuild program and also putting in place processes and new personnel to handle the increased size and complexity of an operation that had grown significantly in a period of about 18 months. During the first quarter of 2000, management also recognized the need to reassess depreciable lives of the property that was subject to the three-year rebuild program. Based on a review of the rebuild program, $3 billion of assets were identified as being subject to replacement, and accordingly, management reduced the useful lives of those assets. In connection with the restatement, however, it has been determined that some of these assets were to be retained and not replaced because sections of the network were scheduled to be upgraded and not rebuilt. In a cable system *rebuild* there is outright replacement and retirement of substantially all components of the network, whereas an *upgrade* involves the retention of the original property, particularly the fiber and coaxial cabling.

Presented below is a schedule of the costs of cable distribution system assets subject to the rebuild program, as originally recorded, reconciled to the final determinations in the restatement. The depreciation lives were shortened for this asset pool as discussed previously and supplemented below.

	Total
	(In millions)
Total asset population subject to rebuild and upgrade, as originally recorded	$ 2,998
Assets which were never intended to be replaced but rather were upgraded and remain in service	(946)
Cost of assets inadvertently excluded from the asset population	401
Adjustment to record acquired assets at depreciated replacement cost at date of acquisition	(1,225)
Total adjusted asset value subject to replacement and thus shortened depreciation life	$ 1,228

In connection with the restatement process, we conducted a detailed system-by-system analysis of the rebuild program to identify those assets which were intended to be rebuilt versus upgraded and determined that approximately $844 million of trunk and distribution cabling, and $102 million of headend equipment (in aggregate, $946 million) was enhanced and retained in service. Accordingly, an adjustment was made in the restatement with effect from January 1, 2000 to properly exclude those assets from the population of assets treated as subject to replacement and thus for which a shortened depreciation life was previously assigned.

The evaluation conducted in connection with the restatement also revealed the inadvertent exclusion of $401 million of trunk and distribution cabling and electronics, which were acquired in 1999, from the population of assets that were subject to shortened depreciation lives. This group of assets were misclassified within our fixed assets sub-ledger for one acquisition and thus omitted from the analysis performed in connection with the preparation of our historical financial statements. Accordingly, an adjustment was made in the restatement to properly include these assets as well.

Furthermore, we reduced the value of assets subject to replacement by a total of approximately $1.2 billion to record the assets at estimated depreciated replacement cost at the date of acquisition. This includes a $598 million reduction originally recorded in our previously issued financial statements and a $627 million adjustment identified as part of the restatement. As a result of the items identified above, we determined that depreciation expense was overstated by a total of $413 million for the first three quarters of 2002, and $330 million and $119 million in the years ended 2001 and 2000, respectively. This resulted in net loss being overstated by a total of $192 million for the first three quarters of 2002, and $146 million and $48 million for the years ended 2001 and 2000, respectively.

Deferred Tax Liabilities/ Franchise Assets. Adjustments were made to record deferred tax liabilities associated with the acquisition of various cable television businesses. These adjustments increased amounts assigned to franchise assets by $1.4 billion with a corresponding increase in deferred tax liabilities of $1.2 billion. The balance of the entry was recorded to equity and minority interest. In addition, as

described above, a correction was made to reduce amounts assigned in purchase accounting to assets identified for replacement over the three-year period of our rebuild and upgrade of our network. This reduced the amount assigned to the network assets to be retained and increased the amount assigned to franchise assets by approximately $627 million with a resulting increase in amortization expense for the years restated. Such adjustments increased the impairment of franchises recognized in the first quarter of 2002 by $199 million (before minority interest) and increased amortization expense by $130 million and $121 million for the years ended December 31, 2001 and 2000, respectively. This resulted in net loss being understated by a total of $71 million for the first three quarters of 2002, and $57 million and $49 million for the years ended 2001 and 2000, respectively.

Other Adjustments. In addition to the items described above, certain other adjustments were made that increased net loss by $38 million and decreased net loss by $10 million, respectively, for the years ended December 31, 2001 and 2000. These adjustments were as follows:

During 2000, advertising revenue was recognized in conjunction with the promotion of equipment offered by two set-top terminal manufacturers from which we purchased digital set-top terminals. However, in connection with our restatement announced in April 2003, we reversed all advertising revenues from the set-top terminal manufacturers recognized in 2000. Based on a reassessment of the underlying structure of the arrangements during 2000, the prices paid for set-top terminals and the advertising revenues recognized were determined to be in excess of fair value. We therefore reduced our advertising revenue and decreased our related property, plant and equipment associated with the purchase of set-top terminals.

