

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, 2019

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
Charter Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware

84-1496755

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

400 Atlantic Street

Stamford Connecticut

06901

(Address of Principal Executive Offices)

(Zip Code)

(203) 905-7801

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock \$.001 Par Value	CHTR	NASDAQ Global Select Market

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 Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

Number of shares of Class A common stock outstanding as of June 30, 2019: 221,477,664

Number of shares of Class B common stock outstanding as of June 30, 2019: 1

Charter

COMMUNICATIONS

CHARTER COMMUNICATIONS, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2019

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This quarterly report on Form 10-Q is for the three and six months ended June 30, 2019. 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, "Charter," "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 as 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 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,” “aim,” “on track,” “target,” “opportunity,” “tentative,” “positioning,” “designed,” “create,” “predict,” “project,” “initiatives,” “seek,” “would,” “could,” “continue,” “ongoing,” “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 on Form 10-Q, 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:

- our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, mobile, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our service areas 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 (“DBS”) operators, wireless broadband and telephone providers, digital subscriber line (“DSL”) providers, fiber to the home providers, video provided over the Internet by (i) market participants that have not historically competed in the multichannel video business, (ii) traditional multichannel video distributors, and (iii) content providers that have historically licensed cable networks to multichannel video distributors, and providers of advertising over the Internet;
- our ability to efficiently and effectively integrate acquired operations;
- the effects of governmental regulation on our business including costs, disruptions and possible limitations on operating flexibility related to, and our ability to comply with, regulatory conditions applicable to us as a result of the Time Warner Cable Inc. and Bright House Networks, LLC Transactions;
- general business conditions, economic uncertainty or downturn, 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);
- our ability to develop and deploy new products and technologies including mobile products and any other consumer services and service platforms;
- any events that disrupt our networks, information systems or properties and impair our operating activities or our reputation;
- the ability to retain and hire key personnel;
- 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
CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share data)

	June 30, 2019	December 31, 2018
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 696	\$ 551
Accounts receivable, less allowance for doubtful accounts of \$155 and \$129, respectively	2,070	1,733
Prepaid expenses and other current assets	574	446
Total current assets	3,340	2,730
RESTRICTED CASH	150	214
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of \$25,004 and \$23,075, respectively	34,475	35,126
Customer relationships, net	8,461	9,565
Franchises	67,319	67,319
Goodwill	29,554	29,554
Total investment in cable properties, net	139,809	141,564
OPERATING LEASE RIGHT-OF-USE ASSETS	1,166	—
OTHER NONCURRENT ASSETS	1,620	1,622
Total assets	\$ 146,085	\$ 146,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 8,145	\$ 8,805
Operating lease liabilities	208	—
Current portion of long-term debt	1,522	3,290
Total current liabilities	9,875	12,095
LONG-TERM DEBT	71,784	69,537
DEFERRED INCOME TAXES	17,522	17,389
LONG-TERM OPERATING LEASE LIABILITIES	1,052	—
OTHER LONG-TERM LIABILITIES	2,758	2,837
SHAREHOLDERS' EQUITY:		
Class A common stock; \$.001 par value; 900 million shares authorized; 226,803,870 and 225,353,807 shares issued, respectively	—	—
Class B common stock; \$.001 par value; 1,000 shares authorized; 1 share issued and outstanding	—	—
Preferred stock; \$.001 par value; 250 million shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	33,742	33,507
Retained earnings	3,347	2,780
Treasury stock at cost; 5,326,206 and no shares, respectively	(1,801)	—
Accumulated other comprehensive loss	(2)	(2)
Total Charter shareholders' equity	35,286	36,285
Noncontrolling interests	7,808	7,987
Total shareholders' equity	43,094	44,272
Total liabilities and shareholders' equity	\$ 146,085	\$ 146,130

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share data)
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
REVENUES	\$ 11,347	\$ 10,854	\$ 22,553	\$ 21,511
COSTS AND EXPENSES:				
Operating costs and expenses (exclusive of items shown separately below)	7,244	6,873	14,480	13,709
Depreciation and amortization	2,500	2,592	5,050	5,302
Other operating expenses, net	62	29	57	98
	<u>9,806</u>	<u>9,494</u>	<u>19,587</u>	<u>19,109</u>
Income from operations	<u>1,541</u>	<u>1,360</u>	<u>2,966</u>	<u>2,402</u>
OTHER INCOME (EXPENSES):				
Interest expense, net	(945)	(878)	(1,870)	(1,729)
Loss on financial instruments, net	(119)	(75)	(82)	(12)
Other pension benefits, net	9	20	18	40
Other expense, net	(16)	(47)	(126)	(70)
	<u>(1,071)</u>	<u>(980)</u>	<u>(2,060)</u>	<u>(1,771)</u>
Income before income taxes	470	380	906	631
Income tax expense	(84)	(41)	(203)	(69)
Consolidated net income	<u>386</u>	<u>339</u>	<u>703</u>	<u>562</u>
Less: Net income attributable to noncontrolling interests	(72)	(66)	(136)	(121)
Net income attributable to Charter shareholders	<u>\$ 314</u>	<u>\$ 273</u>	<u>\$ 567</u>	<u>\$ 441</u>
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CHARTER SHAREHOLDERS:				
Basic	<u>\$ 1.41</u>	<u>\$ 1.17</u>	<u>\$ 2.54</u>	<u>\$ 1.87</u>
Diluted	<u>\$ 1.39</u>	<u>\$ 1.15</u>	<u>\$ 2.50</u>	<u>\$ 1.84</u>
Weighted average common shares outstanding, basic	<u>222,392,274</u>	<u>234,241,769</u>	<u>223,505,016</u>	<u>235,992,306</u>
Weighted average common shares outstanding, diluted	<u>225,942,172</u>	<u>237,073,566</u>	<u>226,889,745</u>	<u>239,246,727</u>

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

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in millions)
Unaudited

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Charter Shareholders' Equity	Non- controlling Interests	Total Shareholders' Equity
BALANCE, December 31, 2018	\$ —	\$ —	\$ 33,507	\$ 2,780	\$ —	\$ (2)	\$ 36,285	\$ 7,987	\$ 44,272
Consolidated net income	—	—	—	253	—	—	253	64	317
Stock compensation expense	—	—	85	—	—	—	85	—	85
Exercise of stock options	—	—	44	—	—	—	44	—	44
Purchases of treasury stock	—	—	—	—	(940)	—	(940)	—	(940)
Purchase of noncontrolling interest, net of tax	—	—	(15)	—	—	—	(15)	(74)	(89)
Change in noncontrolling interest ownership, net of tax	—	—	22	—	—	—	22	(29)	(7)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(39)	(39)
BALANCE, March 31, 2019	—	—	33,643	3,033	(940)	(2)	35,734	7,909	43,643
Consolidated net income	—	—	—	314	—	—	314	72	386
Stock compensation expense	—	—	82	—	—	—	82	—	82
Exercise of stock options	—	—	37	—	—	—	37	—	37
Purchases of treasury stock	—	—	—	—	(861)	—	(861)	—	(861)
Purchase of noncontrolling interest, net of tax	—	—	(37)	—	—	—	(37)	(111)	(148)
Change in noncontrolling interest ownership, net of tax	—	—	17	—	—	—	17	(23)	(6)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(39)	(39)
BALANCE, June 30, 2019	\$ —	\$ —	\$ 33,742	\$ 3,347	\$ (1,801)	\$ (2)	\$ 35,286	\$ 7,808	\$ 43,094
	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Charter Shareholders' Equity	Non- controlling Interests	Total Shareholders' Equity
BALANCE, December 31, 2017	\$ —	\$ —	\$ 35,253	\$ 3,832	\$ —	\$ (1)	\$ 39,084	\$ 8,447	\$ 47,531
Consolidated net income	—	—	—	168	—	—	168	55	223
Stock compensation expense	—	—	72	—	—	—	72	—	72
Accelerated vesting of equity awards	—	—	5	—	—	—	5	—	5
Exercise of stock options	—	—	36	—	—	—	36	—	36
Cumulative effect of accounting changes	—	—	—	34	—	—	34	4	38
Purchases of treasury stock	—	—	—	—	(617)	—	(617)	—	(617)
Purchase of noncontrolling interest, net of tax	—	—	(28)	—	—	—	(28)	(90)	(118)
Change in noncontrolling interest ownership, net of tax	—	—	14	—	—	—	14	(20)	(6)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(39)	(39)
BALANCE, March 31, 2018	—	—	35,352	4,034	(617)	(1)	38,768	8,357	47,125
Consolidated net income	—	—	—	273	—	—	273	66	339
Stock compensation expense	—	—	70	—	—	—	70	—	70
Exercise of stock options	—	—	7	—	—	—	7	—	7
Changes in accumulated other comprehensive loss	—	—	—	—	—	(1)	(1)	—	(1)
Purchases of treasury stock	—	—	—	—	(1,664)	—	(1,664)	—	(1,664)
Purchase of noncontrolling interest, net of tax	—	—	(28)	—	—	—	(28)	(164)	(192)
Change in noncontrolling interest ownership, net of tax	—	—	18	—	—	—	18	(23)	(5)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(37)	(37)
BALANCE, June 30, 2018	\$ —	\$ —	\$ 35,419	\$ 4,307	\$ (2,281)	\$ (2)	\$ 37,443	\$ 8,199	\$ 45,642

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

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

	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	\$ 703	\$ 562
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	5,050	5,302
Stock compensation expense	167	142
Accelerated vesting of equity awards	—	5
Noncash interest income, net	(72)	(177)
Other pension benefits, net	(18)	(40)
Loss on financial instruments, net	82	12
Deferred income taxes	137	57
Other, net	151	76
Changes in operating assets and liabilities:		
Accounts receivable	(337)	16
Prepaid expenses and other assets	(176)	(91)
Accounts payable, accrued liabilities and other	(240)	(69)
Net cash flows from operating activities	<u>5,447</u>	<u>5,795</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(3,262)	(4,574)
Change in accrued expenses related to capital expenditures	(428)	(466)
Real estate investments through variable interest entities	(64)	—
Other, net	8	(67)
Net cash flows from investing activities	<u>(3,746)</u>	<u>(5,107)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	10,714	5,628
Repayments of long-term debt	(10,123)	(3,500)
Payments for debt issuance costs	(32)	(17)
Purchase of treasury stock	(1,801)	(2,281)
Proceeds from exercise of stock options	81	43
Purchase of noncontrolling interest	(254)	(328)
Distributions to noncontrolling interest	(78)	(76)
Other, net	(127)	(5)
Net cash flows from financing activities	<u>(1,620)</u>	<u>(536)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	81	152
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	765	621
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ 846</u>	<u>\$ 773</u>
CASH PAID FOR INTEREST	<u>\$ 2,017</u>	<u>\$ 1,889</u>
CASH PAID FOR TAXES	<u>\$ 43</u>	<u>\$ 22</u>

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

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

1. Organization and Basis of Presentation

Organization

Charter Communications, Inc. (together with its controlled subsidiaries, “Charter,” or the “Company”) is the second largest cable operator in the United States and a leading broadband communications company providing video, Internet and voice services to residential and business customers. The Company also recently launched its mobile service to residential customers. In addition, the Company sells video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology solutions to larger enterprise customers. The Company also owns and operates regional sports networks and local sports, news and community channels.

Charter is a holding company whose principal asset is a controlling equity interest in Charter Communications Holdings, LLC (“Charter Holdings”), an indirect owner of Charter Communications Operating, LLC (“Charter Operating”) under which substantially all of the operations reside. All significant intercompany accounts and transactions among consolidated entities have been eliminated.

The Company’s operations are managed and reported to its Chairman and Chief Executive Officer (“CEO”), the Company’s chief operating decision maker, on a consolidated basis. The CEO assesses performance and allocates resources based on the consolidated results of operations. Under this organizational and reporting structure, the Company has one reportable segment, cable services.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“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 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; impairments of property, plant and equipment, intangibles and goodwill; pension benefits; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

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

2. Franchises, Goodwill and Other Intangible Assets

Indefinite-lived and finite-lived intangible assets consist of the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	\$ 67,319	\$ —	\$ 67,319	\$ 67,319	\$ —	\$ 67,319
Goodwill	29,554	—	29,554	29,554	—	29,554
Trademarks	159	—	159	159	—	159
	<u>\$ 97,032</u>	<u>\$ —</u>	<u>\$ 97,032</u>	<u>\$ 97,032</u>	<u>\$ —</u>	<u>\$ 97,032</u>
Finite-lived intangible assets:						
Customer relationships	\$ 18,229	\$ (9,768)	\$ 8,461	\$ 18,229	\$ (8,664)	\$ 9,565
Other intangible assets	409	(114)	295	409	(92)	317
	<u>\$ 18,638</u>	<u>\$ (9,882)</u>	<u>\$ 8,756</u>	<u>\$ 18,638</u>	<u>\$ (8,756)</u>	<u>\$ 9,882</u>

Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2019 was \$548 million and \$1.1 billion, respectively, and \$614 million and \$1.3 billion for the three and six months ended June 30, 2018, respectively.

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

Six months ended December 31, 2019	\$ 1,029
2020	1,873
2021	1,597
2022	1,327
2023	1,070
Thereafter	1,860
	<u>\$ 8,756</u>

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 CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

3. Investments

Real Estate Investments through Variable Interest Entities

In July 2018, the Company's build-to-suit lease arrangement with a single-asset special purpose entity ("SPE") to build a new Charter headquarters in Stamford, Connecticut obtained all approvals and was made effective. The SPE obtained a first-lien mortgage note to finance the construction with fixed monthly payments through July 15, 2035 with a 5.612% coupon interest rate. All payments of the mortgage note are guaranteed by Charter. The initial term of the lease is 15 years commencing August 1, 2020, with no termination options. At the end of the lease term there is a mirrored put option for the SPE to sell the property to Charter and call option for Charter to purchase the property for a fixed purchase price. As the Company has determined the SPE is a variable interest entity ("VIE") of which it became the primary beneficiary upon the effectiveness of the arrangement, the Company has consolidated the assets and liabilities of the SPE in its consolidated balance sheet as of June 30, 2019 and December 31, 2018 as follows.

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets	\$ 2	\$ 2
Restricted cash	\$ 150	\$ 214
Property, plant and equipment	\$ 200	\$ 130
Liabilities		
Current liabilities	\$ 2	\$ —
Other long-term liabilities	\$ 350	\$ 346

Property, plant and equipment includes land, a parking garage and building construction costs, including the capitalization of qualifying interest. As of June 30, 2019 and December 31, 2018, other long-term liabilities include \$342 million in VIE's mortgage note liability and \$8 million and \$4 million, respectively, in liability-classified noncontrolling interest recorded at amortized cost with accretion towards settlement of the put/call option in the lease. The consolidated statement of cash flows for the six months ended June 30, 2019 includes a decrease to restricted cash of \$64 million primarily related to building construction costs.

Equity Investments

The Company recorded impairments on equity investments of approximately \$11 million and \$121 million during the three and six months ended June 30, 2019, respectively, and \$39 million and \$58 million during the three and six months ended June 30, 2018, respectively, which was recorded in other expense, net in the consolidated statements of operations.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of June 30, 2019 and December 31, 2018:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Accounts payable – trade	\$ 790	\$ 758
Deferred revenue	389	494
Accrued liabilities:		
Programming costs	2,108	2,044
Labor	906	1,052
Capital expenditures	1,016	1,472
Interest	1,001	1,045
Taxes and regulatory fees	543	526
Property and casualty	458	424
Other	934	990
	<u>\$ 8,145</u>	<u>\$ 8,805</u>

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

5. Leases

The primary leased asset classes of the Company include real estate, dark fiber, colocation facilities and other equipment. The lease agreements include both lease and non-lease components, which the Company accounts for separately depending on the election made for each leased asset class. For real estate and dark fiber leased asset classes, the Company accounts for lease and non-lease components as a single lease component and includes all fixed payments in the measurement of lease liabilities and lease assets. For colocation facilities leased asset class, the Company accounts for lease and non-lease components separately including only the fixed lease payment component in the measurement of lease liabilities and lease assets.

In addition to fixed lease payments, certain of the Company's lease agreements include variable lease payments which are tied to an index or rate such as the change in the Consumer Price Index. These variable payments are not included in the measurement of the lease liabilities and lease assets.

Lease assets and lease liabilities are initially recognized based on the present value of the future lease payments over the expected lease term. As for most leases the implicit rate is not readily determinable, the Company uses a discount rate in determining the present value of future payments based on the yield-to-maturity of the Company's secured publicly traded USD denominated debt instruments interpolating the duration of the debt to the term of the executed lease.

The Company's leases have base rent periods and some with optional renewal periods. Leases with base rent periods of less than 12 months are not recorded on the balance sheet. For purposes of measurement of lease liabilities, the expected lease terms may include renewal options when it is reasonably certain that the Company will exercise such options. Based on conditions of the Company's existing leases and its overall business strategies, the majority of the Company's renewal options are not reasonably certain in determining the expected lease term. The Company will periodically reassess expected lease terms (and purchase options, if applicable) based on significant triggering events or compelling economic reasons to exercise such options.

The Company's primary lease income represents sublease income on certain real estate leases. Sublease income is included in other revenue and presented gross from rent expense. For customer premise equipment ("CPE") where such CPE would qualify as a lease, the Company applies the practical expedient to combine the operating lease with the subscription service revenue as a single performance obligation in accordance with revenue recognition accounting guidance as the subscription service is the predominant component.

The components of lease related expenses, net are as follows.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease expense ^(a)	\$ 109	\$ 216
Finance lease expense:		
Amortization of right-of-use assets	3	7
Interest on lease liabilities	2	3
Total finance lease expense	5	10
Sublease income	(7)	(14)
Total lease related expenses, net	<u>\$ 107</u>	<u>\$ 212</u>

^(a) Includes short-term leases and variable leases costs of \$30 million and \$65 million for the three and six months ended June 30, 2019, respectively.

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Supplemental cash flow information related to leases is as follows.

		<u>Six Months Ended June 30, 2019</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	147
Operating cash flows from finance leases	\$	2
Financing cash flows from finance leases	\$	4
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$	161
Finance leases	\$	26

Supplemental balance sheet information related to leases is as follows.

		<u>June 30, 2019</u>
Operating leases:		
Operating lease right-of-use assets	\$	1,166
Current operating lease liabilities	\$	208
Long-term operating lease liabilities		1,052
Total operating lease liabilities	\$	1,260
Finance leases:		
Finance lease right-of-use assets (included within property, plant and equipment, net)	\$	202
Current finance lease liabilities (included within accounts payable and accrued liabilities)	\$	6
Long-term finance lease liabilities (included within other long-term liabilities)		97
Total finance lease liabilities	\$	103
Weighted average remaining lease term		
Operating leases		6.9 years
Finance leases		13.1 years
Weighted average discount rate		
Operating leases		4.5%
Finance leases		5.6%

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Maturities of lease liabilities are as follows.

	Operating leases	Finance leases
Six months ended December 31, 2019	\$ 146	\$ 5
2020	278	11
2021	243	12
2022	207	12
2023	178	12
Thereafter	516	95
Undiscounted lease cash flow commitments	1,568	147
Reconciling impact from discounting	(308)	(44)
Lease liabilities on consolidated balance sheet as of June 30, 2019	<u>\$ 1,260</u>	<u>\$ 103</u>

The following table presents the Company's unadjusted lease commitments as of December 31, 2018 as a required disclosure for companies adopting the lease standard prospectively without revising comparative period information.

	Operating leases	Finance leases
2019	\$ 286	\$ 10
2020	254	9
2021	207	9
2022	170	9
2023	143	10
Thereafter	440	64
	<u>\$ 1,500</u>	<u>\$ 111</u>

6. Long-Term Debt

Long-term debt consists of the following as of June 30, 2019 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCO Holdings, LLC:				
5.250% senior notes due March 15, 2021	\$ 500	\$ 498	\$ 500	\$ 498
5.250% senior notes due September 30, 2022	1,250	1,239	1,250	1,238
5.125% senior notes due February 15, 2023	1,000	995	1,000	994
4.000% senior notes due March 1, 2023	500	497	500	496
5.125% senior notes due May 1, 2023	1,150	1,144	1,150	1,144
5.750% senior notes due September 1, 2023	500	497	500	497
5.750% senior notes due January 15, 2024	1,000	994	1,000	993
5.875% senior notes due April 1, 2024	1,700	1,689	1,700	1,688
5.375% senior notes due May 1, 2025	750	746	750	745
5.750% senior notes due February 15, 2026	2,500	2,469	2,500	2,467
5.500% senior notes due May 1, 2026	1,500	1,491	1,500	1,490
5.875% senior notes due May 1, 2027	800	795	800	795
5.125% senior notes due May 1, 2027	3,250	3,221	3,250	3,219
5.000% senior notes due February 1, 2028	2,500	2,467	2,500	2,466

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5.375% senior notes due June 1, 2029	750	743	—	—
Charter Communications Operating, LLC:				
3.579% senior notes due July 23, 2020	2,000	1,995	2,000	1,992
4.464% senior notes due July 23, 2022	3,000	2,984	3,000	2,982
Senior floating rate notes due February 1, 2024	900	902	900	903
4.500% senior notes due February 1, 2024	1,100	1,092	1,100	1,091
4.908% senior notes due July 23, 2025	4,500	4,468	4,500	4,466
3.750% senior notes due February 15, 2028	1,000	987	1,000	986
4.200% senior notes due March 15, 2028	1,250	1,240	1,250	1,240
5.050% senior notes due March 30, 2029	1,250	1,240	—	—
6.384% senior notes due October 23, 2035	2,000	1,982	2,000	1,982
5.375% senior notes due April 1, 2038	800	786	800	785
6.484% senior notes due October 23, 2045	3,500	3,467	3,500	3,467
5.375% senior notes due May 1, 2047	2,500	2,506	2,500	2,506
5.750% senior notes due April 1, 2048	2,450	2,390	1,700	1,683
6.834% senior notes due October 23, 2055	500	495	500	495
Credit facilities	11,167	11,089	10,038	9,959
Time Warner Cable, LLC:				
8.750% senior notes due February 14, 2019	—	—	1,250	1,260
8.250% senior notes due April 1, 2019	—	—	2,000	2,030
5.000% senior notes due February 1, 2020	1,500	1,522	1,500	1,541
4.125% senior notes due February 15, 2021	700	716	700	721
4.000% senior notes due September 1, 2021	1,000	1,027	1,000	1,033
5.750% sterling senior notes due June 2, 2031 ^(a)	794	851	796	855
6.550% senior debentures due May 1, 2037	1,500	1,678	1,500	1,680
7.300% senior debentures due July 1, 2038	1,500	1,776	1,500	1,780
6.750% senior debentures due June 15, 2039	1,500	1,716	1,500	1,719
5.875% senior debentures due November 15, 2040	1,200	1,256	1,200	1,256
5.500% senior debentures due September 1, 2041	1,250	1,258	1,250	1,258
5.250% sterling senior notes due July 15, 2042 ^(b)	825	796	827	798
4.500% senior debentures due September 15, 2042	1,250	1,141	1,250	1,140
Time Warner Cable Enterprises LLC:				
8.375% senior debentures due March 15, 2023	1,000	1,170	1,000	1,191
8.375% senior debentures due July 15, 2033	1,000	1,291	1,000	1,298
Total debt	72,586	73,306	71,961	72,827
Less current portion:				
8.750% senior notes due February 14, 2019	—	—	(1,250)	(1,260)
8.250% senior notes due April 1, 2019	—	—	(2,000)	(2,030)
5.000% senior notes due February 1, 2020	(1,500)	(1,522)	—	—
Long-term debt	\$ 71,086	\$ 71,784	\$ 68,711	\$ 69,537

^(a) Principal amount includes £625 million remeasured at \$794 million and \$796 million as of June 30, 2019 and December 31, 2018, respectively, using the exchange rate at the respective dates.

