

CHARTER COMMUNICATIONS, INC. /MO/
Form 10-Q
August 04, 2015

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 June 30, 2015
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)

400 Atlantic Street
Stamford, Connecticut 06901

(203) 905-7801

(Address of principal executive offices including zip
code)

(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 registrants have submitted electronically and posted on their 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 registrants were 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 "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Number of shares of Class A common stock outstanding as of June 30, 2015: 112,022,583



CHARTER COMMUNICATIONS, INC.
 QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2015

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This quarterly report on Form 10-Q is for the three and six months ended June 30, 2015. The United States 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," "designed," "create," "predict," "project," "seek," "would," "could," "continue," "upside," "increases" 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, in our annual report on Form 10-K, and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

Risks Related to the Time Warner Cable Inc. ("TWC") Transaction and Bright House Networks, LLC ("Bright House") Transaction (collectively, the "Transactions")

• delays in the completion of the Transactions;

• failure to receive necessary stockholder approvals;

• the risk that a condition to completion of the Transactions may not be satisfied;

• the risk that regulatory or other approvals that may be required for the Transactions is delayed, is not obtained or is obtained subject to conditions that are not anticipated;

• New Charter's ability to achieve the synergies and value creation contemplated by the TWC Transaction and/or the Bright House Transaction;

• New Charter's ability to promptly, efficiently and effectively integrate acquired operations into its own operations;

• managing a significantly larger company than before the completion of the Transactions;

• diversion of management time on issues related to the Transactions;

• changes in Charter's, TWC's or Bright House's businesses, future cash requirements, capital requirements, results of operations, revenues, financial condition and/or cash flows;

• disruption in the existing business relationships of Charter, TWC and Bright House as a result of the TWC Transaction and/or the Bright House Transaction;

• the increase in indebtedness as a result of the Transactions, which will increase interest expense and may decrease Charter's operating flexibility;

- changes in transaction costs, the amount of fees paid to financial advisors, potential termination fees and the potential payments to TWC's and Bright House's executive officers in connection with the Transactions;

- operating costs and business disruption that may be greater than expected;

- the ability to retain and hire key personnel and maintain relationships with providers or other business partners pending completion of the Transactions; and

- the impact of competition.

Risks Related to Our Business

our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, 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;

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, digital subscriber line (“DSL”) providers, video provided over the Internet and providers of advertising 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 development and deployment of new products and technologies including our cloud-based user interface, Spectrum Guide[®], and downloadable security for set-top boxes;

- the effects of governmental regulation on our business or potential business combination transactions;

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

(dollars in millions, except share data)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$30	\$3
Accounts receivable, less allowance for doubtful accounts of \$23 and \$22, respectively	321	285
Prepaid expenses and other current assets	105	83
Total current assets	456	371
RESTRICTED CASH AND CASH EQUIVALENTS	—	7,111
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of \$6,192 and \$5,484, respectively	8,244	8,373
Franchises	6,006	6,006
Customer relationships, net	978	1,105
Goodwill	1,168	1,168
Total investment in cable properties, net	16,396	16,652
OTHER NONCURRENT ASSETS	467	416
Total assets	\$17,319	\$24,550
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$1,636	\$1,635
Total current liabilities	1,636	1,635
LONG-TERM DEBT	13,896	21,023
DEFERRED INCOME TAXES	1,745	1,674
OTHER LONG-TERM LIABILITIES	73	72
SHAREHOLDERS' EQUITY (DEFICIT):		
Class A common stock; \$.001 par value; 900 million shares authorized; 112,137,735 and 111,999,687 shares issued, respectively	—	—
Class B common stock; \$.001 par value; 25 million shares authorized; no shares issued and outstanding	—	—
Preferred stock; \$.001 par value; 250 million shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	1,974	1,930
Accumulated deficit	(1,965)) (1,762)

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Treasury stock at cost; 115,152 and no shares, respectively	(23)	—	
Accumulated other comprehensive loss	(17)	(22)
Total shareholders' equity (deficit)	(31	)	146	
Total liabilities and shareholders' equity (deficit)	\$17,319		\$24,550	