During 2001 and 2000, certain post-acquisition marketing and customer acquisition costs were charged against purchase accounting reserves in the financial statements. These costs have been reclassified to record them as period cost in the appropriate fiscal year.

During 2002, 2001 and 2000, certain state taxes, which are equity-based taxes and not based on income, were reclassified as operating expenses, rather than as taxes recorded in other expenses on our consolidated statements of operations.

During 2000, we received management fees from a joint venture pursuant to the terms of the joint venture agreement and recognized revenue. Based on the limited amount of operational management activities performed on behalf of the joint venture, we determined this amount should be reclassified from revenue and recorded as investment income within other expense on our consolidated statements of operations.

During 2000 and 2001, we accounted for the outstanding and unexercised portion of separated employees options by reversing all (both vested and unvested) previously recorded compensation expense for separated employees who forfeited stock-based awards. Compensation related to vested awards should not have been reversed at the time of separation, as the employee did not fail to fulfill an obligation associated with such vested awards. Stock compensation expense was increased to eliminate the effect of such reversal during 2000 and 2001. In addition, the computation of the compensation expense was adjusted during 2000 to reverse a miscalculation recorded during such years.

The tables below set forth our condensed consolidated balance sheets as of December 31, 2001 and December 31, 2000, and condensed consolidated statement of operations and condensed consolidated statement of cash flows information for the years ended December 31, 2001 and 2000.

Controls. The major adjustments discussed above, including for the rebuild and upgrade of cable systems and deferred tax matters/franchise, generally relate to non-routine items and did not result from control deficiencies in our core accounting operations. Since our period of rapid growth in 2000 and early 2001, in which we were rapidly acquiring cable systems, we have integrated the various accounting processes of our acquired cable systems. We have also substantially improved the quantity and, we believe, the quality of our accounting and internal audit staff. In addition, we are developing better interactions between our accounting and internal audit staff and the other elements of our organization. These changes

in our staff have been supplemented with changes in accounting and internal controls processes and systems which we believe result in an improved ability of management to understand and analyze underlying business data. As part of our acquisitions integration process, we have, among other things, standardized our data and put in place a data warehouse, which has enhanced our abilities to analyze our operating data. Budgeting has been integrated into our financial systems, through the use of specialized commercial software rather than spreadsheet programs. Additionally, we have implemented in the first quarter 2004, a job costing system, that tracks capital at the project level. These changes have given us the ability to better understand, analyze and manage our business data. The role of our internal audit staff has also been expanded, particularly with respect to capitalization and depreciation. We believe that these changes have improved our controls over both recurring transactions and non-recurring transactions.

The following table sets forth selected consolidated balance sheet information, showing previously reported and restated amounts, as of December 31, 2001 (in millions):

	As Previously Reported	As Restated
Property, plant and equipment, net	$ 7,150	$ 6,914
Franchises, net	17,139	18,911
Total assets	24,962	26,463
Long-term debt	16,343	16,343
Other long-term liabilities	341	1,725
Minority interest	3,976	4,434
Total shareholders equity	2,862	2,585

The following table sets forth selected consolidated statement of operations information, showing previously reported and restated amounts, for the year ended December 31, 2001 (in millions, except per share and share data):

	As Previously Reported	As Restated
Revenues	$ 3,953	$ 3,807
Costs and expenses:		
Operating (excluding depreciation and amortization)	1,326	1,486
Selling, general and administrative	841	826
Depreciation and amortization	3,010	2,693
Option compensation income	(46)	(5)
Special charges	18	18
	5,149	5,018
Loss from operations	(1,196)	(1,211)
Loss before minority interest, income taxes and cumulative effect of accounting change	(2,656)	(2,630)
Loss before cumulative effect of accounting change	(1,178)	(1,157)
Net loss applicable to common stock	$ (1,179)	$ (1,168)
Loss per common share, basic and diluted	$ (4.37)	$ (4.33)
Weighted average common shares outstanding, basic and diluted	269,594,386	269,594,386

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The following table sets forth selected consolidated balance sheet information, showing previously reported and restated amounts, as of December 31, 2000 (in millions):

