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)

x 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

o 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 x No o

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 x No o

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

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

TABLE OF CONTENTS

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,” “contin “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)

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.
1

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.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)
Unaudited

	Six Months Ended June 30, 2015	Six Months Ended June 30, 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.

3

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 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.

6

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

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

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

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)	(11)
	$1	$(6)	$(5)	$(8)

As of June 30, 2015 and December 31, 2014, the Company had $1.1 billion and $1.4 billion, respectively, in notional amounts of interest rate derivative instruments outstanding. The notional amounts of interest rate instruments do not represent amounts exchanged by the parties and, thus, are not a measure of exposure to credit loss. The amounts exchanged were determined by reference to the notional amount and the other terms of the contracts.

8. Fair Value Measurements

The accounting guidance establishes a three-level hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of June 30, 2015 and December 31, 2014 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying condensed consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash and cash equivalents, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

The Company's restricted cash and cash equivalents were primarily invested in money market funds and 90-day or less commercial paper. The money market funds were valued at the closing price reported by the fund sponsor from an actively traded exchange and commercial paper was valued at cost plus the accretion of the discount on a yield to maturity basis, which approximated fair value. As of December 31, 2014, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

The interest rate derivative instruments are valued using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating’s or counterparties’ credit risk). The weighted average pay rate for the Company’s currently

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

effective interest rate derivative instruments was 1.61% and 1.87% at June 30, 2015 and December 31, 2014, respectively (exclusive of applicable spreads).

The Company's financial instruments that are accounted for at fair value on a recurring basis are presented in the table below.

	June 30, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Money market funds	$—	$—	$—	$4,112	$—	$—
Commercial paper	$—	$—	$—	$—	$2,999	$—
Liabilities						
Interest rate derivatives	$—	$18	$—	$—	$18	$—

A summary of the carrying value and fair value of the Company’s debt at June 30, 2015 and December 31, 2014 is as follows:

	June 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt				
Senior notes	$10,536	$10,608	$13,831	$14,205
Credit facilities	$3,360	$3,351	$7,192	$7,186

The estimated fair value of the Company’s senior notes at June 30, 2015 and December 31, 2014 is based on quoted market prices in active markets and is classified within Level 1 of the valuation hierarchy, while the estimated fair value of the Company's credit facilities is based on quoted market prices in inactive markets and is classified within Level 2.

Nonfinancial Assets and Liabilities

The Company’s nonfinancial assets such as franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded during the three and six months ended June 30, 2015 and 2014.

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

9. Operating Costs and Expenses

Operating costs and expenses, exclusive of items shown separately in the condensed consolidated statements of operations, consist of the following for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Programming	$671	$607	$1,337	$1,213
Franchise, regulatory and connectivity	109	107	216	214
Costs to service customers	421	421	841	821
Marketing	135	135	271	268
Transition costs	17	—	38	—
Other	248	209	479	410
	$1,601	$1,479	$3,182	$2,926

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand, and pay-per-view programming. Franchise, regulatory and connectivity costs represent payments to franchise and regulatory authorities and costs directly related to providing Internet and voice services. Costs to service customers include residential and commercial costs related to field operations, network operations and customer care including internal and third party labor for installations, service and repairs, maintenance, billing and collection, occupancy and vehicle costs. Marketing costs represents the costs of marketing to our current and potential commercial and residential customers including labor costs. Transition costs represent expenses incurred in connection with the TWC Transaction, Bright House Transaction and Comcast Transactions. See Note 2 for additional information. Other includes bad debt expense, corporate overhead, commercial and advertising sales expenses, property tax and insurance and stock compensation expense, among others.

10. Other Operating Expenses, Net

Other operating expenses, net consist of the following for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Merger and acquisition costs	$19	$14	$32	$17
Special charges, net	10	3	12	7
(Gain) loss on sale of assets, net	$3	$(1)	$6	$2
	$32	$16	$50	$26

Merger and acquisition costs

Merger and acquisition costs represents costs incurred in connection with merger and acquisition transactions, such as advisory, legal and accounting fees, among others.

Special charges, net

Special charges, net, primarily includes severance charges and net amounts of litigation settlements.

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

(Gain) loss on sale of assets, net

(Gain) loss on sale of assets, net, represents the net gain or loss recognized on the sales and disposals of fixed assets and cable systems.