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

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(dollars in millions, except per share and share data)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
REVENUES	\$2,430	\$2,259	\$4,792	\$4,461
COSTS AND EXPENSES:				
Operating costs and expenses (exclusive of items shown separately below)	1,601	1,479	3,182	2,926
Depreciation and amortization	528	528	1,042	1,033
Other operating expenses, net	32	16	50	26
	2,161	2,023	4,274	3,985
Income from operations	269	236	518	476
OTHER EXPENSES:				
Interest expense, net	(229	) (210	) (518	) (421
Loss on extinguishment of debt	(128	) —	(128) —
Gain (loss) on derivative instruments, net	1	(6	) (5	) (8
	(356	) (216	) (651	) (429
Income (loss) before income taxes	(87	) 20	(133	) 47
Income tax expense	(35	) (65	) (70	) (129
Net loss	\$(122	) \$(45	) \$(203	) \$(82
LOSS PER COMMON SHARE, BASIC AND DILUTED	\$(1.09	) \$(0.42	) \$(1.82	) \$(0.77
Weighted average common shares outstanding, basic and diluted	111,783,504	107,975,937	111,719,914	107,211,813

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(dollars in millions)

Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	\$(122	) \$(45	) \$(203	) \$(82
Net impact of interest rate derivative instruments, net of tax	2	5	5	11

Comprehensive loss \$(120) \$(40) \$(198) \$(71)

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

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions)

Unaudited

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(203	) \$(82
Adjustments to reconcile net loss to net cash flows from operating activities:)
Depreciation and amortization	1,042	1,033
Noncash interest expense	15	20
Loss on extinguishment of debt	128	—
Loss on derivative instruments, net	5	8
Deferred income taxes	66	124
Other, net	44	29
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(37	) (18
Prepaid expenses and other assets	(20	) (11
Accounts payable, accrued liabilities and other	19	106
Net cash flows from operating activities	1,059	1,209
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(783	) (1,109
Change in accrued expenses related to capital expenditures	(17	) 44
Change in restricted cash and cash equivalents	7,111	—
Other, net	(69	) (1
Net cash flows from investing activities	6,242	(1,066
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	3,313	630
Repayments of long-term debt	(10,545	) (801
Payments for debt issuance costs	(25) —
Purchase of treasury stock	(23	) (17
Proceeds from exercise of options and warrants	6	29
Other, net	—	4
Net cash flows from financing activities	(7,274	) (155
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27	(12
CASH AND CASH EQUIVALENTS, beginning of period	3	21
CASH AND CASH EQUIVALENTS, end of period	\$30	\$9
CASH PAID FOR INTEREST	\$545	\$401

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, Internet services, and voice services, as well as advanced video services such as video on demand, high definition television, and digital video recorder (“DVR”) service. The Company sells its cable video programming, Internet, voice, 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.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) 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; valuations and impairments of property, plant and equipment, intangibles and goodwill; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

Certain prior period amounts, primarily merger and acquisition costs, have been reclassified to conform with the 2015 presentation.

2. Mergers and Acquisitions

TWC Transaction

On May 23, 2015, the Company entered into an Agreement and Plan of Mergers (the “Merger Agreement”) with Time Warner Cable Inc. (“TWC”), CCH I, LLC (“New Charter”), a wholly owned subsidiary of the Company; Nina

Corporation I, Inc., Nina Company II, LLC, a wholly owned subsidiary of New Charter; and Nina Company III, LLC, a wholly owned subsidiary of New Charter, pursuant to which the parties will engage in a series of transactions that will result in Charter and TWC becoming wholly owned subsidiaries of New Charter (the "TWC Transaction"), on the terms and subject to the conditions set forth in the Merger Agreement. After giving effect to the TWC Transaction, New Charter will be the new public company parent that will hold the operations of the combined companies. Upon consummation of the TWC Transaction, each outstanding share of TWC common stock (other than TWC stock held by Liberty Broadband Corporation ("Liberty") and Liberty Interactive Corporation (collectively, the "Liberty Parties")), will be converted into the right to receive \$100 in cash and shares of New Charter Class A common stock ("New Charter common stock") equivalent to 0.5409 shares of Charter Class A common stock. Each stockholder of TWC will also have the option to elect to receive for each outstanding share of TWC common stock (other than TWC stock held by the Liberty Parties) \$115 in cash and shares of New Charter common stock equivalent to 0.4562 shares of Charter common stock. Upon consummation of the TWC Transaction, each share of TWC common stock held by the Liberty Parties will be converted into New Charter common stock. The total enterprise value of TWC based on the estimated value of purchase price consideration is approximately \$79 billion, including cash, equity and TWC debt to be assumed. The value of the consideration will fluctuate based on the number of shares outstanding and the market value of Charter's Class A common stock on the acquisition date, among

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

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

other factors. In certain circumstances a termination fee may be payable by either Charter or TWC upon termination of the TWC Transaction as more fully described in the Merger Agreement.