	As Previously Reported	As Restated
Property, plant and equipment, net	$ 5,267	$ 4,829
Franchises, net	17,069	18,835
Total assets	23,044	24,352
Long-term debt	13,061	13,061
Other long-term liabilities	285	1,568
Minority interest	4,090	4,571
Total shareholders equity	3,123	2,767

The following table sets forth selected consolidated statement of operations information, showing previously reported and restated amounts, for the year ended December 31, 2000 (in millions, except per share and share data):

	As Previously Reported	As Restated
Revenues	$ 3,249	$ 3,141
Costs and expenses:		
Operating (excluding depreciation and amortization)	1,036	1,187
Selling, general and administrative	670	606
Depreciation and amortization	2,473	2,398
Stock compensation expense	41	38
	4,220	4,229
Loss from operations	(971)	(1,088)
Loss before minority interest and income taxes	(2,055)	(2,148)
Net loss	$ (829)	$ (858)
Loss per common share, basic and diluted	$ (3.67)	$ (3.80)
Weighted average common shares outstanding, basic and diluted	225,697,775	225,697,775

The following table sets forth selected consolidated cash flow information, showing previously reported and restated amounts, for the years ended December 31, 2001 and 2000 (in millions):

	2001		2000	
	As Previously Reported	As Restated	As Previously Reported	As Restated
Net cash from operating activities	$ 519	$ 489	$ 1,131	$ 828
Net cash from investing activities	$(4,809)	$(4,774)	$(4,054)	$(3,751)

Net cash from financing activities	$ 4,162	$ 4,156	$ 2,920	$ 2,920

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Acquisitions

The following table sets forth information regarding our significant acquisitions from January 1, 1999 to December 31, 2002 (none in 2003 or 2004):

	Acquisition Date	Purchase Price: Cash Paid	Assumed Debt	Securities Issued/Other Consideration	Total Price	Acquired Customers (approx)
		(Dollars in millions)				
Renaissance	4/99	$ 348	$ 111	$	$ 459	134,000
American Cable	5/99	240			240	69,000
Greater Media Systems	6/99	500			500	176,000
Helicon	7/99	410	115	25(a)	550	171,000
Vista	7/99	126			126	26,000
Cable Satellite	8/99	22			22	9,000
Rifkin	9/99	1,200	128	133(b)	1,461	463,000
InterMedia	10/99	873		420(c)	1,293	278,000
Fanch	11/99	2,400			2,400	535,600
Falcon	11/99	1,250	1,700	550(d)	3,500	977,200
Avalon	11/99	558	274		832	270,800
Total 1999 Acquisitions		$ 7,927	$2,328	$1,128	$11,383	3,109,600
Interlake	1/00	$ 13	$	$	$ 13	6,000
Bresnan	2/00	1,100	963	1,014(e)	3,077	695,800
Capital Cable	4/00	60			60	23,200
Farmington	4/00	15			15	5,700
Kalamazoo	9/00			171(f)	171	50,700
Total 2000 Acquisitions		$ 1,188	$ 963	$1,185	$ 3,336	781,400
AT&T Systems	6/01	$ 1,711	$	$ 25	$ 1,736(g)	551,100
Cable USA	8/01	45		55(h)	100	30,600
Total 2001 Acquisitions		$ 1,756	$	$ 80	$ 1,836	581,700
High Speed Access Corp.	2/02	$ 78	$	$	$ 78	N/A
Enstar Limited Partnership Systems	4/02	48			48	21,600
Enstar Income Program II-1, L.P.	9/02	15			15	6,400
Total 2002 Acquisitions		$ 141	$	$	$ 141	28,000
Total 1999-2002 Acquisitions		$11,012	$3,291	$2,393	$16,696	4,500,700

(a) Represents a preferred limited liability company interest in Charter Helicon, LLC, an indirect wholly owned subsidiary.

(b) Relates to preferred equity in Charter Holdco, approximately $130 million, excluding accrued dividends, of which was subsequently exchanged for shares of Charter Class A common stock.

(c) As part of this transaction, we agreed to swap certain of our non-strategic cable systems serving customers in Indiana, Montana, Utah and Northern Kentucky valued at approximately $420 million.

(d) Relates to common membership units in Charter Holdco issued to certain of the Falcon sellers, which were subsequently exchanged for shares of Charter Class A common stock.