11. Income Taxes

All of Charter’s operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are generally limited liability companies that are not subject to income tax. However, certain of these limited liability companies are subject to state income tax. In addition, the indirect subsidiaries that are corporations are subject to federal and state income tax. All of the remaining taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to Charter and its direct subsidiaries.

For the three and six months ended June 30, 2015, the Company recorded $35 million and $70 million of income tax expense, respectively. For the three and six months ended June 30, 2014, the Company recorded $65 million and $129 million of income tax expense, respectively. Income tax expense is recognized primarily through increases in deferred tax liabilities related to the Company's investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries.

As of June 30, 2015 and December 31, 2014, the Company had net deferred income tax liabilities of approximately $1.7 billion and $1.6 billion, respectively. Included in net deferred income tax liabilities are net current deferred tax assets of $27 million and $26 million as of June 30, 2015 and December 31, 2014, respectively, which are included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets of the Company. Net deferred tax liabilities included approximately $242 million and $236 million at June 30, 2015 and December 31, 2014, respectively, relating to certain indirect subsidiaries of Charter Holdco that file separate federal or state income tax returns. The remainder of the Company's net deferred tax liability arose from Charter's investment in Charter Holdco, and was largely attributable to the characterization of franchises for financial reporting purposes as indefinite-lived.

In determining the Company’s tax provision for financial reporting purposes, the Company establishes a reserve for uncertain tax positions unless such positions are determined to be “more likely than not” of being sustained upon examination, based on their technical merits. There is considerable judgment involved in making such a determination. The Company did not have any unrecognized tax benefits as of June 30, 2015 or December 31, 2014.

No tax years for Charter or Charter Holdco, for income tax purposes, are currently under examination by the IRS. Tax years ending 2011 through 2014 remain subject to examination and assessment. Years prior to 2011 remain open solely for purposes of examination of Charter’s loss and credit carryforwards.

In July 2015, Charter elected to treat two of its wholly owned subsidiaries as disregarded entities for federal income tax purposes. Those subsidiaries hold two of the three partnership interests in Charter’s major asset holding partnership, Charter Holdco. As such, this election will result in a deemed liquidation of Charter Holdco solely for federal income tax purposes. It is expected that the deemed liquidation will result in a step-up in tax basis to Charter Holdco's intangible and tangible assets. The amount of the tax step-up and its allocation among Charter Holdco's assets will not be known until valuations are completed. The resulting impact to the Charter income tax provision, net of valuation allowance, is expected to be recorded as a discrete tax event during the three months ended September 30, 2015.

12. Related Party Transactions

On May 1, 2015, the Company acquired a 35% equity interest in ActiveVideo Networks ("AVN") for $55 million in cash representing the initial investment, a capital call and associated transaction fees. AVN is the developer of CloudTV, a cloud-based software platform enabling service providers, content aggregators, and consumer electronic manufacturers to deploy new services by virtualizing consumer premise equipment functions in the cloud. AVN’s software platform is one of the key technologies enabling the development and deployment of the Company’s cloud-based user interface, Spectrum Guide®. The Company applies the equity method of accounting to this investment which is recorded in other noncurrent assets in the condensed consolidated balance sheet as of June 30, 2015. For the three months ended June 30, 2015, the Company recorded equity losses of investee of less than $1 million. The Company has agreements with AVN which pre-date Charter's purchase of its AVN interest pursuant to which the

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

Company made payments to AVN for software and application development services totaling approximately $1 million during the three months ended June 30, 2015.

On May 23, 2015, in connection with the execution of the Merger Agreement and the amendment of the Contribution Agreement, Charter entered into the Amended and Restated Stockholders Agreement with Liberty, A/N and New Charter (the “Stockholders Agreement”). The Stockholders Agreement will replace Charter’s existing stockholders agreement with Liberty Broadband, dated September 29, 2014, and supersede the amended and restated stockholders agreement among Charter, New Charter, Liberty Broadband and A/N, dated March 31, 2015. Charter’s existing stockholders agreement with Liberty Broadband (as amended by an investment agreement between Liberty Broadband, Charter and New Charter, dated as of May 23, 2015) will remain in effect until the closing of the TWC Transaction or the Bright House Transaction, whichever occurs earlier, and, in the event the Stockholders Agreement is terminated, will revive and continue in full force and effect. See Note 2 for additional information. Certain provisions of the Stockholders Agreement became effective upon its execution.

