

CHARTER COMMUNICATIONS, INC. /MO/  
Form 10-Q  
November 01, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

(Mark One)

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

For the quarterly period ended September 30, 2011

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-33664

Charter Communications, Inc.  
(Exact name of registrant as specified in its charter)

Delaware	43-1857213
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

12405 Powerscourt Drive  
St. Louis, Missouri 63131  
(Address of principal executive offices including zip code)

(314) 965-0555  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

**APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

Number of shares of Class A common stock outstanding as of September 30, 2011: 107,633,812

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Charter Communications, Inc.  
Quarterly Report on Form 10-Q for the Period ended September 30, 2011

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This quarterly report on Form 10-Q is for the three and nine months ended September 30, 2011. The Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "we," "us" and "our" refer to Charter Communications, Inc. and its subsidiaries.



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the “Results of Operations” and “Liquidity and Capital Resources” sections under Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this quarterly report. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under “Risk Factors” under Part II, Item 1A and the factors described under “Risk Factors” under Part I, Item 1A of our most recent Form 10-K filed with the SEC. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “will,” “may,” “intend,” “estimated,” “a target,” “opportunity,” “tentative,” “positioning” and “potential,” among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- our ability to sustain and grow revenues and free cash flow by offering video, Internet, telephone, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our markets and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures and the difficult economic conditions in the United States;
- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, and digital subscriber line (“DSL”) providers and competition from video provided over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the level of activity in the housing sector;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
  - the effects of governmental regulation on our business;
- the availability and access, in general, of funds to meet our debt obligations, prior to or when they become due, and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We are under no duty or obligation to update any of the forward-looking statements after the date of this quarterly report.



## PART I. FINANCIAL INFORMATION.

## Item 1. Financial Statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(IN MILLIONS, EXCEPT SHARE DATA)

	September 30, 2011 (Unaudited)	December 31, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$5	\$4
Restricted cash and cash equivalents	27	28
Accounts receivable, less allowance for doubtful accounts of \$17 for each period	253	247
Prepaid expenses and other current assets	50	47
<b>Total current assets</b>	<b>335</b>	<b>326</b>
<b>INVESTMENT IN CABLE PROPERTIES:</b>		
Property, plant and equipment, net of accumulated depreciation	6,903	6,819
Franchises	5,287	5,257
Customer relationships, net	1,779	2,000
Goodwill	954	951
<b>Total investment in cable properties</b>	<b>14,923</b>	<b>15,027</b>
<b>OTHER NONCURRENT ASSETS</b>	<b>380</b>	<b>354</b>
<b>Total assets</b>	<b>\$15,638</b>	<b>\$15,707</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$1,081	\$1,049
<b>Total current liabilities</b>	<b>1,081</b>	<b>1,049</b>
<b>LONG-TERM DEBT</b>	<b>12,581</b>	<b>12,306</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>1,112</b>	<b>874</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Class A common stock; \$.001 par value; 900 million shares authorized; 114,741,367 and 112,494,166 shares issued, respectively	--	--
Class B common stock; \$.001 par value; 25 million shares authorized; no shares and 2,241,299 shares issued and outstanding, respectively	--	--
Preferred stock; \$.001 par value; 250 million shares authorized; no non-redeemable shares issued and outstanding	--	--
Additional paid-in capital	1,807	1,776
Accumulated deficit	(537)	(235)
Treasury stock at cost; 7,107,555 and 176,475 shares, respectively	(329)	(6)

Accumulated other comprehensive loss	(77 )	(57 )
Total shareholders' equity	864	1,478
Total liabilities and shareholders' equity	\$ 15,638	\$ 15,707

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



CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN MILLIONS, EXCEPT SHARE DATA)

Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
REVENUES	\$1,809	\$1,769	\$5,370	\$5,275
<b>COSTS AND EXPENSES:</b>				
Operating (excluding depreciation and amortization)	792	788	2,344	2,317
Selling, general and administrative	374	356	1,062	1,060
Depreciation and amortization	405	385	1,181	1,134
Other operating expenses, net	1	--	7	19
	1,572	1,529	4,594	4,530
Income from operations	237	240	776	745
<b>OTHER EXPENSES:</b>				
Interest expense, net	(244 )	(222 )	(718 )	(645 )
Loss on extinguishment of debt	(4 )	(3 )	(124 )	(38 )
Other expenses, net	(2 )	(1 )	(4 )	(3 )
	(250 )	(226 )	(846 )	(686 )
Income (loss) before income taxes	(13 )	14	(70 )	59
INCOME TAX EXPENSE	(72 )	(109 )	(232 )	(211 )
Net loss	\$(85 )	\$(95 )	\$(302 )	\$(152 )
<b>LOSS PER COMMON SHARE, BASIC AND DILUTED:</b>				
Weighted average common shares outstanding, basic and diluted	108,420,169	113,110,889	110,285,852	113,081,242

