HYSTER-YALE MATERIALS HANDLING, INC.
Form 8-K
December 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 22, 2015

HYSTER-YALE MATERIALS HANDLING, INC.

(Exact name of Registrant as specified in its charter)

Delaware	000-54799	31-1637659
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

5875 Landerbrook Drive

Cleveland, Ohio 44124-4069

(Address of principal executive offices, including zip code)

(440) 449-9600

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry Into a Material Definitive Agreement.

On December 22, 2015, NACCO Materials Handling Group Inc. (NMHG), a wholly owned subsidiary of Hyster-Yale Materials Handling, Inc., entered into an Amendment (the Amendment) with GE Capital US Holdings, Inc. (successor in interest to General Electric Capital Corporation (GECC), which amends the Second Amended and Restated Joint Venture and Shareholders Agreement, dated November 21, 2013, between GECC and NMHG.

The foregoing summary of the Amendment, which is filed as Exhibit 10.1 to this Current Report on Form 8-K, is qualified by reference to the Amendment, which is incorporated herein by reference to the Amendment.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Exhibit Description
10.1	Amendment to Second Amended and Restated Joint Venture and Shareholders Agreement, dated as of December 22, 2015, between GE Capital US Holdings, Inc. (successor in interest to General Electric Capital Corporation) and NACCO Materials Handling Group, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 29, 2015		HYSTER-YALE MATERIALS HANDLING, INC.
	By:	/s/ Suzanne Schulze Taylor
	Name:	Suzanne Schulze Taylor
	Title:	Vice President, Deputy General Counsel and Assistant Secretary

EXHIBIT INDEX

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Asset acquisitions

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Commercial revenues consist primarily of revenues from services provided to our commercial customers. Increases in commercial revenues were the result of higher sales to small and medium businesses and carrier customers. Commercial PSUs increased 54,000 from September 30, 2011 to September 30, 2012. The increase in commercial revenues is attributable to the following (dollars in millions):

	Three months ended September 30, 2012 compared to three months ended September 30, 2011 Increase / (Decrease)	Nine months ended September 30, 2012 compared to nine months ended September 30, 2011 Increase / (Decrease)
Sales to small-to-medium sized business customers	$22	$64
Carrier site customers	5	13
Other	2	6
Asset acquisitions	—	1
	$29	$84

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased for the three and nine months ended September 30, 2012 as a result of an increase in revenue from the political and automotive sectors. For the three months ended September 30, 2012 and 2011, we received $15 million and $13 million, respectively, and for the nine months ended September 30, 2012 and 2011, we received $44 million and $36 million, respectively, in advertising sales revenues from vendors.

Other revenues consist of home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. The increase during the three and nine months ended September 30, 2012 compared to the three and nine months ended September 30, 2011 was primarily the result of increases in late payment fees.

Operating expenses. The increase in our operating expenses is attributable to the following (dollars in millions):

	Three months ended September 30, 2012 compared to three months ended September 30, 2011 Increase / (Decrease)	Nine months ended September 30, 2012 compared to nine months ended September 30, 2011 Increase / (Decrease)
Programming costs	$27	$74
Service labor costs	13	36
Maintenance costs	13	24
Advertising sales	4	11
Commercial services	3	7
Cost of providing Internet and telephone services	1	(6)
Other, net	2	2
Asset acquisitions	3	11
	$66	$159

Programming costs were approximately $497 million and $468 million, representing 58% and 59% of total operating expenses for the three months ended September 30, 2012 and 2011, respectively and were approximately $1,484 million and $1,403 million, representing 59% and 60% of total operating expenses for the nine months ended September 30, 2012 and 2011, respectively. Programming costs consist primarily of costs paid to programmers for basic, digital, premium, OnDemand, and pay-per-view programming. The increases in programming costs are primarily a result of annual contractual rate adjustments, including increases in amounts paid for retransmission consents and for new programming, offset in part by customer losses. Programming costs were

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also offset by the amortization of payments received from programmers of $1 million and $2 million for the three months ended September 30, 2012 and 2011, respectively, and $4 million and $6 million for the nine months ended September 30, 2012 and 2011, respectively. We expect programming expenses to continue to increase due to a variety of factors, including increased demands by owners of some broadcast stations for carriage of other services or payments to those broadcasters for retransmission consent, annual increases imposed by programmers with additional selling power as a result of media consolidation, and additional programming, including new sports services and non-linear programming for on-line and OnDemand programming. We have been unable to fully pass these increases on to our customers nor do we expect to be able to do so in the future without a potential loss of customers.