Under the terms of the Stockholders Agreement, the number of New Charter directors will be fixed at 13, and will include New Charter’s chief executive officer. Upon the closing of the Bright House Transaction, two designees selected by A/N and three designees selected by Liberty will become members of the board of directors of New Charter. The remaining eight directors (other than the chief executive officer, who is expected to become chairman of the board) will be independent directors selected by the nominating committee of the New Charter board by the approval of both a majority of the nominating committee and a majority of the directors that were not appointed by either A/N or Liberty. Thereafter, Liberty will be entitled to designate three nominees to be elected as directors and A/N will be entitled to designate two nominees to be elected as directors, in each case provided that each maintains certain specified voting or equity ownership thresholds, provided that each nominee must meet any applicable requirements or qualifications. Each of A/N and Liberty will be entitled to nominate at least one director to each of the committees of the Charter board of directors, subject to applicable stock exchange listing rules and certain specified voting or equity ownership thresholds for each of A/N and Liberty, and provided that the nominating and compensation committees will have at least a majority of directors independent from A/N, Liberty and New Charter (referred to as the “unaffiliated directors”). The nominating committee will be comprised of three unaffiliated directors, and one designee of each of A/N and Liberty. A/N and Liberty also will have certain other committee designation and other governance rights. Mr. Thomas Rutledge, the Company's Chief Executive Officer ("CEO"), will be offered the positions of CEO and chairman of New Charter.

The Company is aware that Dr. John Malone, one of Charter's directors, may be deemed to have a 36.8% voting interest in Liberty Interactive Corp. (“Liberty Interactive”) and is Chairman of the board of directors, an executive officer position, of Liberty Interactive. Liberty Interactive owns 38.0% of the common stock of HSN, Inc. (“HSN”) and has the right to elect 20% of the board members of HSN. Liberty Interactive wholly owns QVC, Inc (“QVC”). The Company has programming relationships with HSN and QVC. For the three and six months ended June 30, 2015, the Company recorded payments in aggregate of approximately $5 million and $8 million, respectively, and for the three and six months ended June 30, 2014, the Company recorded payments in aggregate of approximately $3 million and $6 million, respectively, from HSN and QVC as part of channel carriage fees and revenue sharing arrangements for home shopping sales made to customers in the Company's footprint.

Dr. Malone also serves on the board of directors of Discovery Communications, Inc., (“Discovery”) and the Company is aware that Dr. Malone owns 4.7% in the aggregate of the common stock of Discovery and has a 28.7% voting interest in Discovery for the election of directors. In addition, Dr. Malone owns approximately 10.8% in the aggregate of the common stock of Starz and has 47.2% of the voting power. Mr. Gregory Maffei, a member of Charter's board of directors, is a non-executive Chairman of the board of Starz. The Company purchases programming from both Discovery and Starz pursuant to agreements entered into prior to Dr. Malone and Mr. Maffei joining Charter's board of directors. Based on publicly available information, the Company does not believe that either Discovery or Starz would currently be considered related parties. The amounts paid in aggregate to Discovery and Starz represent less than 3% of total operating costs and expenses for the three and six months ended June 30, 2015 and 2014.

13. Contingencies

The Company is a defendant or co-defendant in several lawsuits involving alleged infringement of various patents relating to various aspects of its businesses. Other industry participants are also defendants in certain of these cases. In the event that a court ultimately determines that the Company infringes on any intellectual property rights, the Company may be subject to substantial damages and/or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. While the Company

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

believes the lawsuits are without merit and intends to defend the actions vigorously, no assurance can be given that any adverse outcome would not be material to the Company's consolidated financial condition, results of operations, or liquidity. The Company cannot predict the outcome of any such claims nor can it reasonably estimate a range of possible loss.

The Company is party to lawsuits and claims that arise in the ordinary course of conducting its business, including lawsuits claiming violation of wage and hour laws. The ultimate outcome of these other legal matters pending against the Company cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on the Company’s consolidated financial condition, results of operations or liquidity, such lawsuits could have, in the aggregate, a material adverse effect on the Company’s consolidated financial condition, results of operations or liquidity. Whether or not the Company ultimately prevails in any particular lawsuit or claim, litigation can be time consuming and costly and injure the Company's reputation.