(e) Comprised of $385 million in equity in Charter Holdco and $629 million of equity in CC VIII.

(f) In connection with this transaction, we acquired all of the outstanding stock of Cablevision of Michigan in exchange for 11,173,376 shares of Charter Class A common stock.

(g) Comprised of approximately $1.7 billion, as adjusted, in cash and a cable system located in Florida valued at approximately $25 million, as adjusted.

(h) In connection with this transaction, at the closing we and Charter Holdco acquired all of the outstanding stock of Cable USA and the assets of related affiliates in exchange for cash and 505,664 shares of Charter Series A convertible redeemable preferred stock. In the first quarter of 2003, an additional $0.34 million in cash was paid and 39,595 additional shares of Charter Series A convertible redeemable preferred stock were issued to certain sellers.

All acquisitions were accounted for under the purchase method of accounting and results of operations were included in our consolidated financial statements from their respective dates of acquisition.

We have no current plans to pursue any significant acquisitions. However, we will continue to evaluate opportunities to consolidate our operations through the sale of cable systems to, or exchange of like-kind assets with, other cable operators as such opportunities arise, and on a very limited basis, consider strategic new acquisitions. Our primary criteria in considering these opportunities are the rationalization of our operations into geographic clusters and the potential financial benefits we expect to ultimately realize as a result of the sale, exchange, or acquisition.

Overview of Operations

Approximately 86% of our revenues for the nine months ended September 30, 2004 and the year ended December 31, 2003 are attributable to monthly subscription fees charged to customers for our video, high-speed data, telephone and commercial services provided by our cable systems. Generally, these customer subscriptions may be discontinued by the customer at any time. The remaining 14% of revenue is derived primarily from pay-per-view and VOD programming where users are charged a fee for individual programs viewed, advertising revenues, installation or reconnection fees charged to customers to commence or reinstate service, commissions related to the sale of merchandise by home shopping services and franchise fee revenues, which are collected by us but then paid to local franchising authorities. We have generated increased revenues during the past three years, primarily through the sale of digital video and high-speed data services to new and existing customers, price increases on video services and customer growth from acquisitions. Going forward, our goal is to increase revenues by stabilizing our analog video customer base, implementing price increases on certain services and packages and increasing revenues from incremental high-speed data services, digital video and advanced products and services such as telephony using voice-over-Internet protocol (VOIP), video on demand (VOD), high definition television and digital video recorder service provided to our customers. To accomplish this, we are increasing prices for certain services and we are offering new bundling of services combining digital video and our advanced services (such as high-speed data service and high definition television) at what we believe are attractive price points. See Business Sales and Marketing for more details.

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

Our expenses primarily consist of operating costs, selling, general and administrative expenses, depreciation and amortization expense and interest expense. Operating costs primarily include programming costs, the cost of our workforce, cable service related expenses, advertising sales costs, franchise fees and expenses related to customer billings. Our income from operations decreased from $306 million for the nine months ended September 30, 2003 to loss of operations of $2.2 billion for the nine months ended September 30, 2004, principally due to the impairment of franchises of $2.4 billion recorded in the third quarter of 2004. The nine months ended September 30, 2004 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 nine months ended September 30, 2003. For the year ended December 31, 2003, income from operations was $516 million and for the years ended December 31, 2002 and 2001, our loss from operations was $4.3 billion and $1.2 billion, respectively. Operating margin, which is defined as income (loss) from operations divided by revenues, was 11% for the year ended December 31, 2003, whereas for the years ending December 31, 2002 and 2001, we had negative operating margins of 95% and 32%, respectively. The improvement in income from operations and operating margin from 2002 to 2003 was principally due to a $4.6 billion franchise impairment charge in the fourth quarter of 2002 which did not recur in 2003 and the recognition of gains in 2003 of $93 million related to unfavorable contracts and other settlements and gain on sale of system. The increase in loss from operations and negative operating margins from 2001 to 2002 was primarily as a result of a $4.6 billion franchise impairment charge in the fourth quarter of 2002, partially offset by a decrease in amortization expense of $1.5 billion as a result of the adoption of SFAS No. 142, *Goodwill and Other Intangible Assets*, which eliminated the amortization of franchises determined to have an indefinite life. Although we do not expect charges for impairment in the future of comparable magnitude, potential charges could occur due to changes in market conditions.

