**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**Current Report**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): March 9, 2017**

Charter
COMMUNICATIONS

**Charter Communications, Inc.**
**CCO Holdings, LLC**
**CCO Holdings Capital Corp.**
*(Exact name of registrant as specified in its charter)*

**Delaware**
*(State or other jurisdiction of incorporation or organization)*

| | |
|---|---|
| **001-33664** | **84-1496755** |
| **001-37789** | **86-1067239** |
| **333-112593-01** | **20-0257904** |
| *(Commission File Number)* | *(I.R.S. Employer Identification Number)* |

**400 Atlantic Street**
**Stamford, Connecticut 06901**
*(Address of principal executive offices including zip code)*

**(203) 905-7801**
*(Registrant's telephone number, including area code)*

**Not Applicable**
*(Former name or former address, if changed since last report)*

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

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

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

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

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

**ITEM 8.01. OTHER EVENTS.**

***Senior Unsecured Notes Offering***

Charter Communications, Inc. (along with its subsidiaries, “Charter”) today announced that its subsidiaries, CCO Holdings, LLC and CCO Holdings Capital Corp. (collectively, the “Issuers”), intend to offer $1.0 billion in aggregate principal amount of senior unsecured notes due 2027 (the “Notes,” and the offering thereof, the “Notes Offering”).

Charter intends to use the net proceeds from the sale of the Notes to repurchase the Issuers’ outstanding 5.850% senior notes due 2017, to pay related fees and expenses and for general corporate purposes.

The Notes will be sold to qualified institutional buyers in reliance on Rule 144A and outside the United States to non-U.S. persons in reliance on Regulation S. The Notes have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or any state securities laws and, unless so registered, may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The offering is subject to, among other things, market conditions.

In connection with the Notes Offering, the registrants are filing herewith as Exhibit 99.1 certain unaudited pro forma financial information of CCO Holdings, LLC for the year ended December 31, 2016, which gives effect to the transactions described therein.

This report is neither an offer to sell nor a solicitation of an offer to buy the Notes and shall not constitute an offer, solicitation or sale, nor is it an offer to purchase, or the solicitation of an offer to sell the Notes in any jurisdiction in which such offer, solicitation, or sale is unlawful.

***Cautionary Statement Regarding Forward-Looking Statements***

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, the Notes Offering. 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” from time to time in our filings with the SEC. Many of the forward-looking statements contained in this communication may be identified by the use of forward-looking words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “will,” “may,” “intend” and “potential,” among others.

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 report.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

| **Exhibit** | **Description** |
|---|---|
| 99.1 | Unaudited Pro Forma Consolidated Financial Statements* |

* filed herewith

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, each of Charter Communications, Inc., CCO Holdings, LLC and CCO Holdings Capital Corp. has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

CHARTER COMMUNICATIONS, INC.,
Registrant

By: /s/ Kevin D. Howard
Kevin D. Howard
Senior Vice President - Finance, Controller and
Chief Accounting Officer

Date: March 9, 2017

CCO Holdings, LLC
Registrant

By: /s/ Kevin D. Howard
Kevin D. Howard
Senior Vice President - Finance, Controller and
Chief Accounting Officer

Date: March 9, 2017

CCO Holdings Capital Corp.
Registrant

By: /s/ Kevin D. Howard
Kevin D. Howard
Senior Vice President - Finance, Controller and
Chief Accounting Officer

Date: March 9, 2017

**Exhibit Index**

| Exhibit | Description |
| --- | --- |
| 99.1 | Unaudited Pro Forma Consolidated Financial Statements* |

* filed herewith

# UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma financial statements for the year ended December 31, 2016 are intended to reflect the impacts of the TWC Transaction, the Bright House Transaction and the Liberty Transaction (each as defined below) on CCO Holdings, LLC's ("CCO Holdings") consolidated financial statements as if the TWC Transaction, Bright House Transaction and Liberty Transaction had occurred as of January 1, 2015. The accompanying unaudited pro forma financial statements present the pro forma results of operations of CCO Holdings based on the historical financial statements and accounting records of CCO Holdings, Legacy TWC and Legacy Bright House (each as defined below) and the related pro forma adjustments as described in the accompanying notes. The pro forma adjustments are included only to the extent they are (i) directly attributable to the TWC Transaction, the Bright House Transaction and/or the Liberty Transaction, (ii) factually supportable and (iii) expected to have a continuing impact on the combined results.