^(b) Principal amount includes £650 million remeasured at \$825 million and \$827 million as of June 30, 2019 and December 31, 2018, respectively, using the exchange rate at the respective dates.

The accreted values presented in the table above represent the principal amount of the debt less the original issue discount at the time of sale, deferred financing costs, and, in regards to Time Warner Cable, LLC and Time Warner Cable Enterprises LLC debt

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assumed, fair value premium adjustments as a result of applying acquisition accounting plus the accretion of those amounts 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. In regards to the fixed-rate British pound sterling denominated notes (the "Sterling Notes"), the principal amount of the debt and any premium or discount is remeasured into U.S. dollars as of each balance sheet date. See Note 9. The Company has availability under the Charter Operating credit facilities of approximately \$4.1 billion as of June 30, 2019.

In January 2019, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.25 billion aggregate principal amount of 5.050% senior notes due 2029 at a price of 99.935% of the aggregate principal amount and an additional \$750 million aggregate principal amount of 5.750% senior notes due 2048 at a price of 94.970% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including repaying at maturity Time Warner Cable, LLC's 8.750% senior notes due 2019.

In July 2019, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.25 billion aggregate principal amount of 5.125% senior notes due 2049 at a price of 99.880% of the aggregate principal amount. The net proceeds will be used to pay related fees and expenses and for general corporate purposes, including to fund potential buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, which may include Time Warner Cable, LLC's 5.000% senior notes due 2020.

The Charter Operating notes are guaranteed by CCO Holdings, LLC ("CCO Holdings") and substantially all of the operating subsidiaries of Charter Operating. In addition, the Charter Operating notes are secured by a perfected first priority security interest in substantially all of the assets of Charter Operating to the extent such liens can be perfected under the Uniform Commercial Code by the filing of a financing statement and the liens rank equally with the liens on the collateral securing obligations under the Charter Operating credit facilities. Charter Operating may redeem some or all of the Charter Operating notes at any time at a premium.

The Charter Operating notes are subject to the terms and conditions of the indentures governing the Charter Operating notes. The Charter Operating notes contain customary representations and warranties and affirmative covenants with limited negative covenants. The Charter Operating indentures also contains customary events of default.

In January 2019, Charter Operating entered into an amendment to its Credit Agreement raising \$1.7 billion of new term loan A-3 and increasing revolving loan capacity to \$4.75 billion. In addition, the majority of term loan A-2 holders converted to term loan A-3 and a substantial portion of revolver commitments were extended to 2024. Pricing on the new term loan A-3 is LIBOR plus 1.50%. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including repaying at maturity Time Warner Cable, LLC's 8.250% senior notes due 2019.

In May 2019, CCO Holdings and CCO Holdings Capital Corp. jointly issued \$750 million aggregate principal amount of 5.375% senior unsecured notes due 2029 at par and in July 2019, an additional \$750 million of the same series of notes were issued at a price of 102.000% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness.

The CCO Holdings notes are senior debt obligations of CCO Holdings and CCO Holdings Capital and rank equally with all other current and future unsecured, unsubordinated obligations of CCO Holdings and CCO Holdings Capital. They are structurally subordinated to all obligations of subsidiaries of CCO Holdings.

CCO Holdings may redeem some or all of the notes at any time at a premium. Beginning in 2027, the optional redemption price declines to 100% of the principal amount, plus accrued and unpaid interest, if any.

In addition, at any time prior to June 1, 2022, 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 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.

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7. Common Stock

The following represents the Company's purchase of Charter Class A common stock and the effect on the consolidated statements of cash flows during the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019		2018		2019		2018	
	Shares	\$	Shares	\$	Shares	\$	Shares	\$
Share buybacks	2,247,279	\$ 837	5,710,247	\$ 1,657	4,862,996	\$ 1,707	7,303,293	\$ 2,213
Income tax withholding	63,425	24	23,645	7	278,040	94	196,691	68
Exercise cost	90,951		1,752		185,170		6,415	
	<u>2,401,655</u>	<u>\$ 861</u>	<u>5,735,644</u>	<u>\$ 1,664</u>	<u>5,326,206</u>	<u>\$ 1,801</u>	<u>7,506,399</u>	<u>\$ 2,281</u>

As of June 30, 2019, Charter had remaining board authority to purchase an additional \$769 million of Charter's Class A common stock and/or Charter Holdings common units. The Company also withholds shares of its Class A common stock in payment of income tax withholding owed by employees upon vesting of equity awards as well as exercise costs owed by employees upon exercise of stock options.

In 2018, Charter's board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2018. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders' equity.

8. Noncontrolling Interests

Noncontrolling interests represents consolidated subsidiaries of which the Company owns less than 100%. The Company is a holding company whose principal asset is a controlling equity interest in Charter Holdings, the indirect owner of the Company's cable systems. Noncontrolling interests on the Company's balance sheet consist primarily of Advance/Newhouse Partnership's ("A/N") equity interests in Charter Holdings, which is comprised of a common ownership interest and a convertible preferred ownership interest.

Net income of Charter Holdings attributable to A/N's common noncontrolling interest for financial reporting purposes is based on the effective common ownership interest of approximately 8%, and was \$34 million and \$60 million for the three and six months ended June 30, 2019, respectively, and \$28 million and \$45 million for the three and six months ended June 30, 2018, respectively. Net income of Charter Holdings attributable to A/N's preferred noncontrolling interest for financial reporting purposes is based on the preferred dividend which was \$37 million and \$75 million for each of the three and six months ended June 30, 2019 and 2018, respectively.

The following table represents Charter Holdings' purchase of Charter Holdings common units from A/N pursuant to the Letter Agreement (see Note 18) and the effect on total shareholders' equity during the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Number of units purchased	447,793	681,553	750,735	1,051,028
Average price per unit	\$ 358.21	\$ 295.31	\$ 338.12	\$ 312.38
Amount of units purchased	\$ 161	\$ 201	\$ 254	\$ 328
Decrease in noncontrolling interest based on carrying value	\$ (111)	\$ (164)	\$ (185)	\$ (254)
Decrease in additional paid-in-capital, net of tax	\$ (37)	\$ (28)	\$ (52)	\$ (56)

Total shareholders' equity was also adjusted during the three and six months ended June 30, 2019 and 2018 due to the changes in

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Charter Holdings' ownership as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Decrease in noncontrolling interest	\$ (23)	\$ (23)	\$ (52)	\$ (43)
Increase in additional paid-in-capital, net of tax	\$ 17	\$ 18	\$ 39	\$ 32

9. Accounting for Derivative Instruments and Hedging Activities

The Company uses derivative instruments to manage foreign exchange risk on the Sterling Notes, and does not hold or issue derivative instruments for speculative trading purposes.

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The Company is required to post collateral on the cross-currency derivative instruments when the derivative contracts are in a liability position. In April 2019, the Company entered into a collateral holiday agreement for 60% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years, as well as a ten year collateral cap on the remaining 40% of the cross-currency swaps which limits the required collateral posting on that 40% of the cross-currency swaps to \$150 million. The fair value of the Company's cross-currency derivatives was \$323 million and \$237 million and is included in other long-term liabilities on its consolidated balance sheets as of June 30, 2019 and December 31, 2018, respectively.

The Company's derivative instruments are not designated as hedges and are marked to fair value each period, with the impact recorded as a gain or loss on financial instruments, net in the consolidated statements of operations. While these derivative instruments are not designated as hedges for accounting purposes, management continues to believe such instruments are closely correlated with the respective debt, thus managing associated risk.

The effect of financial instruments on the consolidated statements of operations is presented in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Gain (Loss) on Financial Instruments, Net:				
Change in fair value of cross-currency derivative instruments	\$ (163)	\$ (181)	\$ (86)	\$ (53)
Foreign currency remeasurement of Sterling Notes to U.S. dollars	44	106	4	41
	\$ (119)	\$ (75)	\$ (82)	\$ (12)

10. Fair Value Measurements

Accounting guidance establishes a three-level hierarchy for disclosure of fair value measurements, based on 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.

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Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of June 30, 2019 and December 31, 2018 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 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, restricted cash, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

Financial instruments accounted for at fair value on a recurring basis and classified within Level 2 of the valuation hierarchy include the Company's cross-currency derivative instruments and were valued at \$323 million and \$237 million as of June 30, 2019 and December 31, 2018, respectively.

The estimated fair value of the Company's senior notes and debentures as of June 30, 2019 and December 31, 2018 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. The carrying amount of the consolidated variable interest entity's mortgage note liability approximates fair value.

A summary of the carrying value and fair value of debt as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes and debentures	\$ 62,217	\$ 66,122	\$ 62,868	\$ 61,087
Credit facilities	\$ 11,089	\$ 11,123	\$ 9,959	\$ 9,608

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as equity-method investments, 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. When such impairments are recorded, fair values are generally classified within Level 3 of the valuation hierarchy.

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11. Revenue

The Company's revenues by product line are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Video	\$ 4,391	\$ 4,363	\$ 8,775	\$ 8,655
Internet	4,103	3,770	8,127	7,477
Voice	489	531	993	1,087
Residential revenue	8,983	8,664	17,895	17,219
Small and medium business	963	915	1,908	1,815
Enterprise	652	627	1,295	1,249
Commercial revenue	1,615	1,542	3,203	3,064
Advertising sales	395	427	740	783
Mobile	158	—	298	—
Other	196	221	417	445
	<u>\$ 11,347</u>	<u>\$ 10,854</u>	<u>\$ 22,553</u>	<u>\$ 21,511</u>

12. Operating Costs and Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Programming	\$ 2,827	\$ 2,803	\$ 5,692	\$ 5,555
Regulatory, connectivity and produced content	597	560	1,158	1,093
Costs to service customers	1,767	1,784	3,589	3,638
Marketing	768	769	1,503	1,520
Mobile	277	33	537	41
Other	1,008	924	2,001	1,862
	<u>\$ 7,244</u>	<u>\$ 6,873</u>	<u>\$ 14,480</u>	<u>\$ 13,709</u>

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand and pay-per-view programming. Regulatory, connectivity and produced content costs represent payments to franchise and regulatory authorities, costs directly related to providing video, Internet and voice services as well as payments for sports, local and news content produced by the Company. Included in regulatory, connectivity and produced content costs is content acquisition costs for the Los Angeles Lakers' basketball games and Los Angeles Dodgers' baseball games, which are recorded as games are exhibited over the applicable season. Costs to service customers include costs related to field operations, network operations and customer care for the Company's residential and small and medium business customers, including internal and third-party labor for the non-capitalizable portion of installations, service and repairs, maintenance, bad debt expense, billing and collection, occupancy and vehicle costs. Marketing costs represent the costs of marketing to current and potential commercial and residential customers including labor costs. Mobile costs represent costs associated with the Company's mobile service such as device and service costs, marketing, sales and commissions, retail stores, personnel costs and taxes, among others. Other includes corporate overhead, advertising sales expenses, indirect costs associated with the Company's enterprise business customers and regional sports and news networks, property tax and insurance expense and stock compensation expense, among others.

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13. 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,	
	2019	2018	2019	2018
Special charges, net	\$ 23	\$ 35	\$ 19	\$ 111
(Gain) loss on sale of assets, net	39	(6)	38	(13)
	\$ 62	\$ 29	\$ 57	\$ 98

Special charges, net

Special charges, net primarily includes employee termination costs and net amounts of litigation settlements. The three and six months ended June 30, 2018 includes \$28 million and \$71 million of merger and restructuring costs, respectively. The six months ended June 30, 2018 also includes a \$22 million charge related to the Company's withdrawal liability from a multiemployer pension plan.

Gain (loss) on sale of assets, net

Gain (loss) on sale of assets, net represents the net gain (loss) recognized on the sales and disposals of fixed assets and cable systems. The three and six months ended June 30, 2019 includes a \$41 million impairment of non-strategic assets.

14. Stock Compensation Plans

Charter's stock incentive plans provide 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 stock incentive plans.

Charter granted the following equity awards for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Stock options	31,500	36,700	1,782,400	1,466,500
Restricted stock	8,100	9,700	8,100	9,700
Restricted stock units	13,200	21,700	686,900	505,400

Charter stock options and restricted stock units generally cliff vest upon the three year anniversary of each grant. Certain stock options and restricted stock units vest based on achievement of stock price hurdles. Stock options generally expire ten years from the grant date and restricted stock units have no voting rights. Restricted stock generally vests one year from the date of grant. Time Warner Cable Inc. ("TWC") restricted stock units that were converted into Charter restricted stock units generally vest 50% on each of the third and fourth anniversary of the grant date.

As of June 30, 2019, total unrecognized compensation remaining to be recognized in future periods totaled \$252 million for stock options, \$2 million for restricted stock and \$290 million for restricted stock units and the weighted average period over which they are expected to be recognized is two years for stock options, ten months for restricted stock and two years for restricted stock units.

The Company recorded \$82 million and \$167 million for the three and six months ended June 30, 2019, respectively, and \$70 million and \$142 million of stock compensation expense for the three and six months ended June 30, 2018, respectively, which is included in operating costs and expenses. The Company also recorded \$5 million of expense related to accelerated vesting of equity awards of terminated employees, which is recorded in other operating expenses, net in the consolidated statements of operations for the six months ended June 30, 2018.

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15. Income Taxes

Substantially all of the Company's operations are held through Charter Holdings and its direct and indirect subsidiaries. Charter Holdings and the majority of its subsidiaries are limited liability companies that are generally not subject to income tax. However, certain of these limited liability companies are subject to state income tax. In addition, the subsidiaries that are corporations are subject to income tax. Generally, the taxable income, gains, losses, deductions and credits of Charter Holdings are passed through to its members, Charter and A/N. Charter is responsible for its share of taxable income or loss of Charter Holdings allocated to it in accordance with the Charter Holdings Limited Liability Company Agreement ("LLC Agreement") and partnership tax rules and regulations. As a result, Charter's primary deferred tax component recorded in the consolidated balance sheets relates to its excess financial reporting outside basis, excluding amounts attributable to nondeductible goodwill, over Charter's tax basis in the investment in Charter Holdings.

The Company recorded income tax expense of \$84 million and \$203 million for the three and six months ended June 30, 2019, respectively, and \$41 million and \$69 million for the three and six months ended June 30, 2018, respectively. Income tax expense increased year over year primarily as a result of higher pretax income and lower benefit from state tax law changes.

Charter Holdings, the indirect owner of the Company's cable systems, generally allocates its taxable income, gains, losses, deductions and credits proportionately according to the members' respective ownership interests, except for special allocations required under Section 704(c) of the Internal Revenue Code and the Treasury Regulations ("Section 704(c)"). Pursuant to Section 704(c) and the LLC Agreement, each item of income, gain, loss and deduction with respect to any property contributed to the capital of the partnership shall, solely for tax purposes, be allocated among the members so as to take into account any variation between the adjusted basis of such property to the partnership for U.S. federal income tax purposes and its initial gross asset value using the "traditional method" as described in the Treasury Regulations.

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 has recorded unrecognized tax benefits totaling approximately \$182 million and \$180 million, excluding interest and penalties, as of June 30, 2019 and December 31, 2018, respectively. The Company does not currently anticipate that its reserve for uncertain tax positions will significantly increase or decrease during 2019; however, various events could cause the Company's current expectations to change in the future. These uncertain tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statements of operations as part of the income tax provision.

No tax years for Charter are currently under examination by the Internal Revenue Service ("IRS") for income tax purposes. Charter's 2016 through 2018 tax years remain open for examination and assessment. Charter's tax years ending 2015 through the short period return dated May 17, 2016 (prior to the acquisition of TWC and Bright House Networks, LLC) remain subject to examination and assessment. Years prior to 2015 remain open solely for purposes of examination of Charter's loss and credit carryforwards. The IRS is currently examining Charter Holdings' income tax return for 2016. Charter Holdings' 2017 and 2018 tax years remains open for examination and assessment. The IRS is currently examining TWC's income tax returns for 2011 through 2014. TWC's tax year 2015 remains subject to examination and assessment. Prior to TWC's separation from Time Warner Inc. ("Time Warner") in March 2009, TWC was included in the consolidated U.S. federal and certain state income tax returns of Time Warner. The IRS has examined Time Warner's 2008 through 2010 income tax returns and the results are under appeal. The Company does not anticipate that these examinations will have a material impact on the Company's consolidated financial position or results of operations. In addition, the Company is also subject to ongoing examinations of the Company's tax returns by state and local tax authorities for various periods. Activity related to these state and local examinations did not have a material impact on the Company's consolidated financial position or results of operations during the three and six months ended June 30, 2019, nor does the Company anticipate a material impact in the future.

16. Earnings Per Share

Basic earnings per common share is computed by dividing net income attributable to Charter shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share considers the impact of potentially dilutive securities using the treasury stock and if-converted methods and is based on the weighted average number of shares used for the basic earnings per share calculation, adjusted for the dilutive effect of stock options, restricted stock, restricted

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stock units, equity awards with market conditions and Charter Holdings convertible preferred units and common units. Charter Holdings common and convertible preferred units of 29 million for each of the three and six months ended June 30, 2019 and 31 million for each of the three and six months ended June 30, 2018 were not included in the computation of diluted earnings per share as their effect would have been antidilutive. The following is the computation of diluted earnings per common share for the three and six months ended June 30, 2019 and 2018.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to Charter shareholders	\$ 314	\$ 273	\$ 567	\$ 441
Denominator:				
Weighted average common shares outstanding, basic	222,392,274	234,241,769	223,505,016	235,992,306
Effect of dilutive securities:				
Assumed exercise or issuance of shares relating to stock plans	3,549,898	2,831,797	3,384,729	3,254,421
Weighted average common shares outstanding, diluted	<u>225,942,172</u>	<u>237,073,566</u>	<u>226,889,745</u>	<u>239,246,727</u>
Basic earnings per common share attributable to Charter shareholders	\$ 1.41	\$ 1.17	\$ 2.54	\$ 1.87
Diluted earnings per common share attributable to Charter shareholders	\$ 1.39	\$ 1.15	\$ 2.50	\$ 1.84

17. Comprehensive Income

Comprehensive income equaled net income for the three and six months ended June 30, 2019. The following table sets forth the consolidated statements of comprehensive income for the periods presented.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Consolidated net income	\$ 339	\$ 562
Foreign currency translation adjustment	(1)	(1)
Consolidated comprehensive income	338	561
Less: Comprehensive income attributable to noncontrolling interest	(66)	(121)
Comprehensive income attributable to Charter shareholders	<u>\$ 272</u>	<u>\$ 440</u>

18. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers, and affiliates of the Company are involved.

Liberty Broadband and A/N

Under the terms of the Amended and Restated Stockholders Agreement with Liberty Broadband Corporation (“Liberty Broadband”), A/N and Charter, dated May 23, 2015, the number of Charter’s directors is fixed at 13, and includes its CEO. Two designees selected by A/N are members of the board of directors of Charter and three designees selected by Liberty Broadband are members of the board of directors of Charter. The remaining eight directors are not affiliated with either A/N or Liberty Broadband. Each of A/N and Liberty Broadband is entitled to nominate at least one director to each of the committees of Charter’s 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 Broadband, and provided that the Nominating and Corporate Governance Committee and the Compensation and Benefit Committee each have at least a majority of directors independent from A/N, Liberty Broadband and

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Charter (referred to as the “unaffiliated directors”). Each of the Nominating and Corporate Governance Committee and the Compensation and Benefits Committee is currently comprised of three unaffiliated directors and one designee of each of A/N and Liberty Broadband. A/N and Liberty Broadband also have certain other committee designation and other governance rights. Mr. Thomas Rutledge, the Company’s CEO, is the chairman of the board of Charter.

In December 2017, Charter and A/N entered into an amendment to the letter agreement (the “Letter Agreement”) that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis.

The Company is aware that Dr. John Malone, a director emeritus of Charter and Chairman of the board of directors and holder of 49.0% of voting interest in Liberty Broadband, may be deemed to have a 39.9% voting interest in Qurate Retail, Inc. (“Qurate”) and is on the board of directors of Qurate. Qurate wholly owns HSN, Inc. (“HSN”) and QVC, Inc. (“QVC”). The Company has programming relationships with HSN and QVC. For the three and six months ended June 30, 2019, the Company recorded revenue in aggregate of approximately \$12 million and \$24 million, respectively, and for the three and six months ended June 30, 2018, the Company recorded revenue in aggregate of approximately \$17 million and \$33 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 and Mr. Steven Miron, a member of Charter’s board of directors, also serve on the board of directors of Discovery Communications, Inc., (“Discovery”). The Company is aware that Dr. Malone owns 1.2% of the series A common stock, 93.6% of the series B common stock and 2.6% of the series C common stock of Discovery and has a 28.2% voting interest in Discovery for the election of directors. The Company is aware that Advance/Newhouse Programming Partnership (“A/N PP”), an affiliate of A/N and of which Mr. Miron is the CEO, owns 100% of the Series A-1 preferred stock of Discovery and 100% of the Series C-1 preferred stock of Discovery and has a 24.1% voting interest for the election of directors. A/N PP has the right to appoint three directors out of a total of eleven directors to Discovery’s board to be elected by the holders of Discovery’s Series A-1 preferred stock. The Company purchases programming from Discovery pursuant to agreements entered into prior to Dr. Malone and Mr. Miron joining Charter’s board of directors. Based on publicly available information, the Company does not believe that Discovery would currently be considered a related party. The amount paid in the aggregate to Discovery represents less than 2% of total operating costs and expenses for the three and six months ended June 30, 2019 and 2018.

Equity Investments

The Company has agreements with certain equity investees pursuant to which the Company has made or received related party transaction payments. The Company recorded payments to equity investees totaling \$81 million and \$167 million during the three and six months ended June 30, 2019, respectively, and \$86 million and \$149 million during the three and six months ended June 30, 2018, respectively.