We have a history of net losses. Further, we expect to continue to report net losses for the foreseeable future. Our net losses are principally attributable to insufficient revenue to cover the interest costs we incur because of our high level of debt, the depreciation expenses that we incur resulting from the capital investments we have made in our cable properties, and the amortization and impairment of our franchise intangibles. We expect that these expenses (other than amortization and impairment of franchises) will remain significant, and we therefore expect to continue to report net losses for the foreseeable future. Additionally, because minority interest in Charter Holdco was substantially eliminated at December 31, 2003, beginning in the first quarter of 2004, we began to absorb substantially all future losses before income taxes that otherwise would have been allocated to minority interest. This resulted in an additional $2.0 billion of net loss for the nine months ended September 30, 2004. Subject to any changes in Charter Holdco s capital structure, future losses will continue to be absorbed by Charter.

Critical Accounting Policies and Estimates

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

Capitalization of labor and overhead costs;

Useful lives of property, plant and equipment;

Impairment of property, plant, and equipment, franchises, and goodwill;

Income taxes; and

Litigation.

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

Capitalization of labor and overhead costs. The cable industry is capital intensive, and a large portion of our resources are spent on capital activities associated with extending, rebuilding, and upgrading our cable network. As of September 30, 2004 and December 31, 2003 and 2002, the net carrying amount of our property, plant and equipment (consisting primarily of cable network assets) was approximately $6.4 billion (representing 38% of total assets), $7.0 billion (representing 33% of total assets) and $7.7 billion (representing 34% of total assets), respectively. Total capital expenditures for the nine months ended September 30, 2004 and the years ended December 31, 2003, 2002 and 2001 were approximately $639 million, $854 million, $2.2 billion and $2.9 billion, respectively.

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

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

Direct 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:

Scheduling 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 data services);

Customer premise activities performed by in-house field technicians and third-party contractors in connection with customer installations, installation of network equipment in connection with the installation of expanded services and equipment replacement and betterment; and

Verifying the integrity of the customer s network connection by initiating test signals downstream from the headend to the customer s digital set-top terminal.

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

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While we believe our existing capitalization policies are appropriate, a significant change in the nature or extent of our system activities could affect management s judgment about the extent to which we should capitalize direct labor or overhead in the future. We monitor the appropriateness of our capitalization policies, and perform updates to our internal studies on an ongoing basis to determine whether facts or circumstances warrant a change to our capitalization policies. We capitalized direct labor and overhead of $116 million, $174 million, $335 million and $305 million, respectively, for the nine months ended September 30, 2004 and the years ended December 31, 2003, 2002 and 2001. Capitalized internal direct labor and overhead costs significantly decreased in 2003 compared to 2002 primarily due to the substantial completion of the upgrade of our systems and a decrease in the amount of capitalizable installation costs.

Useful lives of property, plant and equipment. We evaluate the appropriateness of estimated useful lives assigned to our property, plant and equipment, based on annual studies of such useful lives, and revise such lives to the extent warranted by changing facts and circumstances. Any changes in estimated useful lives as a result of these studies, which were not significant in the periods presented, will be reflected prospectively beginning in the period in which the study is completed. Beginning in January 2000, we commenced a significant initiative to rebuild and upgrade portions of our cable network. We reduced the useful lives of certain assets with a book value of $1.1 billion in 2000 and an additional $125 million in 2001. These assets were expected to be replaced and retired through that process in approximately one to three years, representing management s best estimate of the expected pattern of the retirement from service of such assets. A significant change in assumptions about the extent or timing of future asset usage or retirements could materially affect future depreciation expense. The effect of a one-year decrease in the weighted average useful life of our property, plant and equipment would be an increase in depreciation expense for the year ended December 31, 2004 of approximately $296 million. The effect of a one-year increase in the weighted average useful life of our property, plant and equipment would be a decrease in depreciation expense for the year ended December 31, 2004 of approximately $198 million.