14. Stock Compensation Plans

Charter’s 2009 Stock Incentive Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock, restricted stock units and restricted stock. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing consulting services for the Company, are eligible for grants under the 2009 Stock Incentive Plan.

The Company granted the following equity awards for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stock options	26,600	42,600	1,265,500	1,217,400
Restricted stock	6,900	9,100	6,900	9,100
Restricted stock units	7,200	6,700	152,700	150,400

Stock options granted prior to 2014 generally vest annually over three or four years from either the grant date or delayed vesting commencement dates. Stock options generally expire ten years from the grant date. Restricted stock vests annually over a one to four-year period beginning from the date of grant. Certain stock options and restricted stock vest based on achievement of stock price hurdles. Restricted stock units have no voting rights, and restricted stock units granted prior to 2014 vest ratably over three or four years from either the grant date or delayed vesting commencement dates. Stock options and restricted stock units granted in 2014 and 2015 cliff vest over three years.

As of June 30, 2015, total unrecognized compensation remaining to be recognized in future periods totaled $114 million for stock options, $6 million for restricted stock and $40 million for restricted stock units and the weighted average period over which they are expected to be recognized is 2 years for stock options, 1 year for restricted stock and 2 years for restricted stock units.

The Company recorded $19 million and $38 million of stock compensation expense for the three and six months ended June 30, 2015, respectively, and $15 million and $27 million of stock compensation expense for the three and six months ended June 30, 2014, respectively, which is included in operating costs and expenses.

15. Consolidating Schedules

The CCO Holdings notes are obligations of CCO Holdings. However, the CCO Holdings notes are also jointly, severally, fully and unconditionally guaranteed on an unsecured senior basis by Charter. The Charter Operating and Restricted Subsidiaries column is presented as a requirement pursuant to the terms of Charter Operating's Amended and Restated Credit Agreement dated April 11, 2012 (the "Credit Agreement"). The CCOH Safari Notes were obligations of CCOH Safari. The Unrestricted Subsidiary - CCO Safari column is a Non-Recourse Subsidiary under the Charter Operating credit agreement that held the Term G Loans. The CCOH Safari Notes and the Term G Loans were repaid in April 2015 upon receiving the Termination Notice. See Note 2 for additional information.

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

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, Financial Statements of Guarantors and Affiliates Whose Securities Collateralize an Issue Registered or Being Registered. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with generally accepted accounting principles.

Condensed consolidating financial statements as of June 30, 2015 and December 31, 2014 and for the six months ended June 30, 2015 and 2014 follow.
Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of June 30, 2015

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 1	$ —	$—	$—	$ 29	$ —	$ —	$ 30
Accounts receivable, net	10	24	—	—	287	—	—	321
Receivables from related party	43	217		8	—	—	(268)	—
Prepaid expenses and other current assets	26	8	—	—	71	—	—	105
Total current assets	80	249	—	8	387	—	(268)	456
INVESTMENT IN CABLE PROPERTIES:								
Property, plant and equipment, net	—	28	—	—	8,216	—	—	8,244
Franchises	—	—	—	—	6,006	—	—	6,006
Customer relationships, net	—	—	—	—	978	—	—	978
Goodwill	—	—	—	—	1,168	—	—	1,168
Total investment in cable properties, net	—	28	—	—	16,368	—	—	16,396
PREFERRED INTEREST IN CC VIII	—	457	—	—	—	—	(457)	—
INVESTMENT IN SUBSIDIARIES	1,397	286	—	10,402	—	—	(12,085)	—
	—	333	—	579	—	—	(912)	—

LOANS RECEIVABLE – RELATED PARTY								
OTHER NONCURRENT ASSETS	—	224	—	100	143	—	—	467
Total assets	$1,477	$ 1,577	$—	$11,089	$ 16,898	$ —	$ (13,722)	$ 17,319
LIABILITIES AND SHAREHOLDERS'/MEMBERS' EQUITY (DEFICIT)								
CURRENT LIABILITIES:								
Accounts payable and accrued liabilities	$6	$ 164	$—	$170	$ 1,296	$ —	$ —	$ 1,636
Payables to related party	—	—	1	—	267	—	(268)	—
Total current liabilities	6	164	1	170	1,563	—	(268)	1,636
LONG-TERM DEBT	—	—	—	10,536	3,360	—	—	13,896
LOANS PAYABLE – RELATED PARTY	—	—	96	—	816	—	(912)	—
DEFERRED INCOME TAXES	1,502	—	—	—	243	—	—	1,745
OTHER LONG-TERM LIABILITIES	—	16	—	—	57	—	—	73
Shareholders'/Members' equity (deficit)	(31)	1,397	(97)	383	10,402	—	(12,085)	(31)
Noncontrolling interest	—	—	—	—	457	—	(457)	—
Total shareholders'/members' equity (deficit)	(31)	1,397	(97)	383	10,859	—	(12,542)	(31)
Total liabilities and shareholders'/members' equity (deficit)	$1,477	$ 1,577	$—	$11,089	$ 16,898	$ —	$ (13,722)	$ 17,319