19. Contingencies

In August 2015, a purported stockholder of Charter, Matthew Sciabacucchi, filed a lawsuit in the Delaware Court of Chancery, on behalf of a putative class of Charter stockholders, challenging the transactions involving Charter, TWC, A/N, and Liberty Broadband announced by Charter on May 26, 2015. The lawsuit, which named as defendants Charter and its board of directors, alleged that the transactions resulted from breaches of fiduciary duty by Charter’s directors and that Liberty Broadband improperly benefited from the challenged transactions at the expense of other Charter stockholders. The lawsuit has proceeded to the discovery phase. Charter denies any liability, believes that it has substantial defenses, and intends to vigorously defend this lawsuit. Although Charter is unable to predict the outcome of this lawsuit, it does not expect the outcome will have a material effect on its operations, financial condition or cash flows.

The California Attorney General and the Alameda County, California District Attorney are investigating whether certain of Charter’s waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. That investigation was commenced in January 2014. A similar investigation involving TWC was initiated

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in February 2012. Charter is cooperating with these investigations. While the Company is unable to predict the outcome of these investigations, it does not expect that the outcome will have a material effect on its operations, financial condition, or cash flows.

On December 19, 2011, Sprint Communications Company L.P. (“Sprint”) filed a complaint in the U.S. District Court for the District of Kansas alleging that TWC infringed certain U.S. patents purportedly relating to Voice over Internet Protocol (“VoIP”) services. At the trial, the jury returned a verdict of \$140 million against TWC and further concluded that TWC had willfully infringed Sprint’s patents. The court subsequently declined to enhance the damage award as a result of the purported willful infringement and awarded Sprint an additional \$6 million, representing pre-judgment interest on the damages award. The Company appealed the case to the United States Court of Appeals for the Federal Circuit where the Company lost the appeal. The Company expects to petition the Supreme Court as the Company continues to pursue its appeal rights. In addition to its appeal, the Company continues to pursue indemnity from one of its vendors and has brought a patent suit against Sprint (TC Tech, LLC v. Sprint) in the U.S. District Court for the District of Delaware implicating Sprint’s LTE technology. The expected financial impact of the Sprint verdict has been reflected in the Company’s financial statements. The Company does not expect that the outcome of this litigation will have a material adverse effect on its operations or financial condition. The ultimate outcomes of the appeal of the Sprint Kansas case, the pursuit of indemnity against the Company’s vendor and the TC Tech litigation cannot be predicted.

Sprint filed a second suit against Charter on December 2, 2017 in the United States District Court for the District of Delaware. This suit alleges infringement of 15 patents related to the Company’s provision of VoIP services (ten of which were asserted against Legacy TWC in the matter described above). Charter is vigorously defending this case. While the Company is unable to predict the outcome of this Sprint suit, it does not expect that this litigation will have a material effect on its operations, financial condition, or cash flows.

Sprint filed a third suit against Charter on May 17, 2018 in the United States District Court for the Eastern District of Virginia. This suit alleges infringement of three patents related to the Company’s video on demand services. The Company is vigorously defending this case. The parties recently agreed to transfer this case to the United States District Court for the District of Delaware. While the Company is unable to predict the outcome of this litigation, it does not expect that this litigation will have a material effect on its operations, financial condition, or cash flows.

The New York Public Service Commission (the “PSC”), the regulator for the cable and telecommunication industries in New York (whose Chair directs and operates as the Chief Executive Officer of the New York State Department of Public Service (“DPS”)), issued multiple orders against Charter including two orders on July 27, 2018 relating to the agreement by which the PSC approved Charter’s merger with TWC. One order determined that Charter had failed to satisfy one of its merger conditions by not extending its high speed broadband network according to the PSC’s interpretation of which homes and businesses Charter built to should count. The order further directed the initiation of a court action to impose financial and other penalties on Charter which the PSC initiated. The second order purported to rescind the PSC’s January 2016 approval of Charter’s merger with TWC’s New York operations and directed Charter to submit a plan to effect an orderly transition to a successor provider or providers and for Charter to cease operations in New York within six months of the order which deadline was extended as the DPS and Charter negotiated a resolution of these matters.

On April 19, 2019, DPS and Charter jointly presented to the PSC a proposed settlement to resolve these disputes, and on July 11, 2019, the PSC approved the settlement. The settlement resolved all outstanding matters regarding these disputes. No penalties or forfeiture were assessed as a result of the agreement, and the Company was not found to have committed, nor did it admit to, any violation. The incremental operating and capital expenditures to be incurred by the Company to meet the buildout and other requirements of the settlement agreement will not have a material impact on the Company’s consolidated financial condition, results of operations or liquidity.

In addition to the Sprint litigation described above, the Company is a defendant or co-defendant in several additional lawsuits involving alleged infringement of various intellectual property 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, 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 intellectual property at issue. While the Company 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.

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The Company is party to other lawsuits, claims and regulatory inquiries that arise in the ordinary course of conducting its business. 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.

20. Employee Benefit Plans

The Company sponsors two qualified defined benefit pension plans, the TWC Pension Plan and the TWC Union Pension Plan, that provide pension benefits to a majority of employees who were employed by TWC before the acquisition of TWC. The Company also provides a nonqualified defined benefit pension plan for certain employees under the TWC Excess Pension Plan.

Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. Actuarial gains or losses are changes in the amount of either the benefit obligation or the fair value of plan assets resulting from experience different from that assumed or from changes in assumptions. The Company has elected to follow a mark-to-market pension accounting policy for recording the actuarial gains or losses annually during the fourth quarter, or earlier if a remeasurement event occurs during an interim period. No future compensation increases or future service will be credited to participants of the pension plans given the frozen nature of the plans.

The components of net periodic pension benefit (costs) for the three and six months ended June 30, 2019 and 2018 are recorded in other pension benefits, net in the consolidated statements of operations and consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Interest cost	\$ (32)	\$ (32)	\$ (64)	\$ (64)
Expected return on plan assets	41	52	82	104
Net periodic pension benefits	\$ 9	\$ 20	\$ 18	\$ 40

The Company made no cash contributions to the qualified pension plans during the three and six months ended June 30, 2019 and 2018; however, the Company may make discretionary cash contributions to the qualified pension plans in the future. Such contributions will be dependent on a variety of factors, including current and expected interest rates, asset performance, the funded status of the qualified pension plans and management's judgment. For the nonqualified unfunded pension plan, the Company will continue to make contributions during 2019 to the extent benefits are paid.

21. Recently Issued Accounting Standards

Accounting Standards Adopted January 1, 2018

ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")

Upon adoption of ASU 2014-09, the Company recorded a cumulative-effect adjustment which included an increase to total shareholders' equity of \$38 million as of January 1, 2018.

Accounting Standards Adopted January 1, 2019

ASU No. 2016-02, Leases ("ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02 which requires lessees to recognize almost all leases on their balance sheet as a lease asset and a lease liability. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification is based on criteria largely similar to the criteria applied under legacy lease accounting, but without explicit bright lines.

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The Company adopted ASU 2016-02 using the modified retrospective approach with a cumulative-effect adjustment recorded at the beginning of the period of adoption (January 1, 2019). Therefore, the Company recognized and measured operating leases on the consolidated balance sheet without revising comparative period information or disclosure. At transition, the Company elected the package of practical expedients permitted under the transition guidance within the standard, which eliminates the reassessment of past leases, classification and initial direct costs. The Company did not elect to use hindsight to reassess lease terms or impairment at the adoption date. The Company elected the land easements practical expedient which allows the Company not to retrospectively treat land easements as leases; however, must apply lease accounting prospectively to land easements if they meet the definition of a lease.

The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption. The new standard resulted in the recording of leased assets and lease liabilities for the Company's operating leases of approximately \$1.1 billion and \$1.2 billion, respectively, as of January 1, 2019. The difference between the leased assets and lease liabilities primarily represents the prior year end deferred rent liabilities balance, resulting from historical straight-lining of operating leases, which was effectively reclassified upon adoption to reduce the measurement of the leased assets. The adoption of the standard did not have an impact on the Company's shareholders equity and is not anticipated to have an impact on the Company's results from operations and cash flows. The adoption of the new standard resulted in additional interim and annual lease disclosures. See Note 5 for interim lease disclosures for the three and six months ended June 30, 2019.

Accounting Standards Not Yet Adopted

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13")

In June 2016, the FASB issued ASU 2016-13, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be assessed for impairment under the current expected credit loss model rather than an incurred loss model. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020 for the Company). Early adoption is permitted. The Company is currently in the process of evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements.

ASU No. 2017-04, Simplifying the Test for Goodwill Impairment ("ASU 2017-04")

In January 2017, the FASB issued ASU 2017-04 which eliminates step two from the goodwill impairment test. Under the new standard, to the extent the carrying amount of a reporting unit exceeds the fair value, the Company will record an impairment charge equal to the difference. The impairment charge recognized should not exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020 for the Company). Early adoption is permitted. The Company does not expect the adoption of ASU 2017-04 to have a material impact on its consolidated financial statements.

ASU No. 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")

In August 2018, the FASB issued ASU 2018-15 which requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement. ASU 2018-15 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020 for the Company). Early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU 2018-15 will have on its consolidated financial statements.

ASU No. 2019-02, Improvements to Accounting for Costs of Films and License Agreements for Program Materials ("ASU 2019-02")

In March 2019, the FASB issued ASU 2019-02 which aligns the accounting for production costs of an episodic television series with the accounting for production costs of films regarding cost capitalization, amortization, impairment, presentation and disclosure. ASU 2019-02 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020

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for the Company). Early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU 2019-02 will have on its consolidated financial statements.

22. Consolidating Schedules

Each of Charter Operating, TWC, LLC, TWCE, CCO Holdings and certain subsidiaries jointly, severally, fully and unconditionally guarantee the outstanding debt securities of the others (other than the CCO Holdings notes) on an unsecured senior basis and the condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*. Certain Charter Operating subsidiaries that are regulated telephone entities only become guarantor subsidiaries upon approval by regulators. 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.

The "Intermediate Holding Companies" column includes the assets and liabilities of the captive insurance company, a company wholly-owned by Charter outside of Charter Holdings and which does not, directly or indirectly, own any interest in Charter Holdings. The "Charter Operating and Restricted Subsidiaries" column is presented to comply with the terms of the Credit Agreement.

Comprehensive income equaled net income for the six months ended June 30, 2019. Condensed consolidating financial statements as of June 30, 2019 and December 31, 2018 and for the six months ended June 30, 2019 and 2018 follow.

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Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of June 30, 2019

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries		Eliminations	Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries		
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ —	\$ 198	\$ —	\$ 498	\$ —	\$ 696
Accounts receivable, net	1	34	—	2,035	—	2,070
Receivables from related party	24	411	51	—	(486)	—
Prepaid expenses and other current assets	9	40	—	525	—	574
Total current assets	34	683	51	3,058	(486)	3,340
RESTRICTED CASH	—	150	—	—	—	150
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	—	599	—	33,876	—	34,475
Customer relationships, net	—	—	—	8,461	—	8,461
Franchises	—	—	—	67,319	—	67,319
Goodwill	—	—	—	29,554	—	29,554
Total investment in cable properties, net	—	599	—	139,210	—	139,809
INVESTMENT IN SUBSIDIARIES	52,689	59,452	78,628	—	(190,769)	—
OPERATING LEASE RIGHT-OF-USE ASSETS	—	177	—	989	—	1,166
LOANS RECEIVABLE – RELATED PARTY	260	699	545	—	(1,504)	—
OTHER NONCURRENT ASSETS	—	230	—	1,390	—	1,620
Total assets	\$ 52,983	\$ 61,990	\$ 79,224	\$ 144,647	\$ (192,759)	\$ 146,085
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	\$ 20	\$ 873	\$ 287	\$ 6,965	\$ —	\$ 8,145
Operating lease liabilities	—	30	—	178	—	208
Payables to related party	—	—	—	486	(486)	—
Current portion of long-term debt	—	—	—	1,522	—	1,522
Total current liabilities	20	903	287	9,151	(486)	9,875
LONG-TERM DEBT	—	—	19,485	52,299	—	71,784
LOANS PAYABLE – RELATED PARTY	—	—	—	1,504	(1,504)	—
DEFERRED INCOME TAXES	17,457	13	—	52	—	17,522
LONG-TERM OPERATING LEASE LIABILITIES	—	201	—	851	—	1,052
OTHER LONG-TERM LIABILITIES	220	400	—	2,138	—	2,758
SHAREHOLDERS'/MEMBER'S EQUITY						
Controlling interest	35,286	52,689	59,452	78,628	(190,769)	35,286
Noncontrolling interests	—	7,784	—	24	—	7,808
Total shareholders'/member's equity	35,286	60,473	59,452	78,652	(190,769)	43,094
Total liabilities and shareholders'/member's equity	\$ 52,983	\$ 61,990	\$ 79,224	\$ 144,647	\$ (192,759)	\$ 146,085

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Condensed Consolidating Balance Sheets
As of December 31, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries		Eliminations	Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries		
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ —	\$ 251	\$ —	\$ 300	\$ —	\$ 551
Accounts receivable, net	1	33	—	1,699	—	1,733
Receivables from related party	27	518	57	—	(602)	—
Prepaid expenses and other current assets	14	32	—	400	—	446
Total current assets	<u>42</u>	<u>834</u>	<u>57</u>	<u>2,399</u>	<u>(602)</u>	<u>2,730</u>
RESTRICTED CASH	<u>—</u>	<u>214</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>214</u>
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	—	468	—	34,658	—	35,126
Customer relationships, net	—	—	—	9,565	—	9,565
Franchises	—	—	—	67,319	—	67,319
Goodwill	—	—	—	29,554	—	29,554
Total investment in cable properties, net	<u>—</u>	<u>468</u>	<u>—</u>	<u>141,096</u>	<u>—</u>	<u>141,564</u>
INVESTMENT IN SUBSIDIARIES	<u>53,592</u>	<u>60,530</u>	<u>78,960</u>	<u>—</u>	<u>(193,082)</u>	<u>—</u>
LOANS RECEIVABLE – RELATED PARTY	<u>251</u>	<u>674</u>	<u>526</u>	<u>—</u>	<u>(1,451)</u>	<u>—</u>
OTHER NONCURRENT ASSETS	<u>—</u>	<u>222</u>	<u>—</u>	<u>1,403</u>	<u>(3)</u>	<u>1,622</u>
Total assets	<u>\$ 53,885</u>	<u>\$ 62,942</u>	<u>\$ 79,543</u>	<u>\$ 144,898</u>	<u>\$ (195,138)</u>	<u>\$ 146,130</u>
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	\$ 9	\$ 893	\$ 283	\$ 7,620	\$ —	\$ 8,805
Payables to related party	—	—	—	602	(602)	—
Current portion of long-term debt	—	—	—	3,290	—	3,290
Total current liabilities	<u>9</u>	<u>893</u>	<u>283</u>	<u>11,512</u>	<u>(602)</u>	<u>12,095</u>
LONG-TERM DEBT	<u>—</u>	<u>—</u>	<u>18,730</u>	<u>50,807</u>	<u>—</u>	<u>69,537</u>
LOANS PAYABLE – RELATED PARTY	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,451</u>	<u>(1,451)</u>	<u>—</u>
DEFERRED INCOME TAXES	<u>17,376</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>(3)</u>	<u>17,389</u>
OTHER LONG-TERM LIABILITIES	<u>215</u>	<u>478</u>	<u>—</u>	<u>2,144</u>	<u>—</u>	<u>2,837</u>
SHAREHOLDERS'/MEMBER'S EQUITY						
Controlling interest	36,285	53,592	60,530	78,960	(193,082)	36,285
Noncontrolling interests	—	7,963	—	24	—	7,987
Total shareholders'/member's equity	<u>36,285</u>	<u>61,555</u>	<u>60,530</u>	<u>78,984</u>	<u>(193,082)</u>	<u>44,272</u>
Total liabilities and shareholders'/member's equity	<u>\$ 53,885</u>	<u>\$ 62,942</u>	<u>\$ 79,543</u>	<u>\$ 144,898</u>	<u>\$ (195,138)</u>	<u>\$ 146,130</u>

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO 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, 2019

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries		Eliminations	Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries		
REVENUES	\$ 23	\$ 575	\$ —	\$ 22,548	\$ (593)	\$ 22,553
COSTS AND EXPENSES:						
Operating costs and expenses (exclusive of items shown separately below)	23	556	—	14,500	(599)	14,480
Depreciation and amortization	—	8	—	5,042	—	5,050
Other operating (income) expense, net	—	(8)	—	59	6	57
	<u>23</u>	<u>556</u>	<u>—</u>	<u>19,601</u>	<u>(593)</u>	<u>19,587</u>
Income from operations	—	19	—	2,947	—	2,966
OTHER INCOME (EXPENSES):						
Interest income (expense), net	5	17	(511)	(1,381)	—	(1,870)
Loss on financial instruments, net	—	—	—	(82)	—	(82)
Other pension benefits, net	—	—	—	18	—	18
Other expense, net	—	—	—	(126)	—	(126)
Equity in income of subsidiaries	685	788	1,299	—	(2,772)	—
	<u>690</u>	<u>805</u>	<u>788</u>	<u>(1,571)</u>	<u>(2,772)</u>	<u>(2,060)</u>
Income before income taxes	690	824	788	1,376	(2,772)	906
Income tax expense	(123)	(4)	—	(76)	—	(203)
Consolidated net income	567	820	788	1,300	(2,772)	703
Less: Net income attributable to noncontrolling interests	—	(135)	—	(1)	—	(136)
Net income	<u>\$ 567</u>	<u>\$ 685</u>	<u>\$ 788</u>	<u>\$ 1,299</u>	<u>\$ (2,772)</u>	<u>\$ 567</u>

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO 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, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
REVENUES	\$ 27	\$ 560	\$ —	\$ 21,503	\$ (579)	\$ 21,511
COSTS AND EXPENSES:						
Operating costs and expenses (exclusive of items shown separately below)	27	537	—	13,724	(579)	13,709
Depreciation and amortization	—	5	—	5,297	—	5,302
Other operating expenses, net	—	4	—	94	—	98
	27	546	—	19,115	(579)	19,109
Income from operations	—	14	—	2,388	—	2,402
OTHER INCOME (EXPENSES):						
Interest income (expense), net	4	13	(508)	(1,238)	—	(1,729)
Loss on financial instruments, net	—	—	—	(12)	—	(12)
Other pension benefits, net	—	—	—	40	—	40
Other expense, net	—	(25)	—	(45)	—	(70)
Equity in income of subsidiaries	495	619	1,127	—	(2,241)	—
	499	607	619	(1,255)	(2,241)	(1,771)
Income before income taxes	499	621	619	1,133	(2,241)	631
Income tax expense	(58)	(6)	—	(5)	—	(69)
Consolidated net income	441	615	619	1,128	(2,241)	562
Less: Net income attributable to noncontrolling interests	—	(120)	—	(1)	—	(121)
Net income	\$ 441	\$ 495	\$ 619	\$ 1,127	\$ (2,241)	\$ 441

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income
For the six months ended June 30, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
Consolidated net income	\$ 441	\$ 615	\$ 619	\$ 1,128	\$ (2,241)	\$ 562
Foreign currency translation adjustment	(1)	(1)	(1)	(1)	3	(1)
Consolidated comprehensive income	\$ 440	\$ 614	\$ 618	\$ 1,127	\$ (2,238)	\$ 561
Less: Comprehensive income attributable to noncontrolling interests	—	(120)	—	(1)	—	(121)
Comprehensive income	\$ 440	\$ 494	\$ 618	\$ 1,126	\$ (2,238)	\$ 440

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO 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, 2019

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries		Eliminations	Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries		
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (18)	\$ 55	\$ (509)	\$ 5,919	\$ —	\$ 5,447
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	—	(67)	—	(3,262)	67	(3,262)
Change in accrued expenses related to capital expenditures	—	—	—	(428)	—	(428)
Real estate investments through variable interest entities	—	(64)	—	—	—	(64)
Contributions to subsidiaries	(91)	(51)	(792)	—	934	—
Distributions from subsidiaries	1,829	2,084	2,591	—	(6,504)	—
Other, net	—	(5)	—	80	(67)	8
Net cash flows from investing activities	1,738	1,897	1,799	(3,610)	(5,570)	(3,746)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt	—	—	750	9,964	—	10,714
Repayments of long-term debt	—	—	—	(10,123)	—	(10,123)
Payments for debt issuance costs	—	—	(7)	(25)	—	(32)
Purchase of treasury stock	(1,801)	—	—	—	—	(1,801)
Proceeds from exercise of stock options	81	—	—	—	—	81
Purchase of noncontrolling interest	—	(254)	—	—	—	(254)
Distributions to noncontrolling interest	—	(77)	—	(1)	—	(78)
Contributions from parent	—	91	51	792	(934)	—
Distributions to parent	—	(1,829)	(2,084)	(2,591)	6,504	—
Other, net	—	—	—	(127)	—	(127)
Net cash flows from financing activities	(1,720)	(2,069)	(1,290)	(2,111)	5,570	(1,620)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	—	(117)	—	198	—	81
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	—	465	—	300	—	765
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$ —	\$ 348	\$ —	\$ 498	\$ —	\$ 846

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO 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, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries		Eliminations	Charter Consolidated
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries		
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 6	\$ 73	\$ (502)	\$ 6,218	\$ —	\$ 5,795
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	—	—	—	(4,574)	—	(4,574)
Change in accrued expenses related to capital expenditures	—	—	—	(466)	—	(466)
Contribution to subsidiaries	(43)	(77)	(77)	—	197	—
Distributions from subsidiaries	2,282	2,656	3,158	—	(8,096)	—
Other, net	—	(12)	—	(55)	—	(67)
Net cash flows from investing activities	<u>2,239</u>	<u>2,567</u>	<u>3,081</u>	<u>(5,095)</u>	<u>(7,899)</u>	<u>(5,107)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt	—	—	—	5,628	—	5,628
Repayments of long-term debt	—	—	—	(3,500)	—	(3,500)
Borrowings (repayments) loans payable - related parties	(7)	—	—	7	—	—
Payments for debt issuance costs	—	—	—	(17)	—	(17)
Purchase of treasury stock	(2,281)	—	—	—	—	(2,281)
Proceeds from exercise of stock options	43	—	—	—	—	43
Purchase of noncontrolling interest	—	(328)	—	—	—	(328)
Distributions to noncontrolling interest	—	(75)	—	(1)	—	(76)
Contributions from parent	—	43	77	77	(197)	—
Distributions to parent	—	(2,282)	(2,656)	(3,158)	8,096	—
Other, net	—	—	—	(5)	—	(5)
Net cash flows from financing activities	<u>(2,245)</u>	<u>(2,642)</u>	<u>(2,579)</u>	<u>(969)</u>	<u>7,899</u>	<u>(536)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	—	(2)	—	154	—	152
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	—	291	—	330	—	621
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	<u>\$ —</u>	<u>\$ 289</u>	<u>\$ —</u>	<u>\$ 484</u>	<u>\$ —</u>	<u>\$ 773</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Charter Communications, Inc. (together with its controlled subsidiaries, "Charter") is the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services to approximately 28.7 million residential and small and medium business customers at June 30, 2019. We also recently launched our mobile service to residential customers. In addition, we sell video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology solutions to larger enterprise customers. We also own and operate regional sports networks and local sports, news and community channels.