Service labor increased $13 million and $36 million and maintenance costs increased $13 million and $24 million for the three and nine months ended September 30, 2012, respectively, due to increased preventive maintenance levels and a higher number of reconnects.

Selling, general and administrative expenses. The increase in selling, general and administrative expenses is attributable to the following (dollars in millions):

	Three months ended September 30, 2012 compared to three months ended September 30, 2011 Increase / (Decrease)	Nine months ended September 30, 2012 compared to nine months ended September 30, 2011 Increase / (Decrease)
Marketing costs	$2	$34
Commercial services	4	15
Stock compensation	3	12
Customer care costs	(1)	9
Bad debt and collection costs	(1)	(8)
Other, net	3	1
Asset acquisitions	—	4
	$10	$67

The increase in marketing costs for the nine months ended September 30, 2012 is the result of increased media investment and commercial marketing as well as a $7 million favorable adjustment in the second quarter of 2011 related to expenses previously accrued on 2010 marketing campaigns.

Depreciation and amortization. Depreciation and amortization expense increased by $19 million and $66 million for the three and nine months ended September 30, 2012 compared to the corresponding periods in 2011, respectively, primarily representing depreciation on recent capital expenditures, offset by certain assets becoming fully depreciated.

Other operating expenses, net. The change in other operating expense, net is attributable to the following (dollars in millions):

	Three months ended September 30, 2012 compared to three months ended September 30, 2011	Nine months ended September 30, 2012 compared to nine months ended September 30, 2011

(Increase)/decrease in gain on sales of assets	$1	$(12)
Increase in special charges, net	1	7
	$2	$(5)

The increase in gain on sales of assets in the nine months ended September 30, 2012 as compared to prior periods is due to a gain recorded on the sale of cable systems in the second quarter of 2012. The increase in special charges in the three and nine months ended September 30, 2012 as compared to prior periods is a result of an increase in severance charges and settlements. For more information, see Note 8 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Interest expense, net. For the three and nine months ended September 30, 2012 compared to the corresponding periods in 2011, net interest expense decreased by $15 million and $27 million, respectively, which was primarily a result of a decrease in our average interest rate from 7.5% and 7.3% for the three and nine months ended September 30, 2011, respectively, to 6.6% for both the three and nine months ended September 30, 2012 offset by an increase in our weighted average debt outstanding from $12.6 billion and $12.5 billion for the three and nine months ended September 30, 2011, respectively, to $13.4 billion and $13.0 billion for the three and nine months ended September 30, 2012, respectively.

Loss on extinguishment of debt. Loss on extinguishment of debt consists of the following for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
CCH II and Charter Operating notes repurchase	$—	$4	$15	$4
Charter Operating credit facility refinancing/prepayments	—	—	59	120
	$—	$4	$74	$124

For more information, see Note 4 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Income tax expense. Income tax expense was recognized for the three and nine months ended September 30, 2012 and 2011 through increases in deferred tax liabilities related to our investment in Charter Holdco and certain of our indirect subsidiaries, in addition to current federal and state income tax expense (net of refunds). Income tax expense for the nine months ended September 30, 2011 included an $8 million expense for a state tax law change.

Net loss. Net loss increased from $85 million for the three months ended September 30, 2011 to $87 million for the three months ended September 30, 2012 and decreased from $302 million for the nine months ended September 30, 2011 to $264 million for the nine months ended September 30, 2012 primarily as a result of the factors described above.

Loss per common share. During the three and nine months ended September 30, 2012 compared to the corresponding periods in 2011, net loss per common share increased by $0.08 and decreased by $0.09, respectively, as a result of the factors described above offset by a decrease in our weighted average shares outstanding as a result of share repurchases in the last twelve months.