16

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of December 31, 2014

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$3	$ —	$—	$—	$ —	$ —	$ —	$ 3
Accounts receivable, net	4	6	—	—	275	—	—	285
Receivables from related party	55	221	—	11	—	—	(287)	—
Prepaid expenses and other current assets	23	10	—	—	50	—	—	83
Total current assets	85	237	—	11	325	—	(287)	371
RESTRICTED CASH AND CASH EQUIVALENTS	—	—	3,597	—	—	3,514	—	7,111
INVESTMENT IN CABLE PROPERTIES:								
Property, plant and equipment, net	—	29	—	—	8,344	—	—	8,373
Franchises	—	—	—	—	6,006	—	—	6,006
Customer relationships, net	—	—	—	—	1,105	—	—	1,105
Goodwill	—	—	—	—	1,168	—	—	1,168
Total investment in cable properties, net	—	29	—	—	16,623	—	—	16,652
PREFERRED INTEREST IN CC VIII	—	436	—	—	—	—	(436)	—
INVESTMENT IN SUBSIDIARIES	1,509	482	—	10,331	27	—	(12,349)	—
LOANS RECEIVABLE – RELATED PARTY	—	326	—	584	—	—	(910)	—
OTHER NONCURRENT ASSETS	—	166	3	104	139	4	—	416
Total assets	$1,594	$ 1,676	$3,600	$11,030	$ 17,114	$ 3,518	$ (13,982)	$ 24,550

LIABILITIES AND SHAREHOLDERS'/MEMBERS' EQUITY (DEFICIT)								
CURRENT LIABILITIES:								
Accounts payable and accrued liabilities	$11	$ 152	$18	$187	$ 1,259	$ 8	$ —	$ 1,635
Payables to related party	—	—	—	—	287	—	(287)	—
Total current liabilities	11	152	18	187	1,546	8	(287)	1,635
LONG-TERM DEBT	—	—	3,500	10,331	3,709	3,483	—	21,023
LOANS PAYABLE – RELATED PARTY	—	—	112	—	798	—	(910)	—
DEFERRED INCOME TAXES	1,437	—	—	—	237	—	—	1,674
OTHER LONG-TERM LIABILITIES	—	15	—	—	57	—	—	72
Shareholders'/Members' equity (deficit)	146	1,509	(30)	512	10,331	27	(12,349)	146
Noncontrolling interest	—	—	—	—	436	—	(436)	—
Total shareholders'/members' equity (deficit)	146	1,509	(30)	512	10,767	27	(12,785)	146
Total liabilities and shareholders'/members' equity (deficit)	$1,594	$ 1,676	$3,600	$11,030	$ 17,114	$ 3,518	$ (13,982)	$ 24,550

17

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Operations
For the six months ended June 30, 2015

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
REVENUES	$12	$ 142	$—	$ —	$ 4,792	$ —	$ (154)	$ 4,792
COSTS AND EXPENSES:								
Operating costs and expenses (exclusive of items shown separately below)	12	142	—	—	3,182	—	(154)	3,182
Depreciation and amortization	—	—	—	—	1,042	—	—	1,042
Other operating expenses, net	—	—	—	—	50	—	—	50
	12	142	—	—	4,274	—	(154)	4,274
Income from operations	—	—	—	—	518	—	—	518
OTHER INCOME (EXPENSES):								
Interest expense, net	—	3	(65)	(331)	(78)	(47)	—	(518)
Loss on extinguishment of debt	—	—	(2)	(123)	—	(3)	—	(128)
Loss on derivative instruments, net	—	—	—	—	(5)	—	—	(5)
Equity in income (loss) of subsidiaries	(140)	(164)	—	357	(50)	—	(3)	—
	(140)	(161)	(67)	(97)	(133)	(50)	(3)	(651)
Income (loss) before income taxes	(140)	(161)	(67)	(97)	385	(50)	(3)	(133)
INCOME TAX EXPENSE	(63)	—	—	—	(7)	—	—	(70)