Charter is a holding company whose principal asset is a controlling equity interest in Charter Communications Holdings, LLC ("Charter Holdings"), an indirect owner of Charter Communications Operating, LLC ("Charter Operating") under which substantially all of the operations reside. All significant intercompany accounts and transactions among consolidated entities have been eliminated.

Overview

Since the close of the acquisitions in 2016 of Time Warner Cable Inc. ("TWC") and Bright House Networks, LLC ("Bright House"), we have been focused on integrating the practices and systems of Charter, TWC and Bright House, centralizing our product, marketing, sales and service operations, insourcing the TWC and Bright House workforces in our call centers and field operations, and rolling out Spectrum pricing and packaging ("SPP") to TWC and Bright House service areas. In 2018, we completed the conversion of the remaining TWC and Bright House analog service areas to an all-digital platform enabling us to deliver more HD channels and higher Internet speeds. Nearly all of our footprint is now all-digital. Additionally, we have doubled minimum Internet speeds to 200 Mbps in a number of service areas at no additional cost to new and existing SPP Internet customers. In 2018, leveraging DOCSIS 3.1 technology, we also expanded the availability of our Spectrum Internet Gig service to nearly all of our footprint. With our integration nearly complete, we are focused on operating as one company, with a unified product, marketing and service infrastructure, which will allow us to accelerate growth and innovate faster. With significantly less customer-facing change expected in 2019, we are focused on deploying superior products and service with minimal service disruptions. We expect our growing levels of productivity will result in lower customer churn, longer customer lifetimes and improved productivity with fewer customer calls and truck rolls per customer relationship. With over 80% of our residential customer base now in SPP packages, we expect additional benefits from lower legacy package migration activity, combined with SPP customers rolling off introductory pricing and modest price increases. Further, we expect to continue to drive customer relationship growth through sales of video, Internet, wireline voice and mobile packaged services. Additionally, with the completion of our all-digital conversion, roll-out of DOCSIS 3.1 technology across our footprint, and the integration of TWC and Bright House mostly complete, we have experienced a meaningful reduction in capital expenditures in dollars and as a percent of revenue in 2019 and expect these reductions to continue for the remainder of 2019.

At the end of the second quarter of 2018, we launched our mobile product, Spectrum Mobile, under our mobile virtual network operator ("MVNO") reseller agreement with Verizon. Our Spectrum Mobile service is offered to our residential customers subscribing to our Internet service and runs on Verizon's mobile network combined with Spectrum WiFi. We began mass market advertising of Spectrum Mobile in September 2018. In the second quarter of 2019, we expanded our Spectrum Mobile bring-your-own-device ("BYOD") program across all sales channels to include a broader set of devices. We believe our BYOD program will lower the cost for consumers of switching mobile carriers, and will reduce the short-term working capital impact of selling new mobile devices on installment plans. We expect these developments to contribute to the growth of our mobile business. We also continue to explore ways to manage our own network and drive even more mobile traffic to our network through our continued deployment of in-home and outdoor WiFi hotspots. In addition, we plan to use our WiFi network in conjunction with additional unlicensed or licensed spectrum to improve network performance and expand capacity to offer consumers a superior mobile service at a lower total cost to us. Further, we have experimental wireless licenses from the Federal Communications Commission that we are utilizing to test next generation mobile services in several service areas around the country. In 2018, we invested in our mobile operating partnership with Comcast Corporation, with a portion representing our equity investment in the partnership and a portion representing a prepayment of software development and related services for the mobile back office platform. As the partnership delivers services, we will reflect such services as capital or operating expense depending on the nature of services delivered.

We believe Spectrum-branded mobile services will drive higher sales of our core products, create longer customer lives and increase profitability and cash flow over time. As a result of growth costs associated with our new mobile product line, we cannot be certain that we will be able to grow revenues or maintain our margins at recent historical rates. During the three and six months

ended June 30, 2019, our mobile product line increased revenues by \$158 million and \$298 million, respectively, reduced Adjusted EBITDA by approximately \$119 million and \$239 million, respectively, and reduced free cash flow by approximately \$297 million and \$588 million, respectively. During the three and six months ended June 30, 2018, our mobile product line reduced Adjusted EBITDA by approximately \$33 million and \$41 million, respectively, and reduced free cash flow by \$116 million and \$141 million, respectively. As we continue to launch our mobile service and scale the business, we expect continued negative impacts to Adjusted EBITDA, as well as negative working capital impacts from the timing of device-related cash flows when we provide the handset or tablet to customers pursuant to equipment installment plans.

We realized revenue, Adjusted EBITDA and income from operations during the periods presented as follows (in millions; all percentages are calculated using whole numbers. Minor differences may exist due to rounding):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Revenues	\$ 11,347	\$ 10,854	4.5%	\$ 22,553	\$ 21,511	4.8%
Adjusted EBITDA	\$ 4,185	\$ 4,051	3.3%	\$ 8,240	\$ 7,944	3.7%
Income from operations	\$ 1,541	\$ 1,360	13.3%	\$ 2,966	\$ 2,402	23.5%

Adjusted EBITDA is defined as net income attributable to Charter shareholders plus net income attributable to noncontrolling interest, net interest expense, income taxes, depreciation and amortization, stock compensation expense, (gain) loss on financial instruments, net, other pension (benefits) costs, other (income) expense, net and other operating (income) expenses, such as special charges and (gain) loss on sale or retirement of assets. See “—Use of Adjusted EBITDA and Free Cash Flow” for further information on Adjusted EBITDA and free cash flow.

Growth in total revenue, Adjusted EBITDA and income from operations for the three and six months ended June 30, 2019 compared to the corresponding prior periods was primarily due to growth in our residential Internet and commercial business customers. Adjusted EBITDA growth was additionally affected by increases in operating costs and expenses, primarily programming and mobile. Income from operations was also affected by a decrease in depreciation and amortization expense.

The following table summarizes our customer statistics for video, Internet and voice as of June 30, 2019 and 2018 (in thousands except per customer data and footnotes).

	Approximate as of June 30,	
	2019 ^(a)	2018 ^(a)
Customer Relationships ^(b)		
Residential	26,755	25,871
Small and Medium Business	1,902	1,750
Total Customer Relationships	28,657	27,621
Residential Primary Service Units (“PSU”)		
Video	15,802	16,206
Internet	24,244	23,070
Voice	9,808	10,325
Monthly Residential Revenue per Residential Customer ^(c)	\$ 112.20	\$ 111.88
Small and Medium Business PSUs		
Video	518	476
Internet	1,701	1,552
Voice	1,097	994
Monthly Small and Medium Business Revenue per Customer ^(d)	\$ 170.42	\$ 176.96
Enterprise PSUs ^(e)	258	235

- (a) Customer statistics do not include mobile. We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, as of June 30, 2019 and 2018, customers include approximately 152,900 and 227,500 customers, respectively, whose accounts were over 60 days past due, approximately 13,800 and 19,300 customers, respectively, whose accounts were over 90 days past due and approximately 15,800 and 13,200 customers, respectively, whose accounts were over 120 days past due.
- (b) Customer relationships include the number of customers that receive one or more levels of service, encompassing video, Internet and voice services, without regard to which service(s) such customers receive. Customers who reside in residential multiple dwelling units (“MDUs”) and that are billed under bulk contracts are counted based on the number of billed units within each bulk MDU. Total customer relationships exclude enterprise customer relationships.
- (c) Monthly residential revenue per residential customer is calculated as total residential video, Internet and voice quarterly revenue divided by three divided by average residential customer relationships during the respective quarter.
- (d) Monthly small and medium business revenue per customer is calculated as total small and medium business quarterly revenue divided by three divided by average small and medium business customer relationships during the respective quarter.
- (e) Enterprise PSUs represent the aggregate number of fiber service offerings counting each separate service offering as an individual PSU.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates therefore, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2018 Annual Report on Form 10-K. There have been no material changes from the critical accounting policies described in our Form 10-K.

Results of Operations

The following table sets forth the consolidated statements of operations for the periods presented (dollars in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues	\$ 11,347	\$ 10,854	\$ 22,553	\$ 21,511
Costs and Expenses:				
Operating costs and expenses (exclusive of items shown separately below)	7,244	6,873	14,480	13,709
Depreciation and amortization	2,500	2,592	5,050	5,302
Other operating expenses, net	62	29	57	98
	9,806	9,494	19,587	19,109
Income from operations	1,541	1,360	2,966	2,402
Other Income (Expenses):				
Interest expense, net	(945)	(878)	(1,870)	(1,729)
Loss on financial instruments, net	(119)	(75)	(82)	(12)
Other pension benefits, net	9	20	18	40
Other expense, net	(16)	(47)	(126)	(70)
	(1,071)	(980)	(2,060)	(1,771)
Income before income taxes	470	380	906	631
Income tax expense	(84)	(41)	(203)	(69)
Consolidated net income	386	339	703	562
Less: Net income attributable to noncontrolling interests	(72)	(66)	(136)	(121)
Net income attributable to Charter shareholders	\$ 314	\$ 273	\$ 567	\$ 441
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CHARTER SHAREHOLDERS:				
Basic	\$ 1.41	\$ 1.17	\$ 2.54	\$ 1.87
Diluted	\$ 1.39	\$ 1.15	\$ 2.50	\$ 1.84
Weighted average common shares outstanding, basic	222,392,274	234,241,769	223,505,016	235,992,306
Weighted average common shares outstanding, diluted	225,942,172	237,073,566	226,889,745	239,246,727

Revenues. Total revenues grew \$493 million and \$1.0 billion for the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to increases in the number of residential Internet and commercial business customers, price adjustments as well as the launch of our mobile service in the second half of 2018 offset by a decrease in video customers.

Revenues by service offering were as follows (dollars in millions; all percentages are calculated using whole numbers. Minor differences may exist due to rounding):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	% Change	2019	2018	% Change
Video	\$ 4,391	\$ 4,363	0.6 %	\$ 8,775	\$ 8,655	1.4 %
Internet	4,103	3,770	8.8 %	8,127	7,477	8.7 %
Voice	489	531	(7.8)%	993	1,087	(8.6)%
Residential revenue	8,983	8,664	3.7 %	17,895	17,219	3.9 %
Small and medium business	963	915	5.3 %	1,908	1,815	5.1 %
Enterprise	652	627	4.0 %	1,295	1,249	3.7 %
Commercial revenue	1,615	1,542	4.7 %	3,203	3,064	4.5 %
Advertising sales	395	427	(7.5)%	740	783	(5.5)%
Mobile	158	—	NM	298	—	NM
Other	196	221	(11.3)%	417	445	(6.3)%
	<u>\$ 11,347</u>	<u>\$ 10,854</u>	4.5 %	<u>\$ 22,553</u>	<u>\$ 21,511</u>	4.8 %

Video revenues consist primarily of revenues from basic and digital video services provided to our residential customers, as well as franchise fees, equipment service fees and video installation revenue. The increase in video revenues is attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Increase related to rate changes	\$ 149	\$ 330
Decrease in average residential video customers	(97)	(181)
Decrease in video on demand and pay-per-view	(24)	(29)
	<u>\$ 28</u>	<u>\$ 120</u>

The increases related to rate changes were primarily due to price adjustments including annual increases and promotional roll-off. Residential video customers decreased by 404,000 from June 30, 2018 to June 30, 2019.

The increase in Internet revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Increase in average residential Internet customers	\$ 192	\$ 378
Increase related to rate changes	141	272
	<u>\$ 333</u>	<u>\$ 650</u>

Residential Internet customers grew by 1,174,000 customers from June 30, 2018 to June 30, 2019. The increases related to rate changes were primarily due to price adjustments including promotional roll-off.

The decrease in voice revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Decrease related to rate changes	\$ (20)	\$ (55)
Decrease in average residential voice customers	(22)	(39)
	<u>\$ (42)</u>	<u>\$ (94)</u>

The decreases related to rate changes were primarily due to value-based pricing. Residential wireline voice customers decreased by 517,000 customers from June 30, 2018 to June 30, 2019.

The increase in small and medium business commercial revenues is attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Increase in small and medium business customers	\$ 85	\$ 175
Decrease related to rate changes	(37)	(82)
	<u>\$ 48</u>	<u>\$ 93</u>

Small and medium business customers grew by 152,000 from June 30, 2018 to June 30, 2019. The decreases related to rate changes were primarily due to value-based pricing related to SPP, net of promotional roll-off and price adjustments.

Enterprise revenues increased \$25 million and \$46 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to growth in customers. Enterprise PSUs increased 23,000 from June 30, 2018 to June 30, 2019.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors, as well as local cable and advertising on regional sports and news channels. Advertising sales revenues decreased \$32 million and \$43 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to a decrease in political revenue.

During the three and six months ended June 30, 2019, mobile revenues represent approximately \$111 million and \$225 million, respectively, of device revenues and approximately \$47 million and \$73 million of service revenues related to our mobile service, respectively. As of June 30, 2019, we had 518,000 mobile lines.

Other revenues consist of revenue from regional sports and news channels (excluding intercompany charges or advertising sales on those channels), home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues decreased \$25 million and \$28 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to a decrease in late payment fees and home shopping revenue offset by the sale of video devices.

Operating costs and expenses. The increases in our operating costs and expenses, exclusive of items shown separately in the consolidated statements of operations, are attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Programming	\$ 24	\$ 137
Regulatory, connectivity and produced content	37	65
Costs to service customers	(17)	(49)
Marketing	(1)	(17)
Mobile	244	496
Other	84	139
	<u>\$ 371</u>	<u>\$ 771</u>

Programming costs were approximately \$2.8 billion and \$5.7 billion for the three and six months ended June 30, 2019, respectively, representing 39% of total operating costs and expenses for both time periods, and \$2.8 billion and \$5.6 billion for the three and six months ended June 30, 2018, respectively, representing 41% of total operating costs and expenses for both time periods. Programming costs consist primarily of costs paid to programmers for basic, digital, premium, VOD, and pay-per-view programming. The increase in programming costs is primarily a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consents partly offset by lower video customers and pay-per-view. We expect programming expenses will continue to increase due to a variety of factors, including annual increases imposed by programmers with additional selling power as a result of media consolidation, increased demands by owners of broadcast stations for payment for retransmission consent or linking carriage of other services to retransmission consent, and additional programming, particularly new services. We have been unable to fully pass these increases on to our customers and do not expect to be able to do so in the future without a potential loss of customers.

Regulatory, connectivity and produced content increased \$37 million and \$65 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to costs of video devices sold to customers, higher regulatory pass-through fees and original programming costs.

Costs to service customers decreased \$17 million and \$49 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to a decrease in bad debt expense.

Mobile costs of \$277 million and \$537 million for the three and six months ended June 30, 2019, respectively, and \$33 million and \$41 million for the three and six months ended June 30, 2018, respectively, were comprised of mobile device costs, mobile launch costs and mobile service and operating costs.

The increase in other expense is attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Corporate costs	\$ 23	\$ 39
Property tax and insurance	19	39
Stock compensation expense	12	25
Enterprise	8	14
Advertising sales expense	10	5
Other	12	17
	<u>\$ 84</u>	<u>\$ 139</u>

Depreciation and amortization. Depreciation and amortization expense decreased by \$92 million and \$252 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018. The decrease was primarily due to a decrease in depreciation and amortization as certain assets acquired from TWC and Bright House become fully depreciated offset by an increase in depreciation as a result of more recent capital expenditures.

Other operating expenses, net. The changes in other operating expenses, net are attributable to the following (dollars in millions):

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Special charges, net	\$ (12)	\$ (92)
(Gain) loss on sale of assets, net	45	51
	<u>\$ 33</u>	<u>\$ (41)</u>

Special charges, net decreased during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily due to a decrease in merger and restructuring costs. The six months ended June 30, 2018 also included a \$22 million charge related to a withdrawal liability from a multiemployer pension plan. Loss on sale of assets, net increased primarily due to a \$41 million impairment of non-strategic assets recognized during the three and six months ended June 30, 2019. See Note 13 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Interest expense, net. Net interest expense increased by \$67 million and \$141 million for the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 primarily as a result of an increase in weighted average debt outstanding of approximately \$1.2 billion and \$2.4 billion, respectively, primarily due to the issuance of notes throughout 2018 and 2019 for general corporate purposes including stock buybacks and debt repayments.

Loss on financial instruments, net. We recorded losses on financial instruments of \$119 million and \$82 million during the three and six months ended June 30, 2019, respectively, and \$75 million and \$12 million during the three and six months ended June 30, 2018, respectively. Gains and losses on financial instruments are primarily recognized due to changes in the fair value of our cross-currency derivative instruments and the foreign currency remeasurement of the fixed-rate British pound sterling denominated notes (the “Sterling Notes”) into U.S. dollars. For more information, see Note 9 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Other pension benefits, net. Net other pension benefits decreased by \$11 million and \$22 million during the three and six months ended June 30, 2019, respectively, compared to the corresponding periods in 2018 due to lower expected return on plan assets. For more information, see Note 20 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Other expense, net. Other expense, net primarily represents equity losses on our equity investments. Other expense, net also includes impairments on equity investments of approximately \$11 million and \$121 million during the three and six months ended June 30, 2019, respectively, and \$39 million and \$58 million during the three and six months ended June 30, 2018, respectively.

Income tax expense. We recognized income tax expense of \$84 million and \$203 million for the three and six months ended June 30, 2019, respectively, and \$41 million and \$69 million for the three and six months ended June 30, 2018, respectively. Income tax expense increased year over year primarily as a result of higher pretax income and lower benefit from state tax law changes. For more information, see Note 15 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest for financial reporting purposes represents A/N’s portion of Charter Holdings’ net income based on its effective common unit ownership interest and the preferred dividend of \$37 million and \$75 million for each of the three and six months ended June 30, 2019 and 2018, respectively. For more information, see Note 8 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Net income attributable to Charter shareholders. Net income attributable to Charter shareholders increased from \$273 million and \$441 million for the three and six months ended June 30, 2018, respectively, to \$314 million and \$567 million for the three and six months ended June 30, 2019, respectively, primarily as a result of the factors described above.

Use of Adjusted EBITDA and Free Cash Flow

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

Adjusted EBITDA eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of our businesses as well as other non-cash or special items, and is unaffected by our capital structure or investment activities. However, this measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues and our cash cost of financing. These costs are evaluated through other financial measures.

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

Management and Charter's board of directors use Adjusted EBITDA and free cash flow to assess our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the Securities and Exchange Commission (the "SEC")). For the purpose of calculating compliance with leverage covenants, we use Adjusted EBITDA, as presented, excluding certain expenses paid by our operating subsidiaries to other Charter entities. Our debt covenants refer to these expenses as management fees, which were \$299 million and \$599 million for the three and six months ended June 30, 2019, respectively, and \$265 million and \$538 million for the three and six months ended June 30, 2018, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income attributable to Charter shareholders	\$ 314	\$ 273	\$ 567	\$ 441
Plus: Net income attributable to noncontrolling interest	72	66	136	121
Interest expense, net	945	878	1,870	1,729
Income tax expense	84	41	203	69
Depreciation and amortization	2,500	2,592	5,050	5,302
Stock compensation expense	82	70	167	142
Loss on financial instruments, net	119	75	82	12
Other pension benefits, net	(9)	(20)	(18)	(40)
Other, net	78	76	183	168
Adjusted EBITDA	\$ 4,185	\$ 4,051	\$ 8,240	\$ 7,944
Net cash flows from operating activities	\$ 2,761	\$ 3,096	\$ 5,447	\$ 5,795
Less: Purchases of property, plant and equipment	(1,597)	(2,391)	(3,262)	(4,574)
Change in accrued expenses related to capital expenditures	(52)	99	(428)	(466)
Free cash flow	\$ 1,112	\$ 804	\$ 1,757	\$ 755

Liquidity and Capital Resources

Introduction

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

Recent Events

In May 2019, CCO Holdings, LLC and CCO Holdings Capital Corp. jointly issued \$750 million aggregate principal amount of 5.375% senior unsecured notes due 2029 at par and in July 2019, an additional \$750 million of the same series of notes were issued at a price of 102.000% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness.

In July 2019, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.25 billion aggregate principal amount of 5.125% senior notes due 2049 at a price of 99.880% of the aggregate principal amount. The net proceeds will be used to pay related fees and expenses and for general corporate purposes, including funding potential buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, which may include Time Warner Cable, LLC's 5.000% senior notes due 2020.

Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt. The principal amount of our debt as of June 30, 2019 was \$72.6 billion, consisting of \$11.2 billion of credit facility debt, \$41.8 billion of investment grade senior secured notes and \$19.7 billion of high-yield senior unsecured notes. Our business requires significant cash to fund principal and interest payments on our debt.

Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. As we launch our new mobile services, we expect an initial funding period to grow a new product as well as negative working capital impacts from the timing of device-related cash flows when we provide the handset or tablet to customers pursuant to equipment installment plans. Free cash flow was \$1.1 billion and \$1.8 billion for the three and six months ended June 30, 2019, respectively, and \$804 million and \$755 million for the three and six months ended June 30, 2018, respectively. The increase in free cash flow for the three and six months ended June 30, 2019 compared to the corresponding prior periods is primarily due to a decrease in capital expenditures and higher Adjusted EBITDA offset by an unfavorable change in working capital as well as an increase in cash paid for interest. As of June 30, 2019, the amount available under our credit facilities was approximately \$4.1 billion and cash on hand was approximately \$696 million. We expect to utilize free cash flow, cash on hand and availability under our credit facilities as well as future refinancing transactions to further extend the maturities of our obligations. The timing and terms of any refinancing transactions will be subject to market conditions among other considerations. Additionally, we may, from time to time, and depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings to retire our debt through open market purchases, privately negotiated purchases, tender offers or redemption provisions. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating's revolving credit facility as well as access to the capital markets to fund our projected cash needs.

We continue to evaluate the deployment of our cash on hand and anticipated future free cash flow including to invest in our business growth and other strategic opportunities, including mergers and acquisitions as well as stock repurchases and dividends. Charter's target leverage remains at 4 to 4.5 times, and up to 3.5 times at the Charter Operating level. Our leverage was 4.4 as of June 30, 2019. We expect to increase the total amount of our indebtedness to maintain leverage within Charter's target leverage range. During the three and six months ended June 30, 2019, Charter purchased approximately 2.2 million and 4.9 million shares, respectively, of Charter Class A common stock for approximately \$837 million and \$1.7 billion, respectively, and during the three and six months ended June 30, 2018, Charter purchased 5.7 million and 7.3 million shares, respectively, of Charter Class A common stock for approximately \$1.7 billion and \$2.2 billion, respectively.