Use of Adjusted EBITDA and Free Cash Flow

We use certain measures that are not defined by GAAP to evaluate various aspects of our business. Adjusted EBITDA and free cash flow are non-GAAP financial measures and should be considered in addition to, not as a substitute for, net loss and net cash flows from operating activities reported in accordance with GAAP. These terms, as defined by us, may not be comparable to similarly titled measures used by other companies. Adjusted EBITDA and free cash flow are reconciled to consolidated net loss and net cash flows from operating activities, respectively, below.

Adjusted EBITDA is defined as net loss plus net interest expense, income tax expense, depreciation and amortization, stock compensation expense, loss on extinguishment of debt and other operating expenses, such as special charges and gain (loss) on sale or retirement of assets. As such, it eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of our businesses as well as other non-cash or special items, and is unaffected by our capital structure or investment activities. Adjusted EBITDA is used by management and Charter's board of directors to evaluate the performance of our business. However, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues and our cash cost of financing. Management evaluates these costs through other financial measures.

Free cash flow is defined as net cash flows from operating activities, less capital expenditures and changes in accrued expenses related to capital expenditures.

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We believe that Adjusted EBITDA and free cash flow provide information useful to investors in assessing our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the United States Securities and Exchange Commission). For the purpose of calculating compliance with leverage covenants, we use Adjusted EBITDA, as presented, excluding certain expenses paid by our operating subsidiaries to other Charter entities. Our debt covenants refer to these expenses as management fees, which fees were in the amount of $44 million and $40 million for the three months ended September 30, 2012 and 2011, respectively, and $126 million and $110 million for the nine months ended September 30, 2012 and 2011, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net loss	$(87)	$(85)	$(264)	$(302)
Plus: Interest expense, net	229	244	691	718
Income tax expense	69	72	208	232
Depreciation and amortization	424	405	1,247	1,181
Stock compensation expense	13	10	37	25
Loss on extinguishment of debt	—	4	74	124
Other, net	3	3	3	11
Adjusted EBITDA	$651	$653	$1,996	$1,989
Net cash flows from operating activities	$468	$405	$1,391	$1,312
Less: Purchases of property, plant and equipment	(488)	(304)	(1,296)	(984)
Change in accrued expenses related to capital expenditures	3	(11)	16	(11)
Free cash flow	$(17)	$90	$111	$317

Liquidity and Capital Resources

Introduction

This section contains a discussion of our liquidity and capital resources, including a discussion of our cash position, sources and uses of cash, access to credit facilities and other financing sources, historical financing activities, cash needs, capital expenditures and outstanding debt.

Recent Events

In August 2012, CCO Holdings, LLC ("CCO Holdings") and CCO Holdings Capital Corp. closed on transactions in which they issued $1.25 billion aggregate principal amount of 5.25% senior notes due 2022. The notes were issued at a price of 99.026% of the aggregate principal amount. The proceeds from the notes will be used for general corporate purposes, including repaying amounts outstanding under Charter Communications Operating, LLC's ("Charter Operating") revolving credit facility, and to fund the redemption of CCH II, LLC's ("CCH II") 13.500% senior notes due 2016 on or before November 30, 2012. In October 2012, we redeemed $678 million aggregate principal amount of the CCH II 13.500% senior notes due 2016 at 108.522% of the principal amount. In October 2012, we also sent out notices of redemption for the remaining $468 million aggregate principal amount of CCH II 13.500% senior notes due 2016 at 106.75% of the principal amount. The redemption will be funded by cash on hand and availability under our revolving credit facility.

Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt. The accreted value of our debt as of September 30, 2012 was $13.7 billion, consisting of $4.2 billion of credit facility debt and $9.5 billion of high-yield notes. Our business requires significant cash to fund principal and

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interest payments on our debt. As of September 30, 2012, after giving effect to the redemption of the CCH II 13.500% senior notes due 2016 described in Recent Events above, $8 million of our debt matures in 2012, $268 million in 2013, $418 million in 2014, $106 million in 2015, $2.3 billion in 2016 and $9.8 billion thereafter. As of December 31, 2011, as shown in our annual report on Form 10-K, we had other contractual obligations, including interest on our debt, totaling $6.2 billion. We also currently expect to incur capital expenditures of approximately $1.6 billion to $1.7 billion in 2012.

Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. Negative free cash flow was $17 million for the three months ended September 30, 2012 and free cash flow was $111 million for the nine months ended September 30, 2012. We expect to generate positive free cash flow for 2012. As of September 30, 2012, after giving effect to the redemption of the CCH II 13.500% senior notes due 2016 described in Recent Events above, the amount available under our credit facilities was approximately $715 million. We expect to utilize free cash flow and availability under our credit facilities as well as future refinancing transactions to further extend the maturities of or reduce the principal on our obligations. The timing and terms of any refinancing transactions will be subject to market conditions. Additionally, we may, from time to time, depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings, to retire our debt through open market purchases, privately negotiated purchases, tender offers, or redemption provisions. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating's revolving credit facility as well as access to the capital markets to fund our projected operating cash needs.

We continue to evaluate the deployment of our anticipated future free cash flow including to reduce our leverage, and to invest in our business growth and other strategic opportunities, including mergers and acquisitions as well as stock repurchases and dividends. As possible acquisitions, swaps or dispositions arise in our industry, we actively review them against our objectives including, among other considerations, improving the operational efficiency and clustering of our business and achieving appropriate return targets, and we may participate to the extent we believe these possibilities present attractive opportunities. However, there can be no assurance that we will actually complete any acquisition, disposition or system swap or that any such transactions will be material to our operations or results.

Free Cash Flow

Negative free cash flow was $17 million for the three months ended September 30, 2012 and free cash flow was $90 million for the three months ended September 30, 2011, and $111 million and $317 million for the nine months ended September 30, 2012 and 2011, respectively. The decrease in free cash flow for the three and nine months ended September 30, 2012 compared to the corresponding periods in 2011 is primarily due to an increase of $184 million and $312 million, respectively, in capital expenditures. The decrease in free cash flow is offset by a decrease of $48 million and $2 million, respectively, in cash paid for interest due to a change in the timing of payments with the completion of refinancings. The decrease in free cash flow is also offset by changes in operating assets and liabilities, excluding the change in accrued interest, that provided $31 million and $101 million more cash during the three and nine months ended September 30, 2012, respectively, driven by an increase in accounts payable and accrued expenses.

Limitations on Distributions

Distributions by Charter’s subsidiaries to a parent company for payment of principal on parent company notes are restricted under indentures and credit facilities governing our indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable subsidiary’s leverage ratio test is met at the time of such distribution. As of September 30, 2012, there was no default under any of these indentures or credit facilities and each subsidiary met its applicable leverage ratio tests based on September 30, 2012 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at the time of the contemplated distribution. In the past, certain subsidiaries have from time to time failed to meet their leverage ratio test. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in its credit facilities.

Distributions by CCO Holdings and Charter Operating to a parent company for payment of parent company interest are permitted if there is no default under the aforementioned indentures and CCO Holdings and Charter Operating credit facilities.

In addition to the limitation on distributions under the various indentures discussed above, distributions by our subsidiaries may be limited by applicable law, including the Delaware Limited Liability Company Act, under which our subsidiaries may only make distributions if they have “surplus” as defined in the act.

Historical Operating, Investing, and Financing Activities

Cash and Cash Equivalents. We held $895 million and $29 million in cash and cash equivalents as of September 30, 2012 and December 31, 2011, respectively, including $27 million of restricted cash. The increase in cash was a result of the issuance of $1.25 billion aggregate principal amount of CCO Holdings 5.25% senior notes due 2022 in August 2012 offset by a portion of the proceeds used to pay off outstanding amounts under our revolving credit facility. In October 2012, we used approximately $750 million in cash and cash equivalents to fund the redemption of the CCH II 13.500% senior notes due 2016 as described in Recent Events.

Operating Activities. Net cash provided by operating activities increased $79 million from $1.3 billion for the nine months ended September 30, 2011 to $1.4 billion for the nine months ended September 30, 2012, primarily due to changes in operating assets and liabilities, excluding the change in accrued interest and in liabilities related to capital expenditures, that provided $74 million more cash during 2012 driven by collection of receivables and an increase in accounts payable and accrued expenses and higher Adjusted EBITDA.