***TWC Transaction***

On May 18, 2016, the transactions contemplated by the Agreement and Plan of Mergers dated as of May 23, 2015 (the "Merger Agreement"), by and among Time Warner Cable Inc. ("Legacy TWC"), Charter Communications, Inc. prior to the closing of the Merger Agreement ("Legacy Charter"), CCH I, LLC, previously a wholly owned subsidiary of Legacy Charter ("New Charter") and certain other subsidiaries of New Charter were completed (the "TWC Transaction," and together with the Bright House Transaction described below, the "Transactions"). As a result of the TWC Transaction, New Charter became the new public parent company that holds the operations of the combined companies and was renamed Charter Communications, Inc. ("Charter"). Charter is the indirect parent company of CCO Holdings.

Pursuant to the terms of the Merger Agreement, upon consummation of the TWC Transaction, each outstanding share of Legacy TWC common stock (other than Legacy TWC common stock held by Liberty Broadband Corporation ("Liberty Broadband") and Liberty Interactive Corporation ("Liberty Interactive" and, collectively, the "Liberty Parties")), was converted into the right to receive, at the option of each such holder of Legacy TWC common stock, either (a) $100 in cash and Charter Class A common stock equivalent to 0.5409 shares of Legacy Charter Class A common stock (the "Option A Consideration") or (b) $115 in cash and Charter Class A common stock equivalent to 0.4562 shares of Legacy Charter Class A common stock (the "Option B Consideration"). The actual number of shares of Charter Class A common stock that Legacy TWC stockholders received, excluding the Liberty Parties, was calculated by multiplying the exchange ratios of 0.5409 or 0.4562 specified above by 0.9042 (the "Parent Merger Exchange Ratio"), which was also the exchange ratio that was used to determine the number of shares of Charter Class A common stock that Legacy Charter stockholders received per share of Legacy Charter Class A common stock. Such exchange ratio did not impact the aggregate value represented by the shares of Charter Class A common stock issued in the TWC Transaction; however, it did impact the actual number of shares issued in the TWC Transaction.

Out of approximately 277 million shares of Legacy TWC common stock outstanding at the closing of the TWC Transaction, excluding Legacy TWC common stock held by the Liberty Parties, approximately 274 million shares were converted into the right to receive the Option A Consideration and approximately 3 million shares were converted into the right to receive the Option B Consideration. The Liberty Parties received approximately one share of Charter Class A common stock for each share of Legacy TWC common stock they owned (equivalent to 1.106 shares of Legacy Charter Class A common stock multiplied by the Parent Merger Exchange Ratio).

As of the date of completion of the Transactions, the total value of the TWC Transaction was approximately $85 billion, including cash, equity and Legacy TWC assumed debt. The purchase price also included an estimated pre-combination vesting period fair value of $514 million for Legacy TWC equity awards converted into Charter awards upon closing of the TWC Transaction ("Converted TWC Awards") and $69 million of cash paid to former Legacy TWC employees and non-employee directors who held equity awards, whether vested or not vested.

***Bright House Transaction***

Also on May 18, 2016, Legacy Charter and Advance/Newhouse Partnership ("A/N"), the former parent of Bright House Networks, LLC ("Legacy Bright House"), completed their previously announced transaction, pursuant to a definitive Contribution Agreement (the "Contribution Agreement"), under which Charter acquired Legacy Bright House (the "Bright House Transaction"). Pursuant to the Bright House Transaction, Charter became the owner of the membership interests in Legacy Bright House and the other assets primarily related to Legacy Bright House (other than certain excluded assets and liabilities and non-operating cash). As of the date of acquisition, the purchase price totaled approximately $12.2 billion consisting of (a) $2.0 billion in cash, (b) 25 million convertible preferred units of Charter Communications Holdings, LLC ("Charter Holdings"), an indirect subsidiary of Charter and indirect parent company of CCO Holdings, with a face amount of $2.5 billion that pay a 6% annual preferential dividend, (c) approximately 31.0 million common units of Charter Holdings that are exchangeable into Charter Class A common stock on a one-for-one basis and (d) one share of Charter Class B common stock.

***Liberty Transactions***

In connection with the TWC Transaction, Legacy Charter and Liberty Broadband completed their previously announced transactions pursuant to their investment agreement, in which Liberty Broadband purchased for cash approximately 22.0 million shares of Charter Class A common stock valued at $4.3 billion at the closing of the TWC Transaction to partially finance the cash portion of the TWC Transaction consideration, and in connection with the Bright House Transaction, Liberty Broadband purchased approximately 3.7 million shares of Charter Class A common stock valued at $700 million at the closing of the Bright House Transaction (the "Liberty Transaction").