Bright House Transaction

As previously announced, on March 31, 2015, the Company entered into a definitive Contribution Agreement (the "Contribution Agreement"), which was amended on May 23, 2015 in connection with the execution of the Merger Agreement, with Advance/Newhouse Partnership ("A/N"), A/NPC Holdings LLC, New Charter and Charter Communications Holdings, LLC ("Charter Holdings"), the Company's wholly owned subsidiary, pursuant to which Charter would become the owner of the membership interests in Bright House Networks, LLC ("Bright House") and any other assets (other than certain excluded assets and liabilities and non-operating cash) primarily related to Bright House (the "Bright House Transaction"). At closing, Charter Holdings will pay to A/N approximately \$2 billion in cash and issue to A/N convertible preferred units of Charter Holdings with a face amount of \$2.5 billion which will pay a 6% coupon, and approximately 34.3 million common units of Charter Holdings that are exchangeable into New Charter common stock on a one-for-one basis with a value of approximately \$6 billion.

Liberty Transaction and Debt Financing for the TWC Transaction and Bright House Transaction

Assuming that all TWC stockholders (excluding the Liberty Parties) elect the \$100 per share cash option, the cash portion of the consideration for the TWC Transaction is expected to be approximately \$28 billion and the cash portion of the Bright House Transaction is approximately \$2 billion. In connection with the TWC Transaction, Charter and Liberty entered into an investment agreement, pursuant to which Liberty agreed to invest \$4.3 billion in New Charter at the closing of the TWC transactions to partially finance the cash portion of the TWC Transaction consideration. In connection with the Bright House Transaction, Liberty agreed to purchase at the closing of the Bright House Transaction \$700 million of New Charter Class A common stock (or, if the mergers are not consummated prior to the completion of the Bright House Transaction, Charter Class A common stock).

Charter expects to finance the remaining cash portion of the purchase price of the TWC Transaction and Bright House Transaction with additional indebtedness. As discussed in Note 17, the Company has issued subsequent to June 30, 2015, \$15.5 billion CCO Safari II, LLC ("CCO Safari II") senior secured notes and \$3.8 billion CCO Safari III, LLC ("CCO Safari III") senior secured bank loans. To fund the remaining cash portions of the TWC Transaction and Bright House Transaction, Charter has remaining commitments of approximately \$5.2 billion from banks to provide incremental senior secured term loan facilities and senior unsecured notes, as well as an incremental \$1.7 billion revolving facility. In addition, the bank commitments provide for a \$4.3 billion bridge facility if all TWC stockholders (other than the Liberty Parties) elect the \$115 per share cash option, in the event Charter is unable to issue senior unsecured notes in advance of the closing of the TWC Transaction.

Comcast Transactions

On April 25, 2014, the Company entered into a binding definitive agreement (the "Comcast Transactions Agreement") with Comcast Corporation ("Comcast"), which contemplated the following transactions: (1) an asset purchase, (2) an asset exchange and (3) a contribution and spin-off transaction (collectively, the "Comcast Transactions"). Pursuant to the terms of the Comcast Transactions Agreement, Comcast had the right to terminate the Comcast Transactions Agreement upon termination of the merger agreement among Comcast, TWC and Tango Acquisition Sub, Inc. (the "Comcast Merger Agreement"). On April 24, 2015, Comcast and TWC terminated the Comcast Merger Agreement, and Comcast delivered a notice of termination of the Comcast Transactions Agreement to Charter (the "Termination

Notice”). As a result of the termination, proceeds from the issuance of \$3.5 billion aggregate principal amount of CCOH Safari, LLC ("CCOH Safari") notes (the "CCOH Safari Notes") and \$3.5 billion aggregate principal amount of CCO Safari, LLC ("CCO Safari") Term G Loans ("Term G Loans"), which were held in escrow and intended to fund the closing of the Comcast Transactions, were utilized to settle the related debt obligation in April 2015.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