Investing Activities. Net cash used in investing activities for the nine months ended September 30, 2012 and 2011 was $1.3 billion and $1.1 billion, respectively. The increase is primarily due to higher capital expenditures.

Financing Activities. Net cash provided by financing activities was $754 million for the nine months ended September 30, 2012 and net cash used in financing activities was $208 million for the nine months ended September 30, 2011. The increase in cash provided was primarily the result of an increase by which borrowings of long-term debt exceeded repayments and by decreases in purchases of treasury stock.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $1.3 billion and $984 million for the nine months ended September 30, 2012 and 2011, respectively. The increase related to higher actual and anticipated residential and commercial customer growth, scalable Internet infrastructure to accommodate higher penetration and network throughput, and further investments in plant to improve service reliability. See the table below for more details.

During 2012, we currently expect capital expenditures to be between $1.6 billion and $1.7 billion. The actual amount of our capital expenditures depends on the level of success of our new operating strategies and residential product offerings, with the increase over prior year reflecting higher expected levels of customer premise equipment placement for both new and existing customers, resulting from increased digitization and DVR penetration, and growth in our commercial business.

Our capital expenditures are funded primarily from free cash flow and borrowings on our credit facility. In addition, our liabilities related to capital expenditures increased by $16 million for the nine months ended September 30, 2012.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the three and nine months ended September 30, 2012 and 2011. The disclosure is intended to provide more consistency in the reporting of capital expenditures among peer companies in the cable industry. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011

Customer premise equipment (a)	$255	$156	$641	$470
Scalable infrastructure (b)	74	58	320	265
Line extensions (c)	52	29	111	78
Upgrade/rebuild (d)	43	30	104	86
Support capital (e)	64	31	120	85
Total capital expenditures (f)	$488	$304	$1,296	$984

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(a) Customer premise equipment includes costs incurred at the customer residence to secure new customers and revenue generating units. It also includes customer installation costs and customer premise equipment (e.g., set-top boxes and cable modems).
(b) Scalable infrastructure includes costs not related to customer premise equipment, to secure growth of new customers and revenue generating units, or provide service enhancements (e.g., headend equipment).
(c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
(d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
(e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).
(f) Total capital expenditures includes $82 million and $48 million of capital expenditures related to commercial services for the three months ended September 30, 2012 and 2011, respectively, and $181 million and $120 million for the nine months ended September 30, 2012 and 2011, respectively.

Certain prior period amounts have been reclassified to conform with the 2012 presentation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to various market risks, including fluctuations in interest rates. We have used interest rate swap agreements to manage our interest costs and reduce our exposure to increases in floating interest rates. We manage our exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt. Using interest rate swap agreements, we agree to exchange, at specified intervals through 2017, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts.

As of September 30, 2012 and December 31, 2011, the accreted value of our debt was approximately $13.7 billion and $12.9 billion, respectively. As of September 30, 2012 and December 31, 2011, the weighted average interest rate on the credit facility debt, including the effects of our interest rate swap agreements, was approximately 4.1% and 4.3%, respectively, and the weighted average interest rate on the high-yield notes was approximately 7.7% and 8.5%, respectively, resulting in a blended weighted average interest rate of 6.6% and 7.1%, respectively. The interest rate on approximately 83% and 82% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate swap agreements, as of September 30, 2012 and December 31, 2011, respectively.

We do not hold or issue derivative instruments for speculative trading purposes. We have interest rate derivative instruments that have been designated as cash flow hedging instruments. Such instruments effectively convert variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, realized derivative gains and losses offset related results on hedged items in the consolidated statements of operations. We formally document, designate and assess the effectiveness of transactions that receive hedge accounting. For the three and nine months ended September 30, 2012 and 2011 there was no cash flow hedge ineffectiveness on interest rate swap agreements.