Depreciation expense related to property, plant and equipment totaled $1.1 billion, $1.5 billion, $1.4 billion and $1.2 billion, representing approximately 19%, 34%, 16% and 24% of costs and expenses, for the nine months ended September 30, 2004 and the years ended December 31, 2003, 2002 and 2001, respectively. Of these amounts, approximately $183 million and $352 million for the years ended December 31, 2002 and 2001, respectively, relates to network assets which were replaced and retired over the three-year period of the rebuild initiative. Depreciation is recorded using the straight-line method over management s estimate of the estimated useful lives of the related assets as listed below:

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

Impairment of property, plant and equipment, franchises and goodwill. As discussed above, the net carrying value of our property, plant and equipment is significant. We also have recorded a significant amount of cost related to franchises, pursuant to which we are granted the right to operate our cable distribution network throughout our service areas. The net carrying value of franchises as of September 30, 2004, December 31, 2003 and 2002 was approximately $9.9 billion (representing 58% of total assets), $13.7 billion (representing 64% of total assets) and $13.7 billion (representing 61% of total assets), respectively. Furthermore, we recorded within other noncurrent assets approximately $52 million of goodwill as a result of the acquisition of High Speed Access in February 2002.

We adopted SFAS No. 142 on January 1, 2002. SFAS No. 142 requires that franchise intangible assets that meet specified indefinite-life criteria no longer be amortized against earnings, but instead must be tested for impairment annually, 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

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franchise, the expected costs of franchise renewals, and the technological state of the associated cable systems with a view to whether or not we are in compliance with any technology upgrading requirements. We have concluded that as of January 1, 2002, December 31, 2002, December 31, 2003 and September 30, 2004 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, will be 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 $3 million for the nine months ended September 30, 2004 and $9 million for each of the years ended December 31, 2003 and 2002. Franchise amortization expense was $1.5 billion, representing approximately 29% of costs and expenses, for the year ended December 31, 2001. We expect that amortization expense on franchise assets will be approximately $4 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.

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 changes in technological advances, fluctuations in the fair value of such assets, adverse changes in relationships with local franchise authorities, adverse changes in market conditions or poor operating results. Under SFAS No. 144, a long-lived asset is deemed impaired when the carrying amount of the asset exceeds the projected undiscounted future cash flows associated with the asset. Furthermore, we were required to evaluate the recoverability of our indefinite life franchises, as well as goodwill, as of January 1, 2002 upon adoption of SFAS No. 142, and on an annual basis or more frequently as deemed necessary.

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

Based on the guidance prescribed in Emerging Issues Task Force (EITF) Issue No. 02-7, *Unit of Accounting for Testing of Impairment of Indefinite-Lived Intangible Assets*, franchises were aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clustering of our cable systems into groups by which such systems are managed. Management believes such grouping represents the highest and best use of those assets. We determined that our franchises were impaired for the year ended December 31, 2002 and as a result recorded the cumulative effect of a change in accounting principle of $206 million (approximately $572 million before minority interest effects of $306 million and tax effects of $60 million). As required by SFAS No. 142, the standard has not been retroactively applied to results for the period prior to adoption.

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

In September 2004, the Securities and Exchange Commission (SEC) staff issued Topic D-108, *Use of the Residual Method to Value Acquired Assets Other than Goodwill*, 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 write-down of franchises 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 nine months ended September 30, 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 $2.56 for the nine months ended September 30, 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 Charter s valuation and was recorded as impairment of franchises in our condensed consolidated statements of operations for the three and nine months ended September 30, 2004. Sustained analog video customer losses by us and our industry peers in the third quarter of 2004 primarily as a result of increased competition from DBS providers and decreased growth rates in our and our industry peers high speed data customers in the third quarter of 2004, in part, as a result of increased competition from DSL providers led us to lower our projected growth rates and accordingly revise our estimates of future cash flows. See Business Competition.

We performed our annual impairment assessment as of October 1, 2002 following the guidance of EITF Issue 02-17, *Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination*, which was issued in October 2002 and requires the consideration of assumptions that marketplace participants would consider, such as expectations of future contract renewals and other benefits related to the intangible asset. Revised estimates of future cash flows and the use of a lower projected long-term growth rate in our valuation, led to the recognition of a $4.6 billion impairment charge in the fourth quarter of 2002. The valuation completed at October 1, 2003 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 the current economic conditions indicate the combination of assumptions utilized in the valuation as of September 30, 2004 is reasonable, as market conditions change so will the assumptions with a resulting impact on the valuation and consequently the impairment charge.

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

Assumption	Percentage/ Percentage Point Change	Impairment Charge Increase/(Decrease)
		(Dollars in millions)
Annual Operating Cash Flow(1)		