***Financing***

Legacy Charter partially financed the cash portion of the purchase price of the Transactions with additional indebtedness and cash on hand. In 2015, Legacy Charter issued $15.5 billion aggregate principal amount of CCO Safari II, LLC ("CCO Safari II") senior secured notes, $3.8 billion aggregate principal amount of CCO Safari III, LLC ("CCO Safari III") senior secured bank loans and $2.5 billion aggregate principal amount of CCOH Safari, LLC ("CCOH Safari") senior unsecured notes.  The net proceeds were initially deposited into escrow accounts. Upon closing of the TWC Transaction, the proceeds were released from escrow and the CCOH Safari notes became obligations of CCO Holdings and CCO Holdings Capital Corp. and the CCO Safari II notes and CCO Safari III credit facilities became obligations of Charter Communications Operating, LLC ("Charter Operating") and Charter Communications Operating Capital Corp., subsidiaries of CCO Holdings. CCOH Safari merged into CCO Holdings and CCO Safari II and CCO Safari III merged into Charter Operating.

In connection with the closing of the Transactions, Charter Operating replaced its existing revolving facility with a new $3.0 billion senior secured revolving facility under Charter Operating’s Amended and Restated Credit Agreement dated May 18, 2016 (the "Credit Agreement"). In connection with the closing of the Bright House Transaction, Charter Operating closed on a $2.6 billion aggregate principal amount term loan A facility ("Term Loan A") pursuant to the terms of the Credit Agreement of which $2.0 billion was used to fund the cash portion of the Bright House Transaction and of which $638 million was used to prepay and terminate Charter Operating's existing Term A-1 Loans. Interest on Term Loan A was set at LIBOR plus 2%.

***Basis of Presentation***

The unaudited pro forma financial statements are based on (i) the audited consolidated financial statements of CCO Holdings, LLC and its subsidiaries as of and for the year ended December 31, 2016 contained in CCO Holdings’ Annual Report on Form 10-K filed with the SEC on March 3, 2017, (ii) the unaudited consolidated financial statements of Time Warner Cable Inc. for the three months ended March 31, 2016 contained in Legacy TWC's Quarterly Report on Form 10-Q filed with the SEC on April 28, 2016, (iii) the unaudited consolidated financial statements of Bright House Networks, LLC and its subsidiaries as of and for the three months ended March 31, 2016 contained in Legacy Charter's Current Report on Form 8-K filed with the SEC on July 29, 2016, and (iv) the unaudited consolidated financial information of Legacy TWC and Legacy Bright House for the 47 day period from April 1, 2016 to May 17, 2016.

The unaudited pro forma financial statements are provided for illustrative purposes only and are based on available information and assumptions that management believes are reasonable and do not purport to represent what the actual consolidated results of operations of CCO Holdings would have been had the Transactions occurred on the date indicated, nor are they necessarily indicative of future consolidated results of operations. The actual results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results following the date of the pro forma financial statements.

***Items Not Adjusted in the Unaudited Pro Forma Financial Information***

Except to the extent revenue or costs have been incurred or realized subsequent to the completion of the Transactions, the unaudited pro forma financial statements do not include any adjustment for costs that may result from integration activities or for revenue or expense synergies or dis-synergies resulting from the Transactions, including programming costs or shared functions and other administrative and overhead allocations.  Charter has recorded costs for employee severance or relocation, costs of vacating some facilities and costs associated with other exit and integration activities in the post Transaction periods, however these costs will continue and no adjustments have been made to the pro forma periods. The unaudited pro forma statements of operations also do not include an estimated $175 million and $30 million of non-recurring costs incurred directly attributable to the TWC Transaction and the Bright House Transaction, respectively, such as investment banking fees and legal fees.

***Acquisition Accounting***

The Transactions were accounted for using the acquisition method of accounting with CCO Holdings as the accounting acquirer. The allocation of the purchase price is preliminary and is subject to change based on additional information that may be obtained during the measurement period primarily related to working capital measurement. See Note 2 to the consolidated financial statements in CCO Holdings' Annual Report on Form 10-K for the year ended December 31, 2016 for more information on the valuation methods used for the assets acquired and liabilities assumed. During the measurement period, management will continue to obtain information to assist in finalizing the fair value of net assets acquired and liabilities assumed, which is not expected to differ materially from the preliminary estimates herein. Any measurement period adjustments, including any related impacts to net income (loss), will be applied in the reporting period in which the adjustments are determined. The tables below present the calculation of the purchase price and the preliminary allocation of the purchase price to the assets acquired and liabilities assumed in the Transactions.