3. Franchises, Goodwill and Other Intangible Assets

As of June 30, 2015 and December 31, 2014, indefinite lived and finite-lived intangible assets are presented in the following table:

	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	\$6,006	\$—	\$6,006	\$6,006	\$—	\$6,006
Goodwill	1,168	—	1,168	1,168	—	1,168
Trademarks	159	—	159	159	—	159
Other intangible assets	4	—	4	4	—	4
	\$7,337	\$—	\$7,337	\$7,337	\$—	\$7,337
Finite-lived intangible assets:						
Customer relationships	\$2,616	\$1,638	\$978	\$2,616	\$1,511	\$1,105
Other intangible assets	168	71	97	151	60	91
	\$2,784	\$1,709	\$1,075	\$2,767	\$1,571	\$1,196

Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2015 was \$69 million and \$138 million, respectively. Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2014 was \$76 million and \$152 million, respectively.

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

Six months ended December 31, 2015	\$132
2016	237
2017	203
2018	168
2019	133
Thereafter	202
	\$1,075

Actual amortization expense in future periods will differ from these estimates as a result of new intangible asset 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)

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of June 30, 2015 and December 31, 2014:

	June 30, 2015	December 31, 2014
Accounts payable – trade	\$ 124	\$ 140
Accrued capital expenditures	251	268
Deferred revenue	89	85
Accrued liabilities:		
Interest	169	212
Programming costs	449	430
Franchise related fees	60	65
Compensation	203	169
Other	291	266
	\$ 1,636	\$ 1,635

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

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

5. Long-Term Debt

Long-term debt consists of the following as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCOH Safari, LLC				
5.500% senior notes due December 1, 2022	\$—	\$—	\$ 1,500	\$ 1,500
5.750% senior notes due December 1, 2024	—	—	2,000	2,000
CCO Holdings, LLC:				
7.250% senior notes due October 30, 2017	—	—	1,000	1,000
7.000% senior notes due January 15, 2019	600	598	1,400	1,394
8.125% senior notes due April 30, 2020	—	—	700	700
7.375% senior notes due June 1, 2020	750	750	750	750
5.250% senior notes due March 15, 2021	500	500	500	500
6.500% senior notes due April 30, 2021	1,500	1,500	1,500	1,500
6.625% senior notes due January 31, 2022	750	747	750	747
5.250% senior notes due September 30, 2022	1,250	1,241	1,250	1,240
5.125% senior notes due February 15, 2023	1,000	1,000	1,000	1,000
5.125% senior notes due May 1, 2023	1,150	1,150	—	—
5.750% senior notes due September 1, 2023	500	500	500	500
5.750% senior notes due January 15, 2024	1,000	1,000	1,000	1,000
5.375% senior notes due May 1, 2025	750	750	—	—
5.875% senior notes due May 1, 2027	800	800	—	—
Charter Communications Operating, LLC:				
Credit facilities	3,392	3,360	3,742	3,709
CCO Safari, LLC (an Unrestricted Subsidiary)				
Credit facility due September 12, 2021	—	—	3,500	3,483
Total debt	\$ 13,942	\$ 13,896	\$ 21,092	\$ 21,023

The accreted values presented above represent the principal amount of the debt less the original issue discount at the time of sale, plus the accretion to the balance sheet date. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. The Company has availability under its credit facilities of approximately \$1.1 billion as of June 30, 2015 and as such, debt maturing in the next twelve months is classified as long-term.

In April 2015, CCO Holdings, LLC ("CCO Holdings") and CCO Holdings Capital Corp. closed on transactions in which they issued \$1.15 billion aggregate principal amount of 5.125% senior unsecured notes due 2023 (the "2023 Notes"), \$750 million aggregate principal amount of 5.375% senior unsecured notes due 2025 (the "2025 Notes") and \$800 million aggregate principal amount of 5.875% senior unsecured notes due 2027 (the "2027 Notes" and collectively, the "Notes"). The net proceeds from the issuance of the 2023 Notes and 2025 Notes were used to finance tender offers and a subsequent call in which \$1.0 billion aggregate principal amount of CCO Holdings' outstanding 7.250% senior notes due 2017 and \$700 million aggregate principal amount of CCO Holdings' outstanding 8.125%

senior notes due 2020 were repurchased, as well as for general corporate purposes. The net proceeds from the issuance of the 2027 Notes were used to call \$800 million of the \$1.4 billion aggregate principal amount of CCO Holdings' outstanding 7.000% senior notes due 2019. These debt repurchases resulted in a loss on extinguishment of debt of \$123 million for the three and six months ended June 30, 2015.