In December 2017, Charter and A/N entered into an amendment to the letter agreement (the "Letter Agreement") that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such

immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis. Charter Holdings purchased from A/N 0.4 million and 0.8 million Charter Holdings common units at an average price per unit of \$358.21 and \$338.12, or \$161 million and \$254 million, during the three and six months ended June 30, 2019, respectively, and 0.7 million and 1.1 million Charter Holdings common units at an average price per unit of \$295.31 and \$312.38, or \$201 million and \$328 million, during the three and six months ended June 30, 2018, respectively.

As of June 30, 2019, Charter had remaining board authority to purchase an additional \$769 million of Charter's Class A common stock and/or Charter Holdings common units. Charter is not obligated to acquire any particular amount of common stock, and the timing of any purchases that may occur cannot be predicted and will largely depend on market conditions and other potential uses of capital. Purchases may include open market purchases, tender offers or negotiated transactions.

As possible acquisitions, swaps or dispositions arise, we actively review them against our objectives including, among other considerations, improving the operational efficiency, geographic clustering of assets, product development or technology capabilities of our business and achieving appropriate return targets, and we may participate to the extent we believe these possibilities present attractive opportunities. However, there can be no assurance that we will actually complete any acquisitions, dispositions or system swaps, or that any such transactions will be material to our operations or results.

Free Cash Flow

Free cash flow increased \$308 million and \$1.0 billion during the three and six months ended June 30, 2019 compared to the corresponding prior periods in 2018 due to the following (dollars in millions).

	Three months ended June 30, 2019 compared to three months ended June 30, 2018 Increase / (Decrease)	Six months ended June 30, 2019 compared to six months ended June 30, 2018 Increase / (Decrease)
Decrease in capital expenditures	\$ 794	\$ 1,312
Increase in Adjusted EBITDA	134	296
Changes in working capital, excluding change in accrued interest	(438)	(540)
Increase in cash paid for interest, net	(167)	(114)
Other, net	(15)	48
	\$ 308	\$ 1,002

Free cash flow was reduced by \$297 million and \$588 million during the three and six months ended June 30, 2019, respectively, and \$116 million and \$141 million during the three and six months ended June 30, 2018, respectively, due to mobile with impacts negatively affecting working capital, capital expenditures and Adjusted EBITDA.

Limitations on Distributions

Distributions by our subsidiaries to a parent company for payment of principal on parent company notes are restricted under indentures and credit facilities governing our indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable subsidiary's leverage ratio test is met at the time of such distribution. As of June 30, 2019, there was no default under any of these indentures or credit facilities, and each subsidiary met its applicable leverage ratio tests based on June 30, 2019 financial results. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in its credit facilities.

However, without regard to leverage, during any calendar year or any portion thereof during which the borrower is a flow-through entity for tax purposes, and so long as no event of default exists, the borrower may make distributions to the equity interests of the borrower in an amount sufficient to make permitted tax payments.

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

Historical Operating, Investing, and Financing Activities

Cash, Cash Equivalents and Restricted Cash. We held \$696 million and \$551 million in cash and cash equivalents as of June 30, 2019 and December 31, 2018, respectively. We also held \$150 million and \$214 million in restricted cash as of June 30, 2019 and December 31, 2018, respectively, representing escrowed funds of a consolidated variable interest entity. See Note 3 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

Operating Activities. Net cash provided by operating activities decreased \$348 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018, primarily due to changes in working capital, excluding the change in accrued interest and accrued expenses related to capital expenditures, that used \$578 million more cash as a result of a one-time impact from a standardization of bill cycles and lower payables offset by an increase in Adjusted EBITDA of \$296 million.

Investing Activities. Net cash used in investing activities was \$3.7 billion and \$5.1 billion for the six months ended June 30, 2019 and 2018, respectively. The decrease in cash used was primarily due to a decrease in capital expenditures.

Financing Activities. Net cash used in financing activities was \$1.6 billion and \$536 million for the six months ended June 30, 2019 and 2018, respectively. The increase in cash used was primarily due to a decrease in the amount by which borrowings of long-term debt exceeded repayments offset by a decrease in the purchase of treasury stock and noncontrolling interest.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were \$1.6 billion and \$3.3 billion for the three and six months ended June 30, 2019, respectively, and \$2.4 billion and \$4.6 billion for the three and six months ended June 30, 2018, respectively. The decrease was primarily due to lower customer premise equipment expenditures as a result of the completion of our all-digital conversion and fewer SPP migrations, lower scalable infrastructure as a result of the completion of the roll-out of DOCSIS 3.1 technology across our footprint in 2018 and lower support spending with the substantial completion of the integration of TWC and Bright House. See the table below for more details.

We currently expect capital expenditures, excluding capital expenditures related to mobile, to be approximately \$7 billion in 2019, versus \$8.9 billion in 2018. The actual amount of our capital expenditures in 2019 will depend on a number of factors including further spend related to product development and growth rates of both our residential and commercial businesses.

Our capital expenditures are funded primarily from cash flows from operating activities and borrowings on our credit facility. In addition, our accrued liabilities related to capital expenditures decreased by \$428 million and \$466 million for the six months ended June 30, 2019 and 2018, respectively.

The following tables present our major capital expenditures categories in accordance with National Cable and Telecommunications Association (“NCTA”) disclosure guidelines for the three and six months ended June 30, 2019 and 2018. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Customer premise equipment (a)	\$ 492	\$ 828	\$ 1,057	\$ 1,762
Scalable infrastructure (b)	223	587	520	1,073
Line extensions (c)	363	353	684	644
Upgrade/rebuild (d)	155	190	286	332
Support capital (e)	364	433	715	763
Total capital expenditures	\$ 1,597	\$ 2,391	\$ 3,262	\$ 4,574
Capital expenditures included in total related to:				
Mobile	\$ 93	\$ 53	\$ 181	\$ 70
Commercial services	\$ 324	\$ 309	\$ 629	\$ 592
All-digital transition	\$ —	\$ 88	\$ —	\$ 274

- (a) Customer premise equipment includes costs incurred at the customer residence to secure new customers and revenue generating units, including customer installation costs and customer premise equipment (e.g., set-top boxes and cable modems).
- (b) Scalable infrastructure includes costs not related to customer premise equipment, to secure growth of new customers and revenue generating units, or provide service enhancements (e.g., headend equipment).
- (c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
- (d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
- (e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).

Recently Issued Accounting Standards

See Note 21 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements” for a discussion of recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We use derivative instruments to manage foreign exchange risk on the Sterling Notes, and do not hold or issue derivative instruments for speculative trading purposes.

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency derivative instruments have maturities of June 2031 and July 2042. We are required to post collateral on the cross-currency derivative instruments when such instruments are in a liability position. In April 2019, we entered into a collateral holiday agreement for 60% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years, as well as a ten year collateral cap on the remaining 40% of the cross-currency swaps which limits the required collateral posting on that 40% of the cross-currency swaps to \$150 million. For more information, see Note 9 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

As of June 30, 2019 and December 31, 2018, the weighted average interest rate on credit facility debt was approximately 4.1% and 4.3%, respectively, and the weighted average interest rate on the senior notes was approximately 5.4% and 5.6%, respectively, resulting in a blended weighted average interest rate of 5.2% and 5.4%, respectively. The interest rate on approximately 83% and 85% of the total principal amount of our debt was effectively fixed as of June 30, 2019 and December 31, 2018, respectively.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of June 30, 2019 (dollars in millions).

	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
Debt:								
Fixed-Rate	\$ —	\$ 3,500	\$ 2,200	\$ 4,250	\$ 4,150	\$ 46,419	\$ 60,519	\$ 65,215
Average Interest Rate	—%	4.19%	4.32%	4.70%	5.85%	5.63%	5.45%	
Variable Rate	\$ 143	\$ 286	\$ 286	\$ 286	\$ 566	\$ 10,500	\$ 12,067	\$ 12,030
Average Interest Rate	3.46%	3.23%	3.57%	3.86%	3.93%	4.27%	4.13%	

Interest rates on variable-rate debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at June 30, 2019 including applicable bank spread.

Item 4. Controls and Procedures.

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our design and operation of disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based upon reports and certifications provided by a number of executives. Based on, and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide

reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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

During the quarter ended June 30, 2019, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

Our Annual Report on Form 10-K for the year ended December 31, 2018 includes “Legal Proceedings” under Item 3 of Part I. Other than as described in Note 19 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements,” there have been no material changes from the legal proceedings described in our Form 10-K.

Item 1A. *Risk Factors.*

Our Annual Report on Form 10-K for the year ended December 31, 2018 includes “Risk Factors” under Item 1A of Part I. There have been no material changes from the updated risk factors described in our Form 10-K.

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

(C) Purchases of Equity Securities by the Issuer

The following table presents Charter’s purchases of equity securities completed during the second quarter of 2019 (dollars in millions, except per share amounts):

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1 - 30, 2019	742,193	\$353.38	738,856	\$902
May 1 - 31, 2019	962,037	\$376.20	822,793	\$808
June 1 - 30, 2019	697,425	\$389.27	685,630	\$769

⁽¹⁾ Includes 3,337, 139,244 and 11,795 shares withheld from employees for the payment of taxes and exercise costs upon the exercise of stock options or vesting of other equity awards for the months of April, May and June 2019, respectively.

⁽²⁾ During the three months ended June 30, 2019, Charter purchased approximately 2.2 million shares of its Class A common stock for approximately \$837 million. Charter Holdings purchased 0.4 million Charter Holdings common units from A/N at an average price per unit of \$358.21, or \$161 million, during the three months ended June 30, 2019. As of June 30, 2019, Charter had remaining board authority to purchase an additional \$769 million of Charter’s Class A common stock and/or Charter Holdings common units. In addition to open market purchases including pursuant to Rule 10b5-1 plans adopted from time to time, Charter may also buy shares of Charter Class A common stock, from time to time, pursuant to private transactions outside of its Rule 10b5-1 plan and any such repurchases would also trigger the repurchases from A/N pursuant to and to the extent provided in the Letter Agreement.

Item 5. *Other Information.*

On January 29, 2019, Charter’s Board of Directors adopted the Charter Communications, Inc. 2019 Stock Incentive Plan (the “2019 Plan”). The 2019 Plan became effective on April 23, 2019 upon its approval by Charter’s stockholders at its Annual Meeting. The terms of the 2019 Plan are summarized in Charter’s proxy statement for the 2019 Annual Meeting. The forms of stock option agreement, restricted stock unit agreement and restricted stock agreement approved for grants under the 2019 Plan are attached as Exhibits 10.2, 10.3 and 10.4 to this report.

Item 6. *Exhibits.*

See Exhibit Index.

SIGNATURES

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

CHARTER COMMUNICATIONS, INC.,
Registrant

By: /s/ Kevin D. Howard
Kevin D. Howard
Chief Accounting Officer and Controller

Date: July 26, 2019

Exhibit Index

Exhibit	Description
10.1	Charter Communications, Inc. 2019 Stock Incentive Plan (incorporated by reference to Annex A to the proxy statement for the Charter Communications, Inc. 2019 Annual Meeting of Stockholders filed March 14, 2019 (File No. 001-33664)) .
10.2*	Form of Nonqualified Stock Option Agreement under the Charter Communications, Inc. 2019 Stock Incentive Plan .
10.3*	Form of Restricted Stock Unit Agreement under the Charter Communications, Inc. 2019 Stock Incentive Plan .
10.4*	Form of Restricted Stock Agreement under the Charter Communications, Inc. 2019 Stock Incentive Plan .
10.5	Indenture, dated as of May 23, 2019, among CCO Holdings, LLC, CCO Holdings Capital Corp. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K filed by Charter Communications, Inc. on May 30, 2019 (File No. 001-33664)) .
10.6	First Supplemental Indenture, dated as of May 23, 2019, among CCO Holdings, LLC, CCO Holdings Capital Corp. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the current report on Form 8-K filed by Charter Communications, Inc. on May 30, 2019 (File No. 001-33664)) .
10.7	Form of 5.375% Senior Notes due 2029 (included in Exhibit 10.5) .
10.8	Exchange and Registration Rights Agreement, dated May 23, 2019, relating to the 5.375% Senior Notes due 2029, among CCO Holdings, LLC, CCO Holdings Capital Corp. and Deutsche Bank Securities Inc., as representative of the several Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed by Charter Communications, Inc. on May 30, 2019 (File No. 001-33664)) .
10.9	Underwriting Agreement, dated as of June 25, 2019, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., CCO Holdings, LLC, as parent guarantor, the subsidiary guarantors party thereto and Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, as representatives of the several underwriters named in Schedule I thereto (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on July 1, 2019 (File No. 001-33664)) .
10.10	Fourteenth Supplemental Indenture, dated as of July 10, 2019, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., as issuers, CCO Holdings, LLC, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (incorporated by reference to Exhibit 4.5 to the current report on Form 8-K filed by Charter Communications, Inc. on July 10, 2019 (File No. 001-33664)) .
10.11	Form of 5.125% Senior Secured Notes due 2049 (included in Exhibit 10.10 hereto) .
10.12	Exchange and Registration Rights Agreement, dated July 10, 2019, relating to the 5.375% Senior Notes due 2029, among CCO Holdings, LLC, CCO Holdings Capital Corp. and Deutsche Bank Securities Inc., as representative of the several Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed by Charter Communications, Inc. on July 10, 2019 (File No. 001-33664)) .
31.1*	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934 .
31.2*	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934 .
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer) .
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer) .
101.INS**	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** This exhibit will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (15 U.S.C. 78r) or otherwise subject to the liability of that section. Such exhibit will not be deemed to be incorporated by reference into any filing under the Securities Act or Securities Exchange Act, except to the extent that the company specifically incorporates it by reference.

NONQUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of [_____], 2019 (the “Grant Date”), between Charter Communications, Inc., a Delaware corporation (the “Company”), and _____ (the “Optionee”).

Unless otherwise defined herein, terms defined in the Charter Communications, Inc. 2019 Stock Incentive Plan (the “Plan”) shall have the same defined meanings in this Nonqualified Stock Option Agreement (the “Agreement”).

The undersigned Optionee has been granted an Option to purchase Shares of Class A common stock of the Company (“Shares”), subject to the terms and conditions of the Plan and this Agreement, as follows:

Vesting Schedule: As provided in Section 4 of the Agreement.

Exercise Price per Share: \$ _____

Total Number of Shares under Option: _____

Exercise Expiration Date: [_____], 2029

(Such information as to exercise price, total number of options and exercise expiration date are also shown on the Optionee’s on-line grant account.)

Charter Communications, Inc.

Paul Marchand, EVP - Human Resources

I, the undersigned, agree to this grant of an Option to purchase Shares of the Company, acknowledge that this grant is subject to the terms and conditions of the Plan and this Agreement, and have read and understand the terms and conditions set forth in Sections 1 through 24 of this Agreement. I further acknowledge receipt of the Plan and the prospectus for the Plan and consent to receive any and all communications, updates and amendments to the Plan or the prospectus, in the Company’s discretion, by electronic delivery through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Optionee

1. Grant of Option.

1.1 The Company hereby grants to the Optionee the right and option (the “Option”) to purchase all or any part of the Total Number of Shares under Option set forth above, subject to, and in accordance with, the terms and conditions set forth in this Agreement.

1.2 The Option is not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

1.3 This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are incorporated herein by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Purchase Price.

The price at which the Optionee shall be entitled to purchase Shares upon the exercise of the Option shall be the Exercise Price per Share set forth above.

3. Duration of Option.

The Option shall be exercisable to the extent and in the manner provided herein for a period of ten (10) years from the Grant Date (the “Exercise Term”) and shall expire as of the tenth (10th) anniversary of the Grant Date (“Exercise Expiration Date”); provided, however, that the Option may be earlier or later terminated as provided under the terms of the Plan and this Agreement.

4. Vesting of Option.

4.1 Vesting. Unless otherwise provided in this Agreement, 100% of the Option granted hereunder shall vest and become exercisable on the third anniversary of the Grant Date. The right of purchase shall continue, unless sooner exercised or terminated as herein provided, during the remaining period of the Exercise Term.

4.2 Certain Terminations. Notwithstanding anything to the contrary set forth in any employment agreement between the Optionee and the Company, the Plan or this Agreement, upon the termination of employment of the Optionee: (i) by the Company, or any of its Subsidiaries, for Cause, or by the Optionee without Good Reason, the unvested Option shall be cancelled and forfeited; (ii) as a result of the Optionee’s Retirement, or by the Company, or any of its Subsidiaries, without Cause or by the Optionee for Good Reason, then, subject to 4.3 and 4.4 hereof: (A) all or any portion of the unvested Option that does not vest pursuant to Section 4.2(ii)(B) hereof shall be cancelled and forfeited; and (B) a pro-rata portion of the Option (based on the number of days of the vesting period that has elapsed as of such termination) shall vest and become exercisable as of the date of such termination, (notwithstanding any fractional number of Shares resulting from the application of the foregoing provision, the Option shall only be exercisable with respect to a whole number of shares); or (iii) as a result of the Optionee’s death or Disability, any unvested Option shall be vested in full on the date of death or Disability.

4.3 Change in Control. Notwithstanding anything to the contrary set forth in Section 4.2 hereof, any employment agreement between the Optionee and the Company, the Plan or this Agreement, if, within thirty (30) days prior or twelve (12) months following the completion of a Change in Control or at any time prior to a Change in Control at the request of a prospective purchaser whose proposed purchase would constitute a Change in Control upon its completion, the Company, or any of its Subsidiaries, terminates the Optionee's employment without Cause or the Optionee terminates his or her employment for Good Reason, the unvested Options shall immediately vest and become fully exercisable.

4.4 Committee Discretion to Accelerate Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of all or any portion the Option at any time and for any reason.

5. Manner of Exercise and Payment.

5.1 Subject to the terms and conditions of this Agreement and the Plan, the vested portion of the Option may be exercised only through an Exercise and Net Shares transaction or in such other manner as may be permitted by the Committee in its discretion, by delivery of written notice in person, electronically or by mail to the Plan Administrator (or his or her designee). Such notice shall state that the Optionee is electing to exercise the Option and the number of Shares in respect of which the Option is being exercised and shall be signed by the person or persons exercising the Option. If requested by the Committee, such person or persons shall: (i) deliver this Agreement to the Plan Administrator (or his or her designee) who shall endorse thereon a notation of such exercise, and (ii) provide satisfactory proof as to the right of such person or persons to exercise the Option. For purposes of this Agreement, "Exercise and Net Shares", shall mean the exercise of an Option where, upon receipt of notice of exercise, the Company shall transfer to the Optionee the number of Shares as to which such exercise was effective, less a number of Shares having a Fair Market Value on the date of exercise equal to the sum of: (i) the full purchase price for the Shares in respect of which the Option is being exercised and (ii) Withholding Taxes due.

5.2 In the event the Committee permits an exercise other than an Exercise and Net Shares transaction, the notice of exercise described in Section 5.1 hereof shall be accompanied by: (a) the full purchase price for the Shares in respect of which the Option is being exercised, in cash, by check, by transferring Shares to the Company having a Fair Market Value on the date of exercise equal to the cash amount for which such Shares are substituted, or in such other manner as may be permitted by the Committee in its discretion, and (b) payment of the Withholding Taxes as provided by Section 13 of this Agreement, and in the manner as may be permitted by the Committee its discretion pursuant to Section 13 of this Agreement.

5.3 Upon receipt of notice of exercise and full payment for the Shares in respect of which the Option is being exercised, the Company shall, subject to the terms of the Plan, take such action as may be necessary to affect the transfer to the Optionee of the number of Shares as to which such exercise was effective.

5.4 Except as otherwise provided in Section 11, the Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to any Shares

subject to the Option until: (i) the Option shall have been exercised pursuant to the terms of this Agreement and the Optionee shall have paid the full purchase price for the number of Shares in respect of which the Option was exercised, (ii) the Company shall have issued and delivered the Shares to the Optionee, and (iii) the Optionee's name shall have been entered as a stockholder of record on the books of the Company, whereupon the Optionee shall have full voting and other ownership rights with respect to such Shares.

6. Arbitration.

6.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this section 6.1 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Stamford, Connecticut.

6.2 Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of nine persons (which shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over Stamford, Connecticut. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

6.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph the parties shall be entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgement if the matter had been pursued in court litigation. In

the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

6.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

6.5 Award Final and Binding. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

7. Exercisability upon Termination of Employment.

Upon termination of the Optionee's employment due to: (i) death or Disability, the vested portion of the Option shall continue to be exercisable in whole or in part at any time for eighteen (18) months after the date of such termination; or (ii) as a result of the Optionee's Retirement, the vested portion of the Option shall continue to be exercisable in whole or in part at any time for thirty-six (36) months after the date of such termination. If the employment of the Optionee is terminated for any other reason, the vested portion of the Option shall continue to be exercisable in whole or in part at any time for six (6) months after the date of such termination, but in no event after the Exercise Expiration Date.

8. Confidentiality/Proprietary Developments/Competition and Non-Interference. Notwithstanding anything in this Section 8 or otherwise in this Agreement to the contrary, in the case of an Optionee whose employment with the Company or a Subsidiary is subject to the terms of an employment agreement between such Optionee and the Company or Subsidiary, which employment agreement includes the restrictive covenants covered in this Section 8, the restrictive covenants and all terms and conditions governing same as set forth in said employment agreement shall control and supersede this Section 8; otherwise:

8.1. Confidentiality.

8.1.1 Acknowledgments by Optionee. Optionee acknowledges that: (a) during the term of this Agreement and as a part of Optionee's employment with the Company or

its subsidiaries, Optionee has been and will be afforded access to Confidential Information (as defined below); (b) public disclosure of such Confidential Information could have an adverse effect on the Company and its business; (c) because Optionee possesses substantial technical expertise and skill with respect to the Company's business, Company desires to obtain exclusive ownership of each invention by Optionee while Optionee is employed by the Company, and the Company will be at a substantial competitive disadvantage if it fails to acquire exclusive ownership of each such invention by Optionee; and (d) the provisions of this Section 8.1 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information and to provide Company with exclusive ownership of all inventions and works made or created by Optionee.

8.1.2 Confidential Information.

(i) The Optionee acknowledges that during the term of this Agreement, including during Optionee's employment, Optionee will have access to and may obtain, develop, or learn of Confidential Information (as defined below) under and pursuant to a relationship of trust and confidence. The Optionee shall hold such Confidential Information in strictest confidence and never at any time, during or after Optionee's employment terminates, directly or indirectly use for Optionee's own benefit or otherwise (except in connection with the performance of any duties as an employee) any Confidential Information, or divulge, reveal, disclose or communicate any Confidential Information to any unauthorized person or entity in any manner whatsoever.

