

FINANCE COMMITTEE

09-0460R

RESOLUTION APPROVING THE PROPOSED REORGANIZATION OF  
CHARTER COMMUNICATIONS, INC.

CITY PROPOSAL:

RECITALS:

(a) The city of Duluth, Minnesota (city) has granted a cable television franchise (franchise) that is currently held by CC VIII Operating, LLC (franchisee), an indirect, wholly-owned subsidiary of Charter Communications, Inc. (Charter);

(b) Franchisee owns, operates and maintains a cable television system (system) in the city;

(c) On March 27, 2009, Charter and certain of its subsidiaries filed voluntary petitions in the United States bankruptcy court for the southern district of New York (bankruptcy court) seeking relief under the provisions of Chapter 11 of Title 11 of the United States Code to order to effectuate a financial restructuring - Case No. 09-11435;

(d) Pursuant to the terms of the proposed plan of reorganization agreed to by Charter and its key bondholders, the current stock in Charter will be cancelled and replaced by new Class A common stock and new Class B common stock. The voting interest of Charter's principal stockholder, Paul G. Allen and his affiliated entities will be reduced from approximately 91 percent to 35 percent, and new stockholders (principally the current bondholders) will acquire the remaining 65 percent voting interest in Charter, as described in filings with the bankruptcy court (the reorganization);

(e) Under both the franchise and Minnesota Statutes Section 238.083, the city has concluded that its written approval is necessary for the above described reorganization;

(f) Franchisee has submitted to the city FCC Form 394 - application for franchise authority consent to assignment or transfer of control of cable television franchise (Form 394) which provides substantial information regarding

the reorganization and qualifications of Charter and franchisee following completion of the reorganization;

(g) Based on information received by the city from franchisee, Form 394 and filings and documentation received by the city related to the proceedings before the bankruptcy court, the city has elected to consent to the reorganization.

NOW, THEREFORE, THE CITY OF DULUTH, MINNESOTA, HEREBY RESOLVES AS FOLLOWS:

(a) The franchise is in full force and effect and franchisee is the lawful holder of the franchise;

(b) Each of the foregoing recitals are hereby incorporated by reference;

(c) The city hereby consents and approves of the reorganization;

(d) Since the franchisee remains unchanged as a result of the reorganization, nothing in this resolution shall be interpreted to modify or alter franchisee's past performance under the franchise and franchisee shall remain fully liable for any and all franchise obligations unless specifically modified or altered by the bankruptcy court;

(e) By this consent the city does not waive any of franchisee's commitments, duties and obligations under the franchise, including any accrued and unfulfilled obligation of the franchisee, whether known or unknown, relating to the franchise;

(f) In the event the reorganization is not completed, for any reason, or

is modified in any material manner, the city's consent provided hereunder shall not be effective.

Approved:

Approved for presentation to council:

\_\_\_\_\_  
Department Director

\_\_\_\_\_  
Chief Administrative Officer

Approved as to form:

Approved:

\_\_\_\_\_  
Attorney

\_\_\_\_\_  
Auditor

ATTY JMC:blj 7/2/2009

STATEMENT OF PURPOSE: Charter Communications, Inc. (Charter), which is the ultimate parent corporation of the city's franchisee, recently began a voluntarily Chapter 11 reorganization process in order to restructure its capital structure. Chapter 11 of the Bankruptcy Code is designed to enable companies to continue to operate while they develop and implement financial restructuring plans.

While in reorganization, Charter has continued to provide service to customers and been allowed by the bankruptcy court to operate in the normal course of business. Charter is current on its franchise fee payments to the city. As part of the proposed plan, Charter will agree to remain party to all of its existing franchise agreements.

The reorganization will significantly reduce Charter's debt and provide additional capital to Charter. In all, Charter is converting approximately \$8 billion, or 38 percent of its long-term debt, to new common equity. Upon completion of the reorganization, Charter's current stock will be canceled and replaced by new stock. Some of those bondholders will be issued new voting stock in Charter in exchange for their current claims and interests. Additionally, certain bond holders have committed to investing additional equity in support of Charter's continuing operations. The management will remain the same and employees will remain in place. Following the restructuring, Charter will be in a significantly improved financial condition than it was prior to filing for Charter 11. This resolution provides the city's consent to and approval of the reorganization.