Changes in the fair value of interest rate agreements that are designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations, and that meet effectiveness criteria are reported in other comprehensive loss. For the three and nine months ended September 30, 2012, losses of $7 million and $18 million, respectively, and for the three and nine months ended September 30, 2011, losses of $11 million and $20 million, respectively, related to derivative instruments designated as cash flow hedges, were recorded in other comprehensive loss. The amounts are subsequently reclassified as an increase or decrease to interest expense in the same periods in which the related interest on the floating-rate debt obligations affects earnings (losses).

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The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of September 30, 2012 (dollars in millions):

	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value at September 30, 2012
Debt:								
Fixed Rate	$678	$—	$—	$—	$468	$8,250	$9,396	$10,113
Average Interest Rate	13.50 %	—	—	—	13.50 %	6.87 %	7.67 %	
Variable Rate	$8	$268	$418	$106	$2,281	$1,239	$4,320	$4,312
Average Interest Rate	3.76 %	2.37 %	3.01 %	3.27 %	4.45 %	4.89 %	4.28 %	
Interest Rate Instruments:								
Variable to Fixed Rate	$—	$900	$800	$300	$250	$850	$3,100	$83
Average Pay Rate	—	5.21 %	5.65 %	5.99 %	4.89 %	4.84 %	5.27 %	
Average Receive Rate	—	3.61 %	3.69 %	3.82 %	4.69 %	5.22 %	4.18 %	

Included in 2012 fixed rate debt above is $678 million principal amount of CCH II 13.500% senior notes called for redemption in September 2012 and redeemed in October 2012. Included in 2016 fixed rate debt above is $468 million principal amount of CCH II 13.500% senior notes called for redemption in October 2012 and expected to be redeemed in November 2012.

At September 30, 2012, we had $3.1 billion in notional amounts of interest rate swaps outstanding. This includes $1.1 billion in delayed start interest rate swaps that become effective in March 2013 through March 2015. In any future quarter in which a portion of these delayed start hedges first becomes effective, an equal or greater notional amount of the currently effective swaps are scheduled to mature. Therefore, the $2.0 billion notional amount of currently effective interest rate swaps will gradually step down over time as current swaps mature and an equal or lesser amount of delayed start swaps become effective.

The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of our exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts. The estimated fair value is determined using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparties' credit risk). Interest rates on variable debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at September 30, 2012 including applicable bank spread.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based in part upon reports and certifications provided by a number of executives. Based upon, and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based upon the above evaluation, we believe that our controls provide such reasonable assurances.

There was no change in our internal control over financial reporting during the third quarter of 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

Our Annual Report on Form 10-K for the year ended December 31, 2011 includes "Legal Proceedings" under Item 3 of Part I. There have been no material changes from the legal proceedings described in our Form 10-K, except as described below.

Patent Litigation

Rembrandt Patent Litigation. In 2006, Rembrandt Technologies, LP filed two lawsuits against Charter and other parties in the U.S. District Court for the Eastern District of Texas, alleging that each defendant's high-speed data service and systems for receipt and retransmission of Advanced Television Systems Committee digital terrestrial broadcast signals infringe nine patents owned by Rembrandt. On September 7, 2011, the court entered final judgment of non-infringement in favor of Charter and the other defendants on the eight patents stipulated for dismissal and on the remaining patent. On September 28, 2011, Rembrandt appealed to the U.S. Court of Appeals for the Federal Circuit for review of the judgment and in August 2012, the court rejected Rembrandt's appeal.

We are also defendants or co-defendants in several other unrelated lawsuits claiming infringement of various patents relating to various aspects of our businesses. Other industry participants are also defendants in certain of these cases.

In the event that a court ultimately determines that we infringe on any intellectual property rights, we may be subject to substantial damages and/or an injunction that could require us or our vendors to modify certain products and services we offer to our subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. While we believe the lawsuits are without merit and intend to defend the actions vigorously, no assurance can be given that any adverse outcome would not be material to our consolidated financial condition, results of operations, or liquidity.

Bankruptcy Litigation

On March 27, 2009, Charter filed a Chapter 11 petition in the United States Bankruptcy Court for the Southern District of New York. On November 17, 2009, the Bankruptcy Court issued its Order and Opinion confirming the Plan over the objections of various objectors. Charter consummated the Plan on November 30, 2009 and reinstated the Charter Operating Credit Agreement and certain other debt of its subsidiaries.