(ii) As used in this Agreement, the term "Confidential Information" shall include, but not be limited to, any of the following information relating to the Company and its business learned by the Optionee during the term of this Agreement or as a result of Optionee's employment with Company:

(A) information regarding the Company's business proposals, manner of the Company's operations, and methods of selling or pricing any products or services;

(B) the identity of persons or entities actually conducting or considering conducting business with the Company, and any information in any form relating to such persons or entities and their relationship or dealings with the Company or its affiliates;

(C) any trade secret or confidential information of or concerning any business operation or business relationship;

(D) computer databases, software programs and information relating to the nature of the hardware or software and how said hardware or software is used in combination or alone;

(E) information concerning Company personnel, confidential financial information, customer or customer prospect

information, information concerning subscribers, subscriber and customer lists and data, methods and formulas for estimating costs and setting prices, engineering design standards, testing procedures, research results (such as marketing surveys, programming trials or product trials), cost data (such as billing, equipment and programming cost projection models), compensation information and models, business or marketing plans or strategies, deal or business terms, budgets, vendor names, programming operations, product names, information on proposed acquisitions or dispositions, actual performance compared to budgeted performance, long-range plans, internal financial information (including but not limited to financial and operating results for certain offices, divisions, departments, and key market areas that are not disclosed to the public in such form), results of internal analyses, computer programs and programming information, techniques and designs, and trade secrets;

(F) information concerning the Company's employees, officers, directors or shareholders; and

(G) any other trade secret or information of a confidential or proprietary nature.

(iii) Optionee shall not make or use any notes or memoranda relating to any Confidential Information except for uses reasonably expected by Optionee to be for the benefit of the Company, and will, at the Company's request, return each original and every copy of any and all notes, memoranda, correspondence, diagrams or other records, in written or other form, that Optionee may at any time have within his possession or control that contain any Confidential Information.

(iv) Notwithstanding the foregoing, Confidential Information shall not include information which has come within the public domain through no fault of or action by Optionee or which has become rightfully available to Optionee on a non-confidential basis from any third party, the disclosure of which to Optionee does not violate any contractual or legal obligation such third party has to the Company or its affiliates with respect to such Confidential Information. None of the foregoing obligations or restrictions applies to any part of the Confidential Information that Optionee demonstrates was or became generally available to the public other than as a result of a disclosure by Optionee or by any other person bound by a confidentiality obligation to the Company in respect of such Confidential Information.

(v) Optionee will not remove from the Company's premises (except to the extent such removal is for purposes of the performance of Optionee's duties to the Company at home or while traveling, or except as otherwise specifically authorized by the Company) any Company document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). Optionee recognizes that, as between the Company and Optionee, all of the Proprietary Items, whether or not developed by Optionee, are the exclusive property of the Company. Upon termination of Optionee's employment by either party, or upon the request of

the Company during the term of this Agreement, Optionee will return to the Company all of the Proprietary Items in Optionee's possession or subject to Optionee's control, including all equipment (e.g., laptop computers, cell phone, portable e-mail devices, etc.), documents, files and data, and Optionee shall not retain any copies, abstracts, sketches, or other physical embodiment of any such Proprietary Items.

8.2. Proprietary Developments.

8.2.1 Any and all inventions, products, discoveries, improvements, processes, methods, computer software programs, models, techniques, or formulae (collectively, hereinafter referred to as "Developments"), made, conceived, developed, or created by Optionee (alone or in conjunction with others, during regular work hours or otherwise) during Optionee's employment which may be directly or indirectly useful in, or relate to, the business conducted or to be conducted by the Company will be promptly disclosed by Optionee to the Company and shall be the Company's exclusive property. The term "Developments" shall not be deemed to include inventions, products, discoveries, improvements, processes, methods, computer software programs, models, techniques, or formulae which were in the possession of Optionee prior to the commencement of Optionee's employment with the Company. Optionee hereby transfers and assigns to the Company all proprietary rights which Optionee may have or acquire in any Developments and Optionee waives any other special right which Optionee may have or accrue therein. Optionee will execute any documents and agrees to take any actions that may be required, in the reasonable determination of Company's counsel, to effect and confirm such assignment, transfer and waiver, to direct the issuance of patents, trademarks, or copyrights to Company with respect to such Developments as are to be Company's exclusive property or to vest in Company title to such Developments; provided, however, that the expense of securing any patent, trademark or copyright shall be borne by the Company. The parties agree that Developments shall constitute Confidential Information.

8.2.2 "Work Made for Hire." Any work performed by Optionee during Optionee's employment with Company shall be considered a "Work Made for Hire" as defined in the U.S. Copyright laws, and shall be owned by and for the express benefit of the Company. In the event it should be established that such work does not qualify as a Work Made for Hire, Optionee agrees to and does hereby assign to the Company all of Optionee's right, title, and interest in such work product including, but not limited to, all copyrights and other proprietary rights.

8.3 Non-Competition and Non-Interference.

8.3.1 Acknowledgments by Optionee. Optionee acknowledges and agrees that: (a) the services to be performed by Optionee under this Agreement are of a special, unique, unusual, extraordinary, and intellectual character; (b) the Company competes with other businesses that are or could be located in any part of the United States; and (c) the provisions of this Section 8.3 are reasonable and necessary to protect the Company's business and lawful protectable interests, and do not impair Optionee's ability to earn a living.

8.3.2 Covenants of Optionee. For purposes of this Section 8.3, the term “Restricted Period” shall mean the period commencing as of the date of this Agreement and terminating on the second annual anniversary (or, in the case of Section 8.3.2(iii), the first annual anniversary), of the date Optionee’s employment terminated; provided, that the “Restricted Period” also shall encompass any period of time from whichever anniversary date is applicable until and ending on the last date Optionee is to be paid any payment; and provided further, that the “Restricted Period” shall be tolled and extended for any period of time during which Optionee is found to be in violation of the covenants set forth in this section 8.3. In consideration of the acknowledgments by Optionee, and in consideration of the compensation and benefits to be paid or provided to Optionee by the Company, Optionee covenants and agrees that during the Restricted Period, the Optionee will not, directly or indirectly, for Optionee’s own benefit or for the benefit of any other person or entity other than the Company:

(i) in the United States or any other country or territory where the Company then conducts its business: engage in, operate, finance, control or be employed by a “Competitive Business” (defined below); serve as an officer or director of a Competitive Business (regardless of where Optionee then lives or conducts such activities); perform any work as an employee, consultant (other than as a member of a professional consultancy, law firm, accounting firm or similar professional enterprise that has been retained by the Competitive Business and where Optionee has no direct role in such professional consultancy and maintains the confidentiality of all information acquired by Optionee during his or her employment with the Company), contractor, or in any other capacity with, a Competitive Business; directly or indirectly invest or own any interest in a Competitive Business (regardless of where Optionee then lives or conducts such activities); or directly or indirectly provide any services or advice to any business, person or entity who or which is engaged in a Competitive Business (other than as a member of a professional consultancy, law firm, accounting firm or similar professional enterprise that has been retained by the Competitive Business and where Optionee has no direct role in such professional consultancy and maintains the confidentiality of all information acquired by Optionee during his or her employment with the Company). A “Competitive Business” is any business, person or entity who or which, anywhere within that part of the United States, or that part of any other country or territory, where the Company conducts business, directly or indirectly through any entity controlling, controlled by or under common control with such business, offers, provides, markets or sells any service or product of a type that is offered or marketed by or competitive with a service or product offered or marketed by the Company at the time Optionee’s employment terminates or is being planned to be offered or marketed by the Company with Optionee’s participation; or who or which in any case is preparing or planning to do so. To appropriately take account of the highly competitive nature of the Company’s business, the parties agree that any business engaged in any of the activities set forth on Schedule 1 shall be deemed to be a “Competitive Business.” The provisions of this Section 8.3 shall not be construed or applied so as to prohibit Optionee from owning not more than five percent (5%) of any class of securities that is publicly traded on any national or regional securities exchange, as long as Optionee’s investment is passive and Optionee does not lend or provide any services or advice to such business or otherwise violate the terms of this Agreement in connection with such investment

(ii) contact, solicit or provide any service or product of a type offered by, or competitive with, any product or service provided by the Company to any person or entity that was a customer, franchisee, or prospective customer of the Company at any time during Optionee's employment (a prospective customer being one to whom the Company had made a business proposal within twelve (12) months prior to the time Optionee's employment terminated); or directly solicit or encourage any customer, franchisee or subscriber of the Company to purchase any service or product of a type offered by or competitive with any product or service provided by the Company, or to reduce the amount or level of business purchased by such customer, franchisee or subscriber from the Company; or take away or procure for the benefit of any competitor of the Company, any business of a type provided by or competitive with a product or service offered by the Company; or

(iii) solicit, recruit, or hire for employment or consulting services, any person or persons who are employed by Company or any of its subsidiaries or affiliates, or who were so employed at any time within a period of six (6) months immediately prior to the date Optionee's employment terminated, or otherwise interfere with the relationship between any such person and the Company; nor will the Optionee assist anyone else in recruiting any such employee to work for another company or business or discuss with any such person his or her leaving the employ of the Company or engaging in a business activity in competition with the Company. This provision shall not apply to secretarial, clerical, custodial or maintenance employees. If Optionee violates any covenant contained in this Section 8.3, then the term of the covenants in this Section shall be extended by the period of time Optionee was in violation of the same.

8.3.3 Provisions Pertaining to the Covenants. Optionee recognizes that the existing business of the Company extends to various locations and areas throughout the United States and may extend hereafter to other countries and territories and agrees that the scope of Section 8.3 shall extend to any part of the United States, and any other country or territory, where the Company operates or conducts business, or has concrete plans to do so at the time Optionee's employment terminates. It is agreed that the Optionee's services hereunder are special, unique, unusual and extraordinary giving them peculiar value, the loss of which cannot be reasonably or adequately compensated for by damages, and in the event of the Optionee's breach of this Section, Company shall be entitled to equitable relief by way of injunction or otherwise in addition to the cessation of payments and benefits hereunder. If any provision of Section 8 of this Agreement is deemed to be unenforceable by a court (whether because of the subject matter of the provision, the duration of a restriction, the geographic or other scope of a restriction or otherwise), that provision shall not be rendered void but the parties instead agree that the court shall amend and alter such provision to such lesser degree, time, scope, extent and/or territory as will grant Company the maximum restriction on Optionee's activities permitted by applicable law in such circumstances. Company's failure to exercise its rights to enforce the provisions of this Agreement shall not be affected by the existence or non existence of any other similar agreement for anyone else employed by the Company or by Company's failure to exercise any of its rights under any such agreement.

8.4 Whistleblower Protection. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall be interpreted so as to impede the

Optionee (or any other individual) from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation. The Optionee does not need the prior authorization of the Company to make any such reports or disclosures and the Optionee shall not be required to notify the Company that such reports or disclosures have been made.

8.5. Trade Secrets. 18 U.S.C. § 1833(b) provides: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that-(A) is made-(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

8.6 Notices. In order to preserve the Company’s rights under this Agreement, the Company is authorized to advise any potential or future employer, any third party with whom Optionee may become employed or enter into any business or contractual relationship with, and any third party whom Optionee may contact for any such purpose, of the existence of this Agreement and its terms, and the Company shall not be liable for doing so.

8.7 Injunctive Relief and Additional Remedy. Optionee acknowledges that the injury that would be suffered by the Company as a result of a breach of the provisions of this Agreement (including any provision of Section 8) would be irreparable and that an award of monetary damages to the Company for such a breach would be an inadequate remedy. Consequently, the Company will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement and the Company will not be obligated to post bond or other security in seeking such relief. Without limiting the Company’s rights under this Section or any other remedies of Company, if Optionee breaches any of the provisions of Section 8, the Company will have the right to cease making any payments otherwise due to Optionee under this Agreement.

8.8 Covenants of Section 8 are Essential and Independent Covenants. To the extent applicable to Optionee, the covenants by Optionee in Section 8 are essential elements of this Agreement, and without Optionee’s agreement to comply with such covenants; the Company would not have entered into this Agreement or employed Optionee. Company and Optionee have independently consulted their respective counsel and have been advised in all respects

concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Company. Optionee's covenants in Section 8 are independent covenants and the existence of any claim by Optionee against the Company, under this Agreement or otherwise, will not excuse Optionee's breach of any covenant in Section 8. If Optionee's employment hereunder is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of Optionee in Section 8. The Company's right to enforce the covenants in Section 8, shall not be adversely affected or limited by the Company's failure to have an agreement with another employee with provisions at least as restrictive as those contained in Section 8, or by the Company's failure or inability to enforce (or agreement not to enforce) in full the provisions of any other or similar agreement containing one or more restrictions of the type specified in Section 8 of this Agreement.

9. Nontransferability.

The Option shall not be transferable other than (a) by will or by the laws of descent and distribution or (b) to a Permitted Transferee. Any Permitted Transferee shall be subject to the terms of this Agreement to the same extent as the original Optionee, provided that (x) references to "Permitted Transferees" shall be understood to refer only to Permitted Transferees of the original Optionee and (y) the original Optionee (and not the Permitted Transferee) shall remain subject to all obligations under this Agreement, including without limitation those regarding the provision of services to the Company and its Affiliates and compliance with covenants concerning competition, solicitation, confidentiality, disparagement and similar obligations to the Company and its Affiliates. The Option shall be subject to forfeiture by the Permitted Transferee to the same extent as it is subject to forfeiture by the original Optionee had it not been transferred. During the lifetime of the Optionee (or, following transfer, the Permitted Transferee), the Option shall be exercisable only by the Optionee (or, following transfer, the Permitted Transferee).

10. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Optionee any right with respect to continuance of employment by the Company, or any Subsidiary or Affiliate of the Company, nor shall this Agreement or the Plan interfere in any way with the right of the Company to terminate the Optionee's employment or service at any time.

11. Adjustments.

11.1 Change in Capitalization. In the event of a Change in Capitalization (as defined in the Plan), the Committee shall make appropriate adjustments to: (i) the number and class of Shares or other stock or securities subject to the Option; or (ii) the purchase price for such Shares or other stock or securities. The Committee's adjustment shall be made in accordance with the provisions of the Plan and shall be effective and final, binding and conclusive for all purposes of the Plan and this Agreement.

11.2 Dividends and Other Distributions. If the Company: (i) makes distributions (by dividend or otherwise); (ii) grants rights to purchase securities to existing

shareholders as a group; or (iii) issues securities to existing shareholders as a group (other than pursuant to: (a) any equity awards granted under the Company's equity incentive compensation plans; or (b) warrants issued with an exercise price equal to the Fair Market Value on the date of grant), in the case of clauses (ii) and (iii) at a price below Fair Market Value, and in each case of clauses (i), (ii) and (iii), (an "Extraordinary Distribution"), then to reflect such Extraordinary Distribution, this Option shall be adjusted to retain the pre-Extraordinary Distribution spread by decreasing the Exercise Price, in a manner consistent with Section 409A of the Code; provided that with respect to any vested portion of this Option, the Committee, in its sole discretion, may provide that, in lieu of such adjustment, the Optionee shall be entitled to receive the amount of, and the benefits and rights associated with, such Extraordinary Distribution in the same form and on the same terms as the Extraordinary Distribution paid or provided to the Company's shareholders based upon the number of Shares underlying such vested portion of the Option. Any adjustment described in this Section 11.2 shall be implemented in accordance with, and to the extent permitted by, Treasury Regulation § 1.409A-1(b)(5)(v)(D).

12. Effect of a Merger, Consolidation or Liquidation.

Subject to the terms of the Plan and this Agreement, in the event of: (a) the liquidation or dissolution of the Company; or (b) a merger or consolidation of the Company (a "Transaction") that does not constitute a Change in Control, the Option shall continue in effect in accordance with their respective terms, except that the Committee may, in its discretion, do one or more of the following: (i) shorten the period during which the Option is exercisable (provided they remain exercisable for at least thirty (30) days after the date on which notice of such shortening is given to the Optionee); (ii) accelerate the vesting schedule with respect to the Option; (iii) arrange to have the surviving or successor entity assume the Option or grant replacement Option with appropriate adjustments in the exercise prices, and adjustments in the number and kind of securities issuable upon exercise or adjustments so that the Option or its replacement represents the right to purchase or receive the stock, securities or other property (including cash) as may be issuable or payable as a result of such Transaction with respect to or in exchange for the number of Shares purchasable and receivable upon the exercise of the Option had such exercise occurred in full prior to the Transaction; or (iv) cancel the Option upon the payment to the Optionee in cash of an amount that is equal to the Fair Market Value of the Shares subject to the Option or portion thereof over the aggregate exercise price for such Shares under the Option or portion thereof surrendered at the effective time of the Transaction. The treatment of any Option as provided in this Section 12 shall be conclusively presumed to be appropriate for purposes of Section 10 of the Plan.

13. Withholding of Taxes.

At such times as the Optionee recognizes taxable income in connection with the receipt of Shares hereunder (a "Taxable Event"), the Optionee shall pay to the Company an amount equal to the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company in connection with the Taxable Event (the "Withholding Taxes") prior to the issuance, or release from escrow, of such Shares. The Company shall have the right to deduct from any payment to an Optionee an amount equal to the Withholding Taxes in satisfaction of the obligation to

pay Withholding Taxes. In satisfaction of the obligation to pay Withholding Taxes to the Company, the Optionee may make a written election, which may be accepted or rejected in the discretion of the Company, to have withheld a portion of the Shares then issuable to him or her having an aggregate Fair Market Value equal to the Withholding Taxes. Notwithstanding the foregoing, the Company may, in its discretion, provide that an Optionee shall not be entitled to exercise his or her Option for which cash has not been provided by the Optionee with respect to the applicable Withholding Taxes.

14. Excise Tax Limitation.

14.1 Notwithstanding anything contained in this Agreement to the contrary, to the extent that any payment, distribution or acceleration of vesting to or for the benefit of the Optionee by the Company (within the meaning of Section 280G of the Code and the regulations thereunder), whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments") is or will be subject to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then the Total Payments shall be reduced (but not below zero) if and to the extent that a reduction in the Total Payments would result in the Optionee retaining a larger amount, on an after-tax basis (taking into account federal, state and local income taxes and the Excise Tax), than if the Optionee received the entire amount of such Total Payments. Unless the Optionee shall have given prior written notice specifying a different order to the Company to effectuate the foregoing in accordance with Code Section 409A, the Company shall reduce or eliminate the Total Payments, by first reducing or eliminating the portion of the Total Payments which are payable in cash and then by reducing or eliminating non-cash payments, in each case in reverse order beginning with payments or benefits which are to be paid the farthest in time from the Determination (as hereinafter defined). Any notice given by the Optionee pursuant to the preceding sentence shall take precedence over the provisions of any other plan, arrangement or agreement governing the Optionee's rights and entitlements to any benefits or compensation.

14.2 The determination of whether the Total Payments shall be reduced as provided in Section 12.2(a) of the Plan and the amount of such reduction shall be made at the Company's expense by an accounting firm selected by the Company from among the four largest accounting firms in the United States or at the Company's expense by an attorney selected by the Company. Such accounting firm or attorney (the "Determining Party") shall provide its determination (the "Determination"), together with detailed supporting calculations and documentation to the Company and the Optionee within thirty (30) days of the termination of Optionee's employment. If the Determining Party determines that no Excise Tax is payable by the Optionee with respect to the Total Payments, it shall furnish the Optionee with an opinion reasonably acceptable to the Optionee that no Excise Tax will be imposed with respect to any such payments and, absent manifest error, such Determination shall be binding, final and conclusive upon the Company and the Optionee. If the Determining Party determines that an Excise Tax would be payable, the Optionee shall have the right to accept the Determination of the Determining Party as to the extent of the reduction, if any, pursuant to Section 12.2(a) of the Plan, or to have such Determination reviewed by an accounting firm selected by the Optionee, at the Optionee's expense. If the Optionee's accounting firm and the Determining Party do not agree, a third accounting firm shall be jointly chosen by the Determining Party and the Optionee,

in which case the determination of such third accounting firm shall be binding, final and conclusive upon the Company and the Optionee.

15. Optionee Bound by the Plan.

The Optionee hereby acknowledges that the Optionee may receive a copy of the Plan upon request to the Plan Administrator and agrees to be bound by all the terms and provisions of the Plan.

16. Entire Agreement; Modification of Agreement.

This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and, except as otherwise specifically provided herein, supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. For the avoidance of doubt, the Optionee acknowledges and agrees that, notwithstanding anything to the contrary set forth in any employment agreement between the Optionee and the Company, the vesting of the Option, including, without limitation, upon a termination of the Optionee's employment and upon a Change in Control, and the covenant and agreements set forth in Section 8 hereof shall be governed by the terms of this Agreement. This Agreement may be modified, amended, suspended or terminated by the Committee in its discretion at any time, and any terms or conditions may be waived by the Committee in its discretion at any time; provided, that Section 8.3 may be waived by the Company in its discretion at any time; and provided further, however, that all such modifications, amendments, suspensions, terminations or waivers that shall adversely affect an Optionee shall only be effective pursuant to a written instrument executed by the parties hereto.

17. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

18. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof.

19. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Optionee's legal representatives. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be final, binding and conclusive upon the Optionee's heirs, executors, administrators, successors.

20. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Optionee and Company for all purposes.

21. Acquired Rights.

The Optionee acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the award of the Option made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the Option awarded hereunder) give the Optionee any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Optionee's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

22. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

23. Compliance with Laws.

The issuance of the Option (and the Shares acquired upon exercise of the Option) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of any Securities Laws and in each case any respective rules and regulations promulgated thereunder) and any other law or regulation applicable thereto. The Company shall not be obligated to issue the Option or any of the Shares pursuant to this Agreement if any such issuance would violate any such requirements.