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

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

Nine Months Ended  
September 30,  
2011                      2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(302 )	\$(152 )
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	1,181	1,134
Noncash interest expense	27	54
Loss on extinguishment of debt	124	35
Deferred income taxes	225	204
Other, net	26	20
Changes in operating assets and liabilities, net of effects from dispositions and acquisitions:		
Accounts receivable	(5 )	7
Prepaid expenses and other assets	(4 )	15
Accounts payable, accrued expenses and other	40	105
Net cash flows from operating activities	1,312	1,422
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(984 )	(948 )
Changes in accrued expenses related to capital expenditures	(11 )	(7 )
Purchase of cable systems	(89 )	--
Other, net	(20 )	(7 )
Net cash flows from investing activities	(1,104 )	(962 )
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	3,801	2,757
Repayments of long-term debt	(3,645 )	(3,070 )
Repayment of preferred stock	--	(138 )
Payments for debt issuance costs	(43 )	(76 )
Purchase of treasury stock	(323 )	--
Other, net	2	(5 )
Net cash flows from financing activities	(208 )	(532 )
NET DECREASE IN CASH AND CASH EQUIVALENTS	--	(72 )
CASH AND CASH EQUIVALENTS, beginning of period	32	754
CASH AND CASH EQUIVALENTS, end of period	\$32	\$682
CASH PAID FOR INTEREST	\$649	\$561

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

1. Organization and Basis of Presentation

Organization

Charter Communications, Inc. (“Charter”) is a holding company whose principal asset is a 100% common equity interest in Charter Communications Holding Company, LLC (“Charter Holdco”). Charter owns cable systems through its subsidiaries, which are collectively, with Charter, referred to herein as the “Company.” All significant intercompany accounts and transactions among consolidated entities have been eliminated.

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

On November 17, 2009, the Company’s Joint Plan of Reorganization (the “Plan”) was confirmed by order of the Bankruptcy Court, and became effective on November 30, 2009 (the “Effective Date”), the date on which the Company emerged from protection under Chapter 11 of the Bankruptcy Code. Upon the Company’s emergence from bankruptcy, the Company adopted fresh start accounting. This resulted in the Company becoming a new entity on December 1, 2009, with a new capital structure, a new accounting basis in the identifiable assets and liabilities assumed and no retained earnings or accumulated losses.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and footnote disclosures typically included in Charter’s Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying condensed consolidated financial statements are unaudited and are subject to review by regulatory authorities. However, in the opinion of management, such financial statements include all adjustments, which consist of only normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; impairments of property, plant and equipment, intangibles and goodwill; income taxes; contingencies; and programming expense. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform with the 2011 presentation.

Restricted cash on the accompanying condensed consolidated balance sheet as of September 30, 2011 and December 31, 2010 of \$27 million and \$28 million, respectively, represents amounts held in escrow accounts pending final

resolution from the Bankruptcy Court. Restricted cash is included in cash and cash equivalents on the accompanying condensed consolidated statements of cash flows. Approximately \$18 million of restricted cash held in an escrow account established in bankruptcy proceedings was used to pay for professional services for the nine months ended September 30, 2010.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

2. Franchises, Goodwill and Other Intangible Assets

As of September 30, 2011 and December 31, 2010, indefinite-lived and finite-lived intangible assets are presented in the following table:

	September 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Indefinite-lived intangible assets:</b>						
Franchises	\$5,287	\$ --	\$5,287	\$5,257	\$ --	\$5,257
Goodwill	954	--	954	951	--	951
Trademarks	158	--	158	158	--	158
	\$6,399	\$ --	\$6,399	\$6,366	\$ --	\$6,366
<b>Finite-lived intangible assets:</b>						
Customer relationships	\$2,368	\$ 589	\$1,779	\$2,358	\$ 358	\$2,000
Other intangible assets	73	14	59	53	7	46
	\$2,441	\$ 603	\$1,838	\$2,411	\$ 365	\$2,046

Amortization expense related to customer relationships and other intangible assets for the three months ended September 30, 2011 and 2010 was approximately \$79 million and \$85 million, respectively, and for the nine months ended September 30, 2011 and 2010 was approximately \$238 million and \$255 million, respectively. Franchises, customer relationships and goodwill increased by \$30 million, \$10 million and \$3 million, respectively, as a result of acquisitions completed during the three and nine months ended September 30, 2011.

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

3 months ending December 31, 2011	\$78
2012	291
2013	264
2014	238
2015	212
2016	185
Thereafter	570
	\$1,838

Actual amortization expense in future periods could differ from these estimates as a result of new intangible assets, acquisitions or divestitures, changes in useful lives, impairments and other relevant factors.



CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

(dollars in millions, except per share amounts and where indicated)

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Accounts payable – trade	\$ 167	\$ 168
Accrued capital expenditures	43	54
Accrued expenses:		
Interest	204	162
Programming costs	296	282
Compensation	112	124
Franchise-related fees	46	53
Other	213	206
	\$ 1,081	\$ 1,049

4. Long-Term Debt

Long-term debt consists of the following as of September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
<b>CCH II, LLC:</b>				
13.50% senior notes due November 30, 2016	\$1,766	\$2,028	\$1,766	\$2,057
<b>CCO Holdings, LLC:</b>				
7.25% senior notes due October 30, 2017	1,000	1,000	1,000	1,000
7.875% senior notes due April 30, 2018	900	900	900	900
7.00% senior notes due January 15, 2019	1,400			