Consolidated net income (loss)	(203)	(161)	(67)	(97)	378	(50)	(3)	(203)
Less: Noncontrolling interest	—	21	—	—	(21)	—	—	—
Net income (loss)	$(203)	$ (140)	$(67)	$ (97)	$ 357	$ (50)	$ (3)	$ (203)

18

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Operations
For the six months ended June 30, 2014

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
REVENUES	$11	$ 113	$—	$ —	$ 4,461	$ —	$ (124)	$ 4,461
COSTS AND EXPENSES:								
Operating costs and expenses (exclusive of items shown separately below)	11	113	—	—	2,926	—	(124)	2,926
Depreciation and amortization	—	—	—	—	1,033	—	—	1,033
Other operating expenses, net	—	—	—	—	26	—	—	26
	11	113	—	—	3,985	—	(124)	3,985
Income from operations	—	—	—	—	476	—	—	476
OTHER INCOME (EXPENSES):								
Interest expense, net	—	4	—	(343)	(82)	—	—	(421)
Loss on derivative instruments, net	—	—	—	—	(8)	—	—	(8)
Equity in income of subsidiaries	39	13	—	356	—	—	(408)	—
	39	17	—	13	(90)	—	(408)	(429)
Income before income taxes	39	17	—	13	386	—	(408)	47
INCOME TAX EXPENSE	(121)	—	—	—	(8)	—	—	(129)
Consolidated net income (loss)	(82)	17	—	13	378	—	(408)	(82)
	—	22	—	—	(22)	—	—	—

Less: Noncontrolling interest								
Net income (loss)	$(82)	$ 39	$—	$ 13	$ 356	$ —	$ (408)	$ (82)

19

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
For the six months ended June 30, 2015

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
Consolidated net income (loss)	$ (203)	$ (161)	$ (67)	$ (97)	$ 378	$ (50)	$ (3)	$ (203)
Net impact of interest rate derivative instruments, net of tax	5	5	—	5	5	—	(15)	5
Comprehensive income (loss)	$ (198)	$ (156)	$ (67)	$ (92)	$ 383	$ (50)	$ (18)	$ (198)

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
For the six months ended June 30, 2014

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
Consolidated net income (loss)	$ (82)	$ 17	$ —	$ 13	$ 378	$ —	$ (408)	$ (82)
Net impact of interest rate derivative instruments, net of tax	11	11	—	11	11	—	(33)	11
Comprehensive income (loss)	$ (71)	$ 28	$ —	$ 24	$ 389	$ —	$ (441)	$ (71)

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the six months ended June 30, 2015

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:								
Consolidated net income (loss)	$(203)	$(161)	$(67)	$(97)	$378	$(50)	$(3)	$(203)
Adjustments to reconcile consolidated net income (loss) to net cash flows from operating activities:								
Depreciation and amortization	—	—	—	—	1,042	—	—	1,042
Noncash interest expense	—	—	—	9	6	—	—	15
Loss on extinguishment of debt	—	—	2	123	—	3	—	128
Loss on derivative instruments, net	—	—	—	—	5	—	—	5
Deferred income taxes	63	—	—	—	3	—	—	66
Equity in (income) loss of subsidiaries	140	164	—	(357)	50	—	3	—
Other, net	—	—	—	(1)	45	—	—	44
Changes in operating assets and liabilities, net of effects from acquisitions:								
Accounts receivable	(7)	(18)	—	—	(12)	—	—	(37)
Prepaid expenses and other assets	—	—	—	—	(20)	—	—	(20)
Accounts payable, accrued liabilities and other	(5)	14	(18)	(18)	54	(8)	—	19
Receivables from and payables to related party	12	(2)	1	(8)	(3)	—	—	—
Net cash flows from operating activities	—	(3)	(82)	(349)	1,548	(55)	—	1,059