24. Company Recoupment.

The Optionee's right to the Option granted hereunder and the Shares acquired upon exercise of the Option shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy (including the Charter Communications Compensation Recovery Policy, as amended from time to time), or other agreement or arrangement with the Optionee, or (ii) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

SCHEDULE 1
COMPETITIVE BUSINESS ACTIVITIES

- A. The distribution of video programming to consumer or commercial customers or users on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), and by any distribution platform (including broadcast, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite, wireless and Internet), method (streaming, download, application or other) or protocol (IP or other). Optionee agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive video programming distribution as of the date hereof; Altice USA, Inc.; Amazon.com, Inc.; Apple Inc.; AT&T Inc. (including DIRECTV); CBS Corporation; Century Link, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Facebook, Inc.; Frontier Communications Corporation; Google, Inc. (including YouTube); Hulu, LLC; Microsoft Corporation (including Xbox); Netflix, Inc.; NeuLion, Inc. (including Jumptv); Public Broadcasting Service and its broadcast affiliates; RCN Corporation; Redbox; Roku, Inc.; Sony Corporation of America (including PlayStation); The Walt Disney Company (including ABC); T-Mobile USA, Inc. (including Layer3TV, Inc.); TiVo Inc.; Twenty-First Century Fox, Inc.; Verizon Communications, Inc.; VUDU, Inc.; Wal-Mart Stores, Inc.; and Wide Open West.
1. The provision of Internet access or portal service (including related applications and services) to consumer or commercial customers or users, on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), and by any distribution platform (including dial-up, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite and wireless) or protocol (IP or other). Optionee agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive high-speed Internet access and/or portal service as of the date hereof; Altice USA, Inc.; AT&T Inc. (including DIRECTV); CenturyLink, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Frontier Communications Corporation; Google, Inc.; Microsoft Corporation (including MSN); RCN Corporation; Sprint Corporation; T-Mobile USA, Inc.; Verizon Communications, Inc.; (including AOL); Windstream Holdings, Inc.; and Wide Open West.
2. The provision of voice and/or data service or transport to consumer or commercial customers or users, on a retail or wholesale business, whether by analog or digital technology, by any

distribution platform (including coaxial cable, fiber optic cable, digital subscriber line, power line, satellite, wireless and Internet) or protocol (IP or other). Optionee agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive voice and/or data service or transport as of the date hereof; Altice USA, Inc.; AT&T Inc. (including DIRECTV); Birch Communications, Inc.; CenturyLink, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EarthLink Holdings Corp; EchoStar Holding Corporation (including Sling Media); Frontier Communications Corporation; Google, Inc.; Integra Telecom; Lumos Networks Corp.; Microsoft Corporation (including Skype); RCN Corporation; Sprint Corporation TelePacific Communications; T-Mobile USA, Inc.; Vonage Holdings Corp.; Verizon Communications, Inc.; Wide Open West; Windstream Holdings, Inc.; and Zayo Group Holdings, Inc.

3. The provision of wireless communications services to consumer or commercial customers or users, on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other) and by any technology or protocol (IP or other). Optionee agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successor and assigns, are among those engaged in the provision of competitive wireless service as of the date hereof: AT&T Inc.; Boingo Wireless, Inc.; Sprint Corporations; T-Mobile USA, Inc. (including MetroPCS Communications, Inc.); Verizon Communications, Inc.; and Windstream Holdings, Inc.
4. The sale of other provision of advertising to commercial customers, directly or indirectly through representation groups, cooperatives or otherwise, on a retail or wholesale basis, for distribution by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), by any distribution platform (including broadcast, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite, wireless and Internet), method (streaming, download, application or other) or protocol (IP or other). Optionee agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in such competitive activities as of the date hereof; Altice USA, Inc.; Apple, Inc.; AT&T Inc. (including DIRECTV); Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Facebook, Inc.; Google, Inc.; (including YouTube); Microsoft Corporation (including MSN); RCN Corporation; Verizon Communications, Inc. (including AOL); Viamedia, Inc.; and Wide Open West.

RESTRICTED STOCK UNIT AGREEMENT

THIS AGREEMENT, made as of [_____], 2019 (the “Grant Date”), between Charter Communications, Inc., a Delaware corporation (the “Company”), and _____ (the “Participant”).

Unless otherwise defined herein, terms defined in the Charter Communications, Inc. 2019 Stock Incentive Plan (the “Plan”) shall have the same defined meanings in this Restricted Stock Unit Agreement (the “Agreement”).

The undersigned Participant has been granted the number of restricted stock units (“RSUs”) set forth below, subject to the terms and conditions of the Plan and this Agreement, as follows:

Vesting Schedule: As provided in Section 3 of the Agreement

Number of Restricted Stock
Units Granted: _____

Charter Communications, Inc.

Paul Marchand, EVP - Human Resources

I, the undersigned, agree to this grant of RSUs, acknowledge that this grant is subject to the terms and conditions of the Plan and this Agreement, and have read and understand the terms and conditions set forth in Sections 1 through 24 of this Agreement. I further acknowledge receipt of the Plan and the prospectus for the Plan and consent to receive any and all communications, updates and amendments to the Plan or the prospectus, in the Company’s discretion, by electronic delivery through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

Participant

1. Incorporation By Reference; Plan Document Receipt. This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the Award provided hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its content. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. Grant of Restricted Stock Unit Award.

The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of the Shares underlying the RSUs, except as otherwise specifically provided for in the Plan or this Agreement.

3. Vesting.

3.1 Normal Vesting. Subject to restrictions and limitations in this Agreement and the Plan, 100% of the RSUs shall vest on the third anniversary of the Grant Date.

3.2 Certain Terminations. Notwithstanding anything to the contrary set forth in any employment agreement between the Participant and the Company, the Plan or this Agreement, upon the Termination of Employment of the Participant: (i) by the Company, or any of its Subsidiaries, for Cause, or by the Participant without Good Reason, any unvested RSUs shall be cancelled and forfeited; (ii) as a result of the Participant's Retirement, or by the Company or any of its Subsidiaries, without Cause or by the Participant for Good Reason, then, subject to Section 3.3 and 3.4 hereof: (A) all unvested RSUs that do not vest pursuant to Section 3.2(ii)(B) hereof shall be cancelled and forfeited; and (B) a pro-rata portion of the RSUs (based on the number of days of the vesting period that has elapsed as of such termination) shall vest as of the date of such Termination of Employment; or (iii) as a result of the Participant's death or Disability, any unvested RSUs shall be vested in full on the date of death or Disability. For purposes of this Agreement, "Termination of Employment" means separation from service with the Company and its affiliates (generally 50% common control with the Company), as defined in IRS regulations under Section 409A of the Internal Revenue Code of 1986, as amended (generally, a decrease in the performance of services to no more than 20% of the average for the preceding 36-month period, and disregarding leave of absences up to six months where there is a reasonable expectation the Participant will return).

3.3 Change in Control. Notwithstanding anything to the contrary set forth in Section 3 hereof, any employment agreement between the Participant and the Company, the Plan or this Agreement, if, within thirty (30) days prior or twelve (12) months following the

completion of a Change in Control or at any time prior to a Change in Control at the request of a prospective purchaser whose proposed purchase would constitute a Change in Control upon its completion, the Company, or any of its Subsidiaries, terminates the Participant's employment without Cause or the Participant terminates his or her employment for Good Reason, all unvested RSUs shall immediately vest.

3.4 Committee Discretion to Accelerate Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the RSUs at any time and for any reason; provided that delivery of Shares for which vesting is accelerated shall not occur until the regularly scheduled vesting date for such shares (or, if earlier, the Participant's Termination of Employment).

4. Delivery of Shares.

4.1 General. Subject to the provisions of Sections 3.3, 4.2 and 4.3 hereof, within thirty (30) days following the vesting of the RSUs, the Participant shall receive the number of Shares that correspond to the number of RSUs that have become vested on the applicable vesting date; provided that the Participant shall be obligated to pay to the Company the aggregate par value of the Shares to be issued within ten (10) days following the issuance of such Shares unless such Shares have been issued by the Company from the Company's treasury.

Notwithstanding anything to the contrary herein, to the extent the RSUs are subject to and not exempt from Section 409A of the Code, (i) a payment on account of Termination of Employment of an amount subject to Section 409A of the Code to a "specified employee" may not be made until at least six months after such a Termination of Employment, and (ii) any payment otherwise due in such six month period shall be suspended and become payable at the end of such six month period.

4.2 Securities Law Compliance, Blackout Periods. If the Company reasonably anticipates that making of a payment hereunder would violate federal securities laws, a trading restriction imposed by the Company on the date such distribution would otherwise be made pursuant to Section 4.1 hereof or other applicable law, such distribution shall be instead made on the earliest date the Company reasonably anticipates that making such payment would not cause such violation.

4.3 Deferrals. If permitted by the Company, the Participant may elect, subject to the terms and conditions of the Plan and any other applicable written plan or procedure adopted by the Company from time to time for purposes of such election, to defer the distribution of all or any portion of the Shares that would otherwise be distributed to the Participant hereunder (the "Deferred Shares"), consistent with the requirements of Section 409A of the Code. Upon the vesting of RSUs that have been so deferred, the applicable number of Deferred Shares shall be credited to a bookkeeping account established on the Participant's behalf (the "Account"). Subject to Section 5 hereof, the number of Shares equal to the number of Deferred Shares credited to the Participant's Account shall be distributed to the Participant in accordance with the terms and conditions of the Plan and the other applicable written plans or procedures of the Company, consistent with the requirements of Section 409A of the Code.

5. Dividends; Rights as Stockholder.

Cash dividends on Shares issuable hereunder shall be credited to a dividend book entry account on behalf of the Participant with respect to each RSU granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and shall be held uninvested and without interest and paid in cash at the same time that the Shares underlying the RSUs are delivered to the Participant in accordance with the provisions hereof. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each RSU granted to the Participant, provided that such stock dividends shall be paid in Shares at the same time that the Shares underlying the RSUs are delivered to the Participant in accordance with the provisions hereof. Except as otherwise provided herein, the Participant shall have no rights as a stockholder with respect to any Shares covered by any RSU unless and until the Participant has become the holder of record of such Shares.

6. Confidentiality/Proprietary Developments/Competition and Non-Interference. Notwithstanding anything in this Section 6 or otherwise in this Agreement to the contrary, in the case of a Participant whose employment with the Company or a Subsidiary is subject to the terms of an employment agreement between such Participant and the Company or Subsidiary, which employment agreement includes the restrictive covenants covered in this Section 6, the restrictive covenants and all terms and conditions governing same as set forth in said employment agreement shall control and supersede this Section 6; otherwise:

6.1 Confidentiality.

6.1.1 Acknowledgments by Participant. Participant acknowledges that: (a) during the term of this Agreement and as a part of Participant's employment with the Company or its subsidiaries, Participant has been and will be afforded access to Confidential Information (as defined below); (b) public disclosure of such Confidential Information could have an adverse effect on the Company and its business; (c) because Participant possesses substantial technical expertise and skill with respect to the Company's business, Company desires to obtain exclusive ownership of each invention by Participant while Participant is employed by the Company, and the Company will be at a substantial competitive disadvantage if it fails to acquire exclusive ownership of each such invention by Participant; and (d) the provisions of this Section 6.1 are reasonable and necessary to prevent the improper use or disclosure of Confidential Information and to provide Company with exclusive ownership of all inventions and works made or created by Participant.

6.1.2 Confidential Information.

(i) The Participant acknowledges that during the term of this Agreement, including during Participant's employment, Participant will have access to and may obtain, develop, or learn of Confidential Information (as defined below) under and pursuant to a relationship of trust and confidence. The Participant shall hold such Confidential Information in strictest confidence and never at any time, during or after Participant's employment terminates, directly or indirectly use for Participant's own benefit or otherwise (except in connection with

the performance of any duties as an employee) any Confidential Information, or divulge, reveal, disclose or communicate any Confidential Information to any unauthorized person or entity in any manner whatsoever.

(ii) As used in this Agreement, the term "Confidential Information" shall include, but not be limited to, any of the following information relating to the Company and its business learned by the Participant during the term of this Agreement or as a result of Participant's employment with Company:

(A) information regarding the Company's business proposals, manner of the Company's operations, and methods of selling or pricing any products or services;

(B) the identity of persons or entities actually conducting or considering conducting business with the Company, and any information in any form relating to such persons or entities and their relationship or dealings with the Company or its affiliates;

(C) any trade secret or confidential information of or concerning any business operation or business relationship;

(D) computer databases, software programs and information relating to the nature of the hardware or software and how said hardware or software is used in combination or alone;

(E) information concerning Company personnel, confidential financial information, customer or customer prospect information, information concerning subscribers, subscriber and customer lists and data, methods and formulas for estimating costs and setting prices, engineering design standards, testing procedures, research results (such as marketing surveys, programming trials or product trials), cost data (such as billing, equipment and programming cost projection models), compensation information and models, business or marketing plans or strategies, deal or business terms, budgets, vendor names, programming operations, product names, information on proposed acquisitions or dispositions, actual performance compared to budgeted performance, long-range plans, internal financial information (including but not limited to financial and operating results for certain offices, divisions, departments, and key market areas that are not disclosed to the public in such form), results of internal analyses, computer programs and programming information, techniques and designs, and trade secrets;

(F) information concerning the Company's employees, officers, directors or shareholders; and

(G) any other trade secret or information of a confidential or proprietary nature.

(iii) Participant shall not make or use any notes or memoranda relating to any Confidential Information except for uses reasonably expected by Participant to be for the benefit of the Company, and will, at the Company's request, return each original and every copy of any and all notes, memoranda, correspondence, diagrams or other records, in written or other form, that Participant may at any time have within his possession or control that contain any Confidential Information.

(iv) Notwithstanding the foregoing, Confidential Information shall not include information which has come within the public domain through no fault of or action by Participant or which has become rightfully available to Participant on a non-confidential basis from any third party, the disclosure of which to Participant does not violate any contractual or legal obligation such third party has to the Company or its affiliates with respect to such Confidential Information. None of the foregoing obligations or restrictions applies to any part of the Confidential Information that Participant demonstrates was or became generally available to the public other than as a result of a disclosure by Participant or by any other person bound by a confidentiality obligation to the Company in respect of such Confidential Information.

(v) Participant will not remove from the Company's premises (except to the extent such removal is for purposes of the performance of Participant's duties to the Company at home or while traveling, or except as otherwise specifically authorized by the Company) any Company document, record, notebook, plan, model, component, device, or computer software or code, whether embodied in a disk or in any other form (collectively, the "Proprietary Items"). Participant recognizes that, as between the Company and Participant, all of the Proprietary Items, whether or not developed by Participant, are the exclusive property of the Company. Upon termination of Participant's employment by either party, or upon the request of Company during the term of this Agreement, Participant will return to the Company all of the Proprietary Items in Participant's possession or subject to Participant's control, including all equipment (e.g., laptop computers, cell phone, portable e-mail devices, etc.), documents, files and data, and Participant shall not retain any copies, abstracts, sketches, or other physical embodiment of any such Proprietary Items.

6.2 Proprietary Developments.

6.2.1 Any and all inventions, products, discoveries, improvements, processes, methods, computer software programs, models, techniques, or formulae (collectively, hereinafter referred to as "Developments"), made, conceived, developed, or created by Participant (alone or in conjunction with others, during regular work hours or otherwise) during Participant's employment which may be directly or indirectly useful in, or relate to, the business conducted or to be conducted by the Company will be promptly disclosed by Participant to the Company and shall be the Company's exclusive property. The term "Developments" shall not be deemed to include inventions, products, discoveries, improvements, processes, methods, computer software programs, models, techniques, or formulae which were in the possession of

Participant prior to the commencement of Participant's employment with the Company. Participant hereby transfers and assigns to the Company all proprietary rights which Participant may have or acquire in any Developments and Participant waives any other special right which Participant may have or accrue therein. Participant will execute any documents and agrees to take any actions that may be required, in the reasonable determination of Company's counsel, to effect and confirm such assignment, transfer and waiver, to direct the issuance of patents, trademarks, or copyrights to Company with respect to such Developments as are to be Company's exclusive property or to vest in Company title to such Developments; provided, however, that the expense of securing any patent, trademark or copyright shall be borne by the Company. The parties agree that Developments shall constitute Confidential Information.

6.2.2 "Work Made for Hire." Any work performed by Participant during Participant's employment with Company shall be considered a "Work Made for Hire" as defined in the U.S. Copyright laws, and shall be owned by and for the express benefit of the Company. In the event it should be established that such work does not qualify as a Work Made for Hire, Participant agrees to and does hereby assign to the Company all of Participant's right, title, and interest in such work product including, but not limited to, all copyrights and other proprietary rights.

6.3 Non-Competition and Non-Interference.

6.3.1 Acknowledgments by Participant. Participant acknowledges and agrees that: (a) the services to be performed by Participant under this Agreement are of a special, unique, unusual, extraordinary, and intellectual character; (b) the Company competes with other businesses that are or could be located in any part of the United States; and (c) the provisions of this Section 6.3 are reasonable and necessary to protect the Company's business and lawful protectable interests, and do not impair Participant's ability to earn a living.

6.3.2 Covenants of Participant. For purposes of this Section 6.3, the term "Restricted Period" shall mean the period commencing as of the date of this Agreement and terminating on the second annual anniversary (or, in the case of Section 6.3.2(iii), the first annual anniversary), of the date Participant's employment terminated; provided, that the "Restricted Period" also shall encompass any period of time from whichever anniversary date is applicable until and ending on the last date Participant is to be paid any payment; and provided further, that the "Restricted Period" shall be tolled and extended for any period of time during which Participant is found to be in violation of the covenants set forth in this section 6.3. In consideration of the acknowledgments by Participant, and in consideration of the compensation and benefits to be paid or provided to Participant by the Company, Participant covenants and agrees that during the Restricted Period, the Participant will not, directly or indirectly, for Participant's own benefit or for the benefit of any other person or entity other than the Company:

(i) in the United States or any other country or territory where the Company then conducts its business: engage in, operate, finance, control or be employed by a "Competitive Business" (defined below); serve as an officer or director of a Competitive Business (regardless of where Participant then lives or conducts such activities); perform any work as an employee, consultant (other than as a member of a professional consultancy, law

firm, accounting firm or similar professional enterprise that has been retained by the Competitive Business and where Participant has no direct role in such professional consultancy and maintains the confidentiality of all information acquired by Participant during his or her employment with the Company), contractor, or in any other capacity with, a Competitive Business; directly or indirectly invest or own any interest in a Competitive Business (regardless of where Participant then lives or conducts such activities); or directly or indirectly provide any services or advice to any business, person or entity who or which is engaged in a Competitive Business (other than as a member of a professional consultancy, law firm, accounting firm or similar professional enterprise that has been retained by the Competitive Business and where Participant has no direct role in such professional consultancy and maintains the confidentiality of all information acquired by Participant during his or her employment with the Company). A "Competitive Business" is any business, person or entity who or which, anywhere within that part of the United States, or that part of any other country or territory, where the Company conducts business, directly or indirectly through any entity controlling, controlled by or under common control with such business, offers, provides, markets or sells any service or product of a type that is offered or marketed by or competitive with a service or product offered or marketed by the Company at the time Participant's employment terminates or is being planned to be offered or marketed by the Company with Participant's participation; or who or which in any case is preparing or planning to do so. To appropriately take account of the highly competitive nature of the Company's business, the parties agree that any business engaged in any of the activities set forth on Schedule 1 shall be deemed to be a "Competitive Business." The provisions of this Section 6.3 shall not be construed or applied so as to prohibit Participant from owning not more than five percent (5%) of any class of securities that is publicly traded on any national or regional securities exchange, as long as Participant's investment is passive and Participant does not lend or provide any services or advice to such business or otherwise violate the terms of this Agreement in connection with such investment;

(ii) contact, solicit or provide any service or product of a type offered by, or competitive with, any product or service provided by the Company to any person or entity that was a customer franchisee, or prospective customer of the Company at any time during Participant's employment (a prospective customer being one to whom the Company had made a business proposal within twelve (12) months prior to the time Participant's employment terminated); or directly solicit or encourage any customer, franchisee or subscriber of the Company to purchase any service or product of a type offered by or competitive with any product or service provided by the Company, or to reduce the amount or level of business purchased by such customer, franchisee or subscriber from the Company; or take away or procure for the benefit of any competitor of the Company, any business of a type provided by or competitive with a product or service offered by the Company; or

(iii) solicit, recruit, or hire for employment or provision of consulting services, any person or persons who are employed by Company or any of its subsidiaries or affiliates, or who were so employed at any time within a period of six (6) months immediately prior to the date Participant's employment terminated, or otherwise interfere with the relationship between any such person and the Company; nor will the Participant assist anyone else in recruiting any such employee to work for another company or business or discuss with any such person his or her leaving the employ of the Company or engaging in a business

activity in competition with the Company. This provision shall not apply to secretarial, clerical, custodial or maintenance employees. If Participant violates any covenant contained in this Section 6.3, then the term of the covenants in this Section shall be extended by the period of time Participant was in violation of the same.

6.3.3 Provisions Pertaining to the Covenants. Participant recognizes that the existing business of the Company extends to various locations and areas throughout the United States and may extend hereafter to other countries and territories and agrees that the scope of Section 6.3 shall extend to any part of the United States, and any other country or territory, where the Company operates or conducts business, or has concrete plans to do so at the time Participant's employment terminates. It is agreed that the Participant's services hereunder are special, unique, unusual and extraordinary giving them peculiar value, the loss of which cannot be reasonably or adequately compensated for by damages, and in the event of the Participant's breach of this Section, Company shall be entitled to equitable relief by way of injunction or otherwise in addition to the cessation of payments and benefits hereunder. If any provision of Section 6 of this Agreement is deemed to be unenforceable by a court (whether because of the subject matter of the provision, the duration of a restriction, the geographic or other scope of a restriction or otherwise), that provision shall not be rendered void but the parties instead agree that the court shall amend and alter such provision to such lesser degree, time, scope, extent and/or territory as will grant Company the maximum restriction on Participant's activities permitted by applicable law in such circumstances. Company's failure to exercise its rights to enforce the provisions of this Agreement shall not be affected by the existence or non-existence of any other similar agreement for anyone else employed by the Company or by Company's failure to exercise any of its rights under any such agreement.

6.4 Whistleblower Protection. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall be interpreted so as to impede Participant (or any other individual) from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures under the whistleblower provisions of federal law or regulation. The Participant does not need the prior authorization of the Company to make any such reports or disclosures and Participant shall not be not required to notify the Company that such reports or disclosures have been made.

6.5. Trade Secrets. 18 U.S.C. § 1833(b) provides: "An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or

other proceeding, but only if the filing is made under seal and protected from public disclosure.

6.6. Notices. In order to preserve the Company's rights under this Agreement, the Company is authorized to advise any potential or future employer, any third party with whom Participant may become employed or enter into any business or contractual relationship with, and any third party whom Participant may contact for any such purpose, of the existence of this Agreement and its terms, and the Company shall not be liable for doing so.

6.7 Injunctive Relief and Additional Remedy. Participant acknowledges that the injury that would be suffered by the Company as a result of a breach of the provisions of this Agreement (including any provision of Section 6) would be irreparable and that an award of monetary damages to the Company for such a breach would be an inadequate remedy. Consequently, the Company will have the right, in addition to any other rights it may have, to obtain injunctive relief to restrain any breach or threatened breach or otherwise to specifically enforce any provision of this Agreement and the Company will not be obligated to post bond or other security in seeking such relief. Without limiting the Company's rights under this Section or any other remedies of Company, if Participant breaches any of the provisions of Section 6, Company will have the right to cease making any payments otherwise due to Participant under this Agreement.

