

Charter Communications LCDS Auction

The Charter Communications LCDS Auction relates to settlement issues concerning Charter Communications Operating, LLC ("Charter"), a cable operator that filed a Chapter 11 bankruptcy petition in the Federal Bankruptcy Court in Manhattan on March 27. Charter is included in the LCDX credit derivative index and is the subject of single-name loan CDS trades.

Cash settlement at the final price determined by an auction is contemplated by each of the standard documents for North American loan credit default swaps that were published by ISDA and CDS IndexCo LLC in 2007 ¹. These documents provide that if an auction is held in respect of the reference entity and designated priority of loan referenced by the relevant transaction, then settlement of that transaction will be subject to the terms of that auction.

The circumstances in which an auction will be held are governed by the LCDS Auction Rules published by ISDA and CDS IndexCo on May 22, 2007. Pursuant to these rules, the Eligible LCDX Members voted to hold an auction in respect of Charter First Lien Loans. The terms of this auction are contained in the LCDS Auction Settlement Terms for Charter (the "Auction Terms"), which were published by ISDA and CDS IndexCo on April 17, 2009.

This auction is scheduled for Tuesday April 21, 2009. Markit Group Limited and Creditex Securities Corp. will administer the auction. The cash settlement date for Covered Transactions (as defined in the Auction Terms) will be April 28, 2009.

In order to ensure that a transaction is brought within the Auction Terms, parties must have delivered a credit event notice and notice of publicly available information (or entered into a settlement agreement deeming these notices to be delivered) effective on or prior to the auction date. It should be noted that there is no requirement for the parties to adhere to a protocol in order for a transaction to be covered by the Auction Terms.