CASH FLOWS FROM INVESTING ACTIVITIES:								
Purchases of property, plant and equipment	—	—	—	—	(783)	—	—	(783)
Change in accrued expenses related to capital expenditures	—	—	—	—	(17)	—	—	(17)
Contributions to subsidiaries	(5)	—	—	(31)	(24)	—	60	—
Distributions from subsidiaries	19	330	—	360	—	—	(709)	—
Change in restricted cash and cash equivalents	—	—	3,598	—		3,513	—	7,111
Other, net	—	(54)	—	—	(15)	—	—	(69)
Net cash flows from investing activities	14	276	3,598	329	(839)	3,513	(649)	6,242
CASH FLOWS FROM FINANCING ACTIVITIES:								
Borrowings of long-term debt	—	—	—	2,700	613	—	—	3,313
Repayments of long-term debt	—	—	(3,500)	(2,599)	(964)	(3,482)	—	(10,545)
Borrowings (repayments) loans payable - related parties	—	—	(16)	16	—	—	—	—
Payments for debt issuance costs	—	(1)	—	(24)	—	—	—	(25)
Purchase of treasury stock	(23)	—	—	—	—	—	—	(23)
Proceeds from exercise of options and warrants	6	—	—	—	—	—	—	6
Contributions from parent	—	5	—	—	31	24	(60)	—
Distributions to parent	—	(276)	—	(73)	(360)	—	709	—
Other, net	1	(1)	—	—	—	—	—	—
Net cash flows from financing activities	(16)	(273)	(3,516)	20	(680)	(3,458)	649	(7,274)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2)	—	—	—	29	—	—	27
CASH AND CASH EQUIVALENTS, beginning of period	3	—	—	—	—	—	—	3
CASH AND CASH EQUIVALENTS, end of period	$1	$ —	$—	$ —	$ 29	$ —	$ —	$ 30

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the six months ended June 30, 2014

	Charter	Intermediate Holding Companies	CCOH Safari	CCO Holdings	Charter Operating and Restricted Subsidiaries	Unrestricted Subsidiary - CCO Safari	Eliminations	Charter Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:								
Consolidated net income (loss)	$ (82)	$ 17	$—	$ 13	$ 378	$ —	$ (408)	$ (82)
Adjustments to reconcile consolidated net income (loss) to net cash flows from operating activities:								
Depreciation and amortization	—	—	—	—	1,033	—	—	1,033
Noncash interest expense	—	—	—	14	6	—	—	20
Loss on derivative instruments, net	—	—	—	—	8	—	—	8
Deferred income taxes	123	—	—	—	1	—	—	124
Equity in income of subsidiaries	(39)	(13)	—	(356)	—	—	408	—
Other, net	—	(1)	—	—	30	—	—	29
Changes in operating assets and liabilities, net of effects from acquisitions:								
Accounts receivable	—	1	—	—	(19)	—	—	(18)
Prepaid expenses and other assets	—	(3)	—	—	(8)	—	—	(11)
Accounts payable, accrued liabilities and other	(5)	33	—	—	78	—	—	106
Receivables from and payables to related party	4	(46)	—	(5)	47	—	—	—
Net cash flows from operating activities	1	(12)	—	(334)	1,554	—	—	1,209
CASH FLOWS FROM INVESTING ACTIVITIES:								
	—	—	—	—	(1,109)	—	—	(1,109)

Purchases of property, plant and equipment								
Change in accrued expenses related to capital expenditures	—	—	—	—	44	—	—	44
Contribution to subsidiary	(18)	(65)	—	(13)	—	—	96	—
Distributions from subsidiaries	5	25	—	340	—	—	(370)	—
Other, net	—	(5)	—	—	4	—	—	(1)
Net cash flows from investing activities	(13)	(45)	—	327	(1,061)	—	(274)	(1,066)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Borrowings of long-term debt	—	—	—	—	630	—	—	630
Repayments of long-term debt	—	—	—	—	(801)	—	—	(801)
Purchase of treasury stock	(17)	—	—	—	—	—	—	(17)
Proceeds from exercise of options and warrants	29	—	—	—	—	—	—	29
Contributions from parent	—	70	—	13	13	—	(96)	—
Distributions to parent	—	(25)	—	(5)	(340)	—	370	—
Other, net	—	7	—	(1)	(2)	—	—	4
Net cash flows from financing activities	12	52	—	7	(500)	—	274	(155)
NET DECREASE IN CASH AND CASH EQUIVALENTS	—	(5)	—	—	(7)	—	—	(12)
CASH AND CASH EQUIVALENTS, beginning of period	—	5	—					