The payment obligations under the Notes are guaranteed on a senior unsecured basis by Charter, which guarantee will be released upon completion of the Bright House Transaction. They are senior debt obligations of CCO Holdings and CCO Holdings Capital Corp. and rank equally with all other current and future unsecured, unsubordinated obligations of CCO Holdings and CCO Holdings

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Capital Corp. The Notes are structurally subordinated to all obligations of subsidiaries of CCO Holdings, including the Charter Communications Operating, LLC ("Charter Operating") credit facilities.

CCO Holdings may redeem some or all of the Notes at any time at a premium. The optional redemption price declines to 100% of the respective series' principal amount, plus accrued and unpaid interest, if any, on or after varying dates in 2021 through 2024.

In addition, at any time prior to varying dates in 2018 through 2021, CCO Holdings may redeem up to 40% of the aggregate principal amount of the notes at a premium plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more equity offerings (as defined in the indenture); provided that certain conditions are met. In the event of specified change of control events, CCO Holdings must offer to purchase the outstanding CCO Holdings notes from the holders at a purchase price equal to 101% of the total principal amount of the notes, plus any accrued and unpaid interest.

See Note 2 for information regarding the repayment of the CCOH Safari Notes and CCO Safari's Term G Loans upon termination of the Comcast Transactions which resulted in a loss on extinguishment of debt of approximately \$5 million for the three and six months ended June 30, 2015.

See Note 17 for debt issuances subsequent to June 30, 2015 to fund the TWC Transaction and Bright House Transaction.

6. Common Stock

During the three and six months ended June 30, 2015, the Company withheld 38,482 and 115,152, respectively, shares of its common stock in payment of \$7 million and \$23 million, respectively, income tax withholding owed by employees upon vesting of restricted shares and restricted stock units. During the three and six months ended June 30, 2014, the Company withheld 37,602 and 115,436, respectively, shares of its common stock in payment of \$6 million and \$17 million, respectively, income tax withholding owed by employees upon vesting of restricted shares and restricted stock units. In December 2014, Charter's board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2014. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders' equity.

7. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate derivative instruments to manage its interest costs and reduce the Company's exposure to increases in floating interest rates. The Company manages its exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt. Using interest rate derivative instruments, the Company agrees to exchange, at specified intervals through 2017, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts. The Company does not hold or issue derivative instruments for speculative trading purposes.

The effect of interest rate derivatives on the Company's condensed consolidated balance sheets is presented in the table below:

	June 30, 2015	December 31, 2014
Accrued interest	\$—	\$2
Other long-term liabilities	\$18	\$16
Accumulated other comprehensive loss	\$(17	) \$(22)

The Company holds interest rate derivative instruments not designated as hedges which are marked to fair value, with the impact recorded as a gain or loss on derivative instruments, net in the Company's condensed consolidated statements of operations. While these interest rate derivative instruments are not designated as cash flow hedges for accounting purposes, management continues to believe such instruments are closely correlated with the respective debt, thus managing associated risk. These interest rate derivative instruments were de-designated in 2013 and the balance that remains in accumulated other comprehensive loss for these interest rate derivative instruments is being amortized over the respective lives of the contracts and recorded as a loss within gain (loss) on derivative instruments, net in the Company's condensed consolidated statements of operations. The estimated net amount

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of existing losses that are reported in accumulated other comprehensive loss as of June 30, 2015 that is expected to be reclassified into earnings within the next twelve months is approximately \$8 million.

The effects of interest rate derivative instruments on the Company's condensed consolidated statements of operations is presented in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gain (loss) on derivative instruments, net:				
Change in fair value of interest rate derivative instruments not designated as cash flow hedges	\$3	\$(1	) \$—	\$3
Loss reclassified from accumulated other comprehensive loss into earnings as a result of cash flow hedge discontinuance	(2	) (5	) (5	