Two appeals are pending relating to confirmation of the Plan, the appeals by (i) Law Debenture Trust Company of New York ("Law Debenture Trust") (as the Trustee with respect to the $479 million in aggregate principal amount of 6.50% convertible senior notes due 2027 issued by Charter which are no longer outstanding following consummation of the Plan); and (ii) R^2 Investments, LDC ("R^2 Investments") (a former equity interest holder in Charter). The appeals by Law Debenture Trust and R^2 Investments were denied by the District Court for the Southern District of New York in March 2011. On August 31, 2012, the 2nd Circuit unanimously affirmed the district court's decision holding that R^2 and LDT's appeals are equitably moot. Thereafter, R^2 and LDT sought a rehearing en banc with the 2nd Circuit. On October 18, 2012, the 2nd Circuit denied that request. We cannot predict the ultimate outcome of the appeals nor can we estimate a reasonable range of loss.

Other Proceedings

We are party to lawsuits and claims that arise in the ordinary course of conducting our business, including lawsuits claiming infringement of various patents relating to various aspects of our businesses and lawsuits claiming violation of anti-trust laws and violation of wage and hour laws. The ultimate outcome of these other legal matters pending against us or our subsidiaries cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on our consolidated financial condition, results of operations, or liquidity, such lawsuits could have in the aggregate a material adverse effect on our consolidated financial condition, results of operations, or liquidity. Whether or not we ultimately prevail in any particular lawsuit or claim, litigation can be time consuming and costly and injure our reputation.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2011 includes “Risk Factors” under Item 1A of Part I. There have been no material changes from the risk factors described in our Form 10-K.

Item 2. Unregistered Sales of Equity Proceeds and Use of Proceeds.

(C) Purchases of Equity Securities by the Issuer

The following table presents Charter's purchases of equity securities completed during the third quarter of 2012.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2012	428 (1)	$73.41	N/A	N/A
August 1 - 31, 2012	3,122 (1)	$78.59	N/A	N/A
September 1 - 30, 2012	1,082 (1)	$80.58	N/A	N/A

(1) In July, August and September 2012, Charter withheld 428, 3,122 and 1,082 shares of its common stock, respectively, in payment of income tax withholding owed by employees upon vesting of restricted shares and restricted stock units.

Item 6. Exhibits.

The index to the exhibits begins on page E-1 of this quarterly report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Charter Communications, Inc. has duly caused this quarterly report to be signed on its behalf by the undersigned, thereunto duly authorized.

	CHARTER COMMUNICATIONS, INC., Registrant
	By: /s/ Kevin D. Howard Kevin D. Howard Senior Vice President - Finance, Controller and
Date: November 6, 2012	Chief Accounting Officer

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Exhibit Index

Exhibit	Description
10.1*	Fourth Supplemental Indenture dated August 22, 2012 relating to the 5.25% Senior Notes due 2022 by and among CCO Holdings, LLC, CCO Holdings Capital Corp. and The Bank of New York Mellon Trust Company, N.A., as trustee.
10.2*	Amendment No. 1 to the Registration Rights Agreement dated November 30, 2009, by and among Charter Communications, Inc. and certain Investors listed therein.
10.3	Underwriting Agreement dated as of August 8, 2012, by and among Charter Communications, Inc., Citigroup Capital Markets Inc. and the Selling Stockholders named therein (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on August 15, 2012 (File No. 001-33664)).
10.4*+	The New York Relocation Agreement and Release entered into by and between Charter Communications, Inc. and Christopher Winfrey dated as of October 23, 2012.
10.5*+	Separation Agreement between Steven Apodaca and Charter Communications, Inc. dated August 3, 2012.
12.1*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the under the Securities Exchange Act of 1934.
31.2*	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101	The following financial statements from Charter Communications, Inc.'s Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2012, filed with the Securities and Exchange Commission on November 6, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Loss (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to Condensed Consolidated Financial Statements.

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*Filed herewith.

+ Management compensatory plan or arrangement