6.8 Covenants of Section 6 are Essential and Independent Covenants. To the extent applicable to Participant, the covenants by Participant in Section 6 are essential elements of this Agreement, and without Participant's agreement to comply with such covenants; the Company would not have entered into this Agreement or employed Participant. Company and Participant have independently consulted their respective counsel and have been advised in all respects concerning the reasonableness and propriety of such covenants, with specific regard to the nature of the business conducted by the Company. Participant's covenants in Section 6 are independent covenants and the existence of any claim by Participant against the Company, under this Agreement or otherwise, will not excuse Participant's breach of any covenant in Section 6. If Participant's employment hereunder is terminated, this Agreement will continue in full force and effect as is necessary or appropriate to enforce the covenants and agreements of Participant in Section 6. The Company's right to enforce the covenants in Section 6 shall not be adversely affected or limited by the Company's failure to have an agreement with another employee with provisions at least as restrictive as those contained in Section 6, or by the Company's failure or inability to enforce (or agreement not to enforce) in full the provisions of any other or similar agreement containing one or more restrictions of the type specified in Section 6 of this Agreement.

7. Non-Transferability.

No portion of the RSUs may be sold, assigned, transferred, encumbered, hypothecated or pledged by the Participant, other than to the Company as a result of forfeiture of the RSUs as provided herein, unless and until payment is made in respect of vested RSUs in accordance with the provisions hereof and the Participant has become the holder of record of the vested Shares issuable hereunder.

8. Governing Law.

All questions concerning the construction, validity and interpretation of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without regard to the choice of law principles thereof.

9. Arbitration.

9.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this Section 9 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Stamford, Connecticut.

9.2. Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of nine persons (which shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over Stamford, Connecticut. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

9.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph the parties shall be entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgement if the matter had been pursued in court litigation. In

the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

9.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

9.5 Award Final and Binding. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

10. Withholding of Tax.

The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local and foreign taxes of any kind (including, but not limited to, the Participant's FICA and SDI obligations) which the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule or regulation with respect to the RSUs and, if the Participant fails to do so, the Company may otherwise refuse to issue or transfer any Shares otherwise required to be issued pursuant to this Agreement. Any statutorily required withholding obligation with regard to the Participant may be satisfied by reducing the amount of cash or Shares otherwise deliverable to the Participant hereunder.

11. Legend.

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section 11.

12. Securities Representations.

This Agreement is being entered into by the Company in reliance upon the following express representations and warranties of the Participant. The Participant hereby acknowledges, represents and warrants that:

12.1 The Participant has been advised that the Participant may be an “affiliate” within the meaning of Rule 144 under the Securities Act and in this connection the Company is relying in part on the Participant’s representations set forth in this Section 12.

12.2 If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the Shares issuable hereunder must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register such Shares (or to file a “re-offer prospectus”).

12.3 If the Participant is deemed an affiliate within the meaning of Rule 144 of the Securities Act, the Participant understands that: (i) the exemption from registration under Rule 144 will not be available unless: (A) a public trading market then exists for the Shares, (B) adequate information concerning the Company is then available to the public, and (C) other terms and conditions of Rule 144 or any exemption therefrom are complied with, and (ii) any sale of the Shares issuable hereunder may be made only in limited amounts in accordance with the terms and conditions of Rule 144 or any exemption therefrom.

13. Entire Agreement; Amendment.

This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and, except as otherwise specifically provided herein, supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

14. Notices.

Any notice hereunder by the Participant shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof by the General Counsel of the Company. Any notice hereunder by the Company shall be given to the Participant in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Participant may have on file with the Company.

15. No Right to Employment.

Any questions as to whether and when there has been a termination of employment and the cause of such termination of employment shall be determined in the sole discretion of the Committee. Nothing in this Agreement shall interfere with or limit in any way the right of the Company, its Subsidiaries or its Affiliates to terminate the Participant's employment or service at any time, for any reason and with or without Cause.

16. Transfer of Personal Data.

The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to the RSUs awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

17. Compliance with Laws.

The grant of RSUs and the issuance of Shares hereunder shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act and in each case any respective rules and regulations promulgated thereunder) and any other law, rule, regulation or exchange requirement applicable thereto. The Company shall not be obligated to issue the RSUs or any Shares pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the settlement of the RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

18. Binding Agreement; Assignment.

This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns.

19. Headings.

The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

20. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

21. Further Assurances.

Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates,

instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

22. Severability.

The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

23. Acquired Rights.

The Participant acknowledges and agrees that: (a) the Company may terminate or amend the Plan at any time; (b) the Award of RSUs made under this Agreement is completely independent of any other award or grant and is made at the sole discretion of the Company; (c) no past grants or awards (including, without limitation, the RSUs awarded hereunder) give the Participant any right to any grants or awards in the future whatsoever; and (d) any benefits granted under this Agreement are not part of the Participant's ordinary salary, and shall not be considered as part of such salary in the event of severance, redundancy or resignation.

24. Company Recoupment.

The Participant's right to the RSUs granted hereunder and the Shares deliverable upon settlement of the RSUs shall in all events be subject to (i) any right that the Company may have under any Company recoupment policy (including the Charter Communications Compensation Recovery Policy, as amended from time to time), or other agreement or arrangement with the Participant, and (ii) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the U.S. Securities and Exchange Commission.

SCHEDULE 1
COMPETITIVE BUSINESS ACTIVITIES

- A. The distribution of video programming to consumer or commercial customers or users on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), and by any distribution platform (including broadcast, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite, wireless and Internet), method (streaming, download, application or other) or protocol (IP or other). Participant agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive video programming distribution as of the date hereof; Altice USA, Inc.; Amazon.com, Inc.; Apple Inc.; AT&T Inc. (including DIRECTV); CBS Corporation; Century Link, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Facebook, Inc.; Frontier Communications Corporation; Google, Inc. (including YouTube); Hulu, LLC; Microsoft Corporation (including Xbox); Netflix, Inc.; NeuLion, Inc. (including Jumptv); Public Broadcasting Service and its broadcast affiliates; RCN Corporation; Redbox; Roku, Inc.; Sony Corporation of America (including PlayStation); The Walt Disney Company (including ABC); T-Mobile USA, Inc. (including Layer3TV, Inc.); TiVo Inc.; Twenty-First Century Fox, Inc.; Verizon Communications, Inc.; VUDU, Inc.; Wal-Mart Stores, Inc.; and Wide Open West.
- B. The provision of Internet access or portal service (including related applications and services) to consumer or commercial customers or users, on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), and by any distribution platform (including dial-up, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite and wireless) or protocol (IP or other). Participant agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive high-speed Internet access and/or portal service as of the date hereof; Altice USA, Inc.; AT&T Inc. (including DIRECTV); CenturyLink, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Frontier Communications Corporation; Google, Inc.; Microsoft Corporation (including MSN); RCN Corporation; Sprint Corporation; T-Mobile USA, Inc.; Verizon Communications, Inc.; (including AOL); Windstream Holdings, Inc.; and Wide Open West.
- C. The provision of voice and/or data service or transport to consumer or commercial customers or users, on a retail or wholesale business, whether by analog or digital technology, by any distribution platform (including coaxial cable, fiber optic cable,

digital subscriber line, power line, satellite, wireless and Internet) or protocol (IP or other). Participant agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in competitive voice and/or data service or transport as of the date hereof; Altice USA, Inc.; AT&T Inc. (including DIRECTV); Birch Communications, Inc.; CenturyLink, Inc.; Cincinnati Bell, Inc.; Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EarthLink Holdings Corp; EchoStar Holding Corporation (including Sling Media); Frontier Communications Corporation; Google, Inc.; Integra Telecom; Lumos Networks Corp.; Microsoft Corporation (including Skype); RCN Corporation; Sprint Corporation TelePacific Communications; T-Mobile USA, Inc.; Vonage Holdings Corp.; Verizon Communications, Inc.; Wide Open West; Windstream Holdings, Inc.; and Zayo Group Holdings, Inc.

- D. The provision of wireless communications services to consumer or commercial customers or users, on a retail or wholesale basis, whether by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other) and by any technology or protocol (IP or other). Participant agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successor and assigns, are among those engaged in the provision of competitive wireless service as of the date hereof: AT&T Inc.; Boingo Wireless, Inc.; Sprint Corporations; T-Mobile USA, Inc. (including MetroPCS Communications, Inc.); Verizon Communications, Inc.; and Windstream Holdings, Inc.
- E. The sale of other provision of advertising to commercial customers, directly or indirectly through representation groups, cooperatives or otherwise, on a retail or wholesale basis, for distribution by analog or digital technology, to any type of end-user equipment (television, computer, phone, personal digital assistant, tablet, console or other), by any distribution platform (including broadcast, coaxial cable, fiber optic cable, digital subscriber line, power line, satellite, wireless and Internet), method (streaming, download, application or other) or protocol (IP or other). Participant agrees that the following companies (and their parents, subsidiaries and controlled affiliates), and their successors and assigns, are among those engaged in such competitive activities as of the date hereof; Altice USA, Inc.; Apple, Inc.; AT&T Inc. (including DIRECTV); Comcast Corporation; Cox Communications, Inc.; DISH Network Corporation; EchoStar Holding Corporation (including Sling Media); Facebook, Inc.; Google, Inc.; (including YouTube); Microsoft Corporation (including MSN); RCN Corporation; Verizon Communications, Inc. (including AOL); Viamedia, Inc.; and Wide Open West.

**CHARTER COMMUNICATIONS, INC.
RESTRICTED STOCK AGREEMENT**

THIS RESTRICTED STOCK AGREEMENT (this "**Agreement**") is made and entered into as of April 23, 2019 ("**Date of Grant**") by and between Charter Communications, Inc., a Delaware corporation (the "**Company**"), and _____ (the "**Grantee**"), with reference to the following facts:

A. The Grantee is a member of the Board of Directors of the Company.

B. Pursuant to the Company's 2019 Stock Incentive Plan (the "**Plan**"), the Board of Directors has approved compensation levels of the Board of Directors including a grant to the Grantee of ____ Shares of the Class A common stock, par value \$.001 per share, of the Company (the "**Shares**"), with such grant being subject to certain vesting conditions.

C. Accordingly, the Company wishes to grant the Shares to the Grantee, and the Grantee wishes to accept such grant, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the Grantee and the Company hereby agree as follows:

1. Grant and Terms of Shares.

1.1 Grant of Shares. The Company hereby grants the Shares to the Grantee under the Plan, subject to the terms and conditions set forth in this Agreement.

1.2 Vesting. All of the Shares shall become vested on April 23, 2020 if the Grantee remains continuously as a member of the Board of Directors of the Company from the date of this Agreement through April 23, 2020. Upon the termination of the Grantee's continuous membership on the Company's Board of Directors for any reason, all unvested Shares shall be automatically cancelled. All unvested Shares shall be held by Computershare, the transfer agent to the Company ("**Computershare**"), until the Shares fully vest.

2. General Restrictions on Transfer of Shares.

2.1 No Transfers of Unvested Shares. In no event shall the Grantee Transfer any Shares that are not vested (or any right or interest therein) to any Person in any manner whatsoever. Any purported Transfer of unvested Shares made without fully complying with all of the provisions of this Agreement shall be null and void and without force or effect.

2.2 Termination of Transfer Restrictions. The restrictions set forth in this Section 2 shall terminate upon the written agreement of the Company and the Grantee. There shall be no restrictions or conditions on the Transfer of vested Shares other than those imposed by Applicable Laws and the terms of Section 5 of this Agreement.

3. Grant of Shares Subject to Plan. The grant of Shares under this Agreement shall be subject to all of the terms and provisions of the Plan, except as modified by this Agreement.

4. Voting and Distribution Rights. The Grantee shall have the right to vote all Shares, and to receive all distributions and dividends with respect to all Shares, whether or not such Shares have vested.

5. Compliance With Applicable Laws. To the extent not heretofore registered under the Securities Act, the Company shall use reasonable efforts to effect and maintain registration of the Shares. The Grantee will do all acts and things, execute, acknowledge and deliver all documents and instruments, and make all representations and warranties that are necessary or appropriate, in the judgment of the Company, for the grant, vesting, holding or Transfer of the Shares to comply with Applicable Laws. Without limiting the generality of the foregoing, the Grantee hereby represents and warrants that:

(a) He is sufficiently aware of the Company's business affairs and financial condition to reach an informed and knowledgeable decision to acquire the Shares.

(b) He understands that the Shares must be held indefinitely unless subsequently registered under the Securities Act or unless an exemption from registration is otherwise available (such as Rule 144 under the Securities Act). In addition, he understands that the Transfer of the Shares will be restricted unless they are registered or such registration is not required in the opinion of counsel for the Company.

(c) He understands that at the time he wishes to sell the Shares, there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144, and that, in such event, he would be precluded from selling the Shares under Rule 144 even if the minimum holding periods had been satisfied.

6. Tax Withholding.

To the extent that the grant or the vesting of the Shares results in taxable income to the Grantee for federal, state or local income tax purposes, the Grantee shall pay to the Company any withholding taxes required by Applicable Laws with respect to such taxable income (in such amounts as determined by the Grantee, but at least equal to the minimum required amounts) through the payment of cash or tender of Shares of the Class A common stock of the Company (which may include a portion of the Shares), as elected by the Grantee. If any Shares are so tendered, the value thereof for purposes of such tender shall be used in determining the applicable income tax.

7. Certain Definitions.

For purposes of this Agreement, the following terms are defined as follows:

7.1 "**Applicable Laws**" means the legal requirements relating to the grant, vesting, holding, or Transfer of the Shares, including, without limitation, the requirements of state corporations law, federal and state securities law, federal and state tax law, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted. For all purposes of this Agreement, references to statutes and regulations shall be deemed to

include any successor statutes and regulations, to the extent reasonably appropriate as determined by the Company.

7.2 **“Person”** shall mean a company, a corporation, an association, a partnership, a limited liability company, an organization, a joint venture, a trust or other legal entity, an individual, a government or political subdivision thereof or a governmental agency.

7.3 **“Securities Act”** shall mean the Securities Act of 1933, as amended, and the rules promulgated thereunder.

7.4 **“Transfer”** shall mean any sale, transfer, assignment, hypothecation, encumbrance, placement in trust (voting or otherwise) or transfer by operation of law (other than by way of a merger or consolidation of the Company) or other disposition, whether direct or indirect, whether voluntary or involuntary, whether by gift, bequest or otherwise, of Shares. In the case of a hypothecation, the Transfer shall be deemed to occur both at the time of the initial pledge and at any pledgee's sale or a sale by any secured creditor or a retention by the secured creditor of the pledged Shares in complete or partial satisfaction of the indebtedness for which the Shares are security.

Any capitalized term used in this Agreement which is not otherwise defined shall have the meaning set forth in the Plan.

8. General.

8.1. Governing Law. This Agreement shall be governed by and construed under the laws of the state of Delaware applicable to agreements made and to be performed entirely in Delaware, without regard to the conflicts of law provisions of Delaware or any other jurisdiction.

8.2. Notices. Any notice required or permitted under this Agreement shall be given in writing by express courier or by postage prepaid, United States registered or certified mail, return receipt requested, to the address set forth below or to such other address for a party as that party may designate by 10 days advance written notice to the other parties. Notice shall be effective upon the earlier of receipt or 3 days after the mailing of such notice.

If to the Company: Charter Communications, Inc.
400 Atlantic Street
Stamford, Connecticut 06901
Attention: General Counsel

If to the Grantee:

8.3. Legend. In addition to any other legend which may be required by agreement or Applicable Laws, each share held by Computershare representing unvested Shares shall have endorsed upon its face a legend in substantially the form set forth below:

THESE SHARES ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER, SALE AND HYPOTHECATION AND CERTAIN REPURCHASE RIGHTS. A COMPLETE STATEMENT OF THE TERMS AND CONDITIONS GOVERNING SUCH RESTRICTIONS IS SET FORTH IN AN AGREEMENT, DATED AS OF APRIL 25, 2018, A COPY OF WHICH IS ON FILE AT THE CORPORATION'S PRINCIPAL OFFICE.

Upon vesting, Computershare shall issue and deliver directly to the Grantee the Vested Shares without a restrictive legend.

8.4. Community Property. Without prejudice to the actual rights of spouses as between each other, for all purposes of this Agreement, the Grantee shall be treated as agent and attorney-in-fact for that interest held or claimed by his or her spouse with respect to any Shares and the parties hereto shall act in all matters as if the Grantee was the sole owner of such Shares. This appointment is coupled with an interest and is irrevocable.

8.5. Modifications. This Agreement may be amended, altered or modified only by a writing signed by each of the parties hereto.

8.6. Application to Other Stock. In the event any capital stock of the Company or any other corporation shall be distributed on, with respect to, or in exchange for the Unvested Shares as a stock dividend, stock split, reclassification or recapitalization in connection with any merger or reorganization or otherwise, all restrictions, rights and obligations set forth in this Agreement shall apply with respect to such other capital stock to the same extent as they are, or would have been applicable, to the Unvested Shares on or with respect to which such other capital stock was distributed.

8.7. Additional Documents. Each party agrees to execute any and all further documents and writings, and to perform such other actions, which may be or become reasonably necessary or expedient to be made effective and carry out this Agreement.

8.8. No Third-Party Benefits. Except as otherwise expressly provided in this Agreement, none of the provisions of this Agreement shall be for the benefit of, or enforceable by, any third-party beneficiary.

8.9. Successors and Assigns. Except as provided herein to the contrary, this Agreement shall be binding upon and inure to the benefit of the parties, their respective successors and permitted assigns.

8.10. No Assignment. Except as otherwise provided in this Agreement, the Grantee may not assign any of his, her or its rights under this Agreement without the prior written consent of the Company, which consent may be withheld in its sole discretion. The Company

shall be permitted to assign its rights or obligations under this Agreement, but no such assignment shall release the Company of any obligations pursuant to this Agreement.

8.11. Severability. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

8.12. Equitable Relief. The Grantee acknowledges that, in the event of a threatened or actual breach of any of the provisions of this Agreement, damages alone will be an inadequate remedy, and such breach will cause the Company great, immediate and irreparable injury and damage. Accordingly, the Grantee agrees that the Company shall be entitled to injunctive and other equitable relief, and that such relief shall be in addition to, and not in lieu of, any remedies they may have at law or under this Agreement.

8.13. Arbitration.

8.13.1 General. Any controversy, dispute, or claim between the parties to this Agreement, including any claim arising out of, in connection with, or in relation to the formation, interpretation, performance or breach of this Agreement shall be settled exclusively by arbitration, before a single arbitrator, in accordance with this section 8.13 and the then most applicable rules of the American Arbitration Association. Judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Such arbitration shall be administered by the American Arbitration Association. Arbitration shall be the exclusive remedy for determining any such dispute, regardless of its nature. Notwithstanding the foregoing, either party may in an appropriate matter apply to a court for provisional relief, including a temporary restraining order or a preliminary injunction, on the ground that the award to which the applicant may be entitled in arbitration may be rendered ineffectual without provisional relief. Unless mutually agreed by the parties otherwise, any arbitration shall take place in the City of Stamford, Connecticut.

8.13.2 Selection of Arbitrator. In the event the parties are unable to agree upon an arbitrator, the parties shall select a single arbitrator from a list of nine arbitrators drawn by the parties at random from a list of nine persons (which shall be retired judges or corporate or litigation attorneys experienced in stock options and buy-sell agreements) provided by the office of the American Arbitration Association having jurisdiction over Stamford, Connecticut. If the parties are unable to agree upon an arbitrator from the list so drawn, then the parties shall each strike names alternately from the list, with the first to strike being determined by lot. After each party has used four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

8.13.3 Applicability of Arbitration; Remedial Authority. This agreement to resolve any disputes by binding arbitration shall extend to claims against any parent, subsidiary or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, employee or agent of each party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law. In the event of a dispute subject to this paragraph the parties shall be

entitled to reasonable discovery subject to the discretion of the arbitrator. The remedial authority of the arbitrator (which shall include the right to grant injunctive or other equitable relief) shall be the same as, but no greater than, would be the remedial power of a court having jurisdiction over the parties and their dispute. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that he or it would be entitled to summary judgement if the matter had been pursued in court litigation. In the event of a conflict between the applicable rules of the American Arbitration Association and these procedures, the provisions of these procedures shall govern.

8.13.4 Fees and Costs. Any filing or administrative fees shall be borne initially by the party requesting arbitration. Notwithstanding the foregoing, the prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees.

8.13.5 Award Final and Binding. The arbitrator shall render an award and written opinion, and the award shall be final and binding upon the parties. If any of the provisions of this paragraph, or of this Agreement, are determined to be unlawful or otherwise unenforceable, in whole or in part, such determination shall not affect the validity of the remainder of this Agreement, and this Agreement shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the arbitration provisions of this Agreement are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact, and treated as determinative to the maximum extent permitted by law.

8.14. Headings. The section headings in this Agreement are inserted only as a matter of convenience, and in no way define, limit, extend or interpret the scope of this Agreement or of any particular section.

8.15. Number and Gender. Throughout this Agreement, as the context may require, (a) the masculine gender includes the feminine and the neuter gender includes the masculine and the feminine; (b) the singular tense and number includes the plural, and the plural tense and number includes the singular; (c) the past tense includes the present, and the present tense includes the past; (d) references to parties, sections, paragraphs and exhibits mean the parties, sections, paragraphs and exhibits of and to this Agreement; and (e) periods of days, weeks or months mean calendar days, weeks or months.

8.16. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.17. Complete Agreement. This Agreement and the Plan constitute the parties' entire agreement with respect to the subject matter hereof and supersede all agreements,

representations, warranties, statements, promises and understandings, whether oral or written, with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Company and the Grantee have executed this Agreement to be effective as of the date first above written.

The "Company"

CHARTER COMMUNICATIONS, INC., a Delaware corporation

By: _____

Richard R. Dykhouse, Executive Vice President, General Counsel and
Corporate Secretary

The "Grantee"

I, Thomas M. Rutledge, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Charter Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

/s/ Thomas M. Rutledge

Thomas M. Rutledge
Chairman and Chief Executive Officer

I, Christopher L. Winfrey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Charter Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2019

/s/ Christopher L. Winfrey

Christopher L. Winfrey
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS**

I, Thomas M. Rutledge, the Chairman and Chief Executive Officer of Charter Communications, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas M. Rutledge

Thomas M. Rutledge
Chairman and Chief Executive Officer
July 26, 2019

**CERTIFICATION OF CHIEF FINANCIAL
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS**

I, Christopher L. Winfrey, the Chief Financial Officer of Charter Communications, Inc. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2019 (the "Report") filed with the Securities and Exchange Commission:

- fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher L. Winfrey

Christopher L. Winfrey
Chief Financial Officer
(Principal Financial Officer)
July 26, 2019