***TWC Purchase Price***

| | | |
|---|---|---|
| Shares of Charter Class A common stock issued (including the Liberty Parties) (in millions) | | 143.0 |
| Charter Class A common stock closing price per share | $ | 224.91 |
| Fair value of Charter Class A common stock issued | $ | 32,164 |
| | | |
| Cash paid to Legacy TWC stockholders (excluding the Liberty Parties) | $ | 27,770 |
| Pre-combination vesting period fair value of Converted TWC Awards | | 514 |
| Cash paid for Legacy TWC non-employee equity awards | | 69 |
| Total purchase price | $ | 60,517 |

***TWC Preliminary Allocation of Purchase Price***

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 1,058 |
| Current assets | | 1,308 |
| Property, plant and equipment | | 21,413 |
| Franchises | | 54,085 |
| Customer relationships | | 13,460 |
| Goodwill | | 28,292 |
| Other noncurrent assets | | 1,040 |
| Accounts payable and accrued liabilities | | (3,925) |
| Debt | | (24,900) |
| Deferred income taxes | | (28,148) |
| Other long-term liabilities | | (3,162) |
| Noncontrolling interests | | (4) |
| | $ | 60,517 |

***Bright House Purchase Price***

| | | |
|---|---|---|
| Charter Holdings common units issued to A/N (in millions) | | 31.0 |
| Charter Class A common stock closing price per share | $ | 224.91 |
| Fair value of Charter Holdings common units issued to A/N | $ | 6,971 |
| | | |
| Fair value of Charter Holdings convertible preferred units issued to A/N | | 3,163 |
| Cash paid to A/N | | 2,022 |
| Total purchase price | $ | 12,156 |

***Bright House Preliminary Allocation of Purchase Price***

| | | |
|---|---|---|
| Current assets | $ | 131 |
| Property, plant and equipment | | 2,884 |
| Franchises | | 7,225 |
| Customer relationships | | 2,150 |
| Goodwill | | 44 |
| Other noncurrent assets | | 86 |
| Accounts payable and accrued liabilities | | (330) |
| Other long-term liabilities | | (12) |
| Noncontrolling interests | | (22) |
| | $ | 12,156 |

In connection with the Transactions, Charter contributed down to CCO Holdings the net assets and liabilities of TWC and Bright House except for the deferred tax liabilities of Charter, as noted above, and net assets of approximately $1.0 billion primarily cash and cash equivalents used as a source for the cash portion of the TWC purchase price.

**CCO HOLDINGS, LLC AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**
**YEAR ENDED DECEMBER 31, 2016**
**(DOLLARS IN MILLIONS)**

| | CCO Holdings Historical [1] | TWC [2] | TWC Pro Forma Adjustments | CCO Holdings Pro Forma | Bright House [2] | Bright House Pro Forma Adjustments | CCO Holdings Pro Forma As Adjusted |
|---|---|---|---|---|---|---|---|
| REVENUES | $ 29,003 | $ 9,476 | $ 65 [1a] | $ 38,544 | $ 1,546 | $ (67) [2a] | $ 40,023 |
| COSTS AND EXPENSES: | | | | | | | |
| Operating costs and expenses (exclusive of items shown separately below) | 18,670 | 6,201 | 98 [1a] | 24,969 | 1,029 | (130) [2a] | 25,868 |
| Depreciation and amortization | 6,902 | 1,489 | 828 [1b] | 9,219 | 176 | 152 [2b] | 9,547 |
| Other operating (income) expenses, net | (177) | 60 | (71) [1c] | (188) | (1) | 1 [2c] | (188) |
| | 25,395 | 7,750 | 855 | 34,000 | 1,204 | 23 | 35,227 |
| Income from operations | 3,608 | 1,726 | (790) | 4,544 | 342 | (90) | 4,796 |
| OTHER INCOME (EXPENSES): | | | | | | | |
| Interest expense, net | (2,123) | (532) | (226) [1d] | (2,881) | (5) | (6) [2d] | (2,892) |
| Loss on extinguishment of debt | (111) | — | — | (111) | — | — | (111) |
| Loss on financial instruments, net | 89 | — | — | 89 | — | — | 89 |
| Other income (expense), net | (3) | 15 | — | 12 | — | — | 12 |
| | (2,148) | (517) | (226) | (2,891) | (5) | (6) | (2,902) |
| Income before taxes | 1,460 | 1,209 | (1,016) | 1,653 | 337 | (96) | 1,894 |
| Income tax expense | (3) | (472) | 472 [1e] | (3) | — | — | (3) |
| Consolidated net income | 1,457 | 737 | (544) | 1,650 | 337 | (96) | 1,891 |
| Less: Net income attributable to noncontrolling interests | (1) | — | — | (1) | — | — | (1) |
| Net income before non-recurring charges directly attributable to the Transactions | $ 1,456 | $ 737 | $ (544) | $ 1,649 | $ 337 | $ (96) | $ 1,890 |

1. Includes the results of operations of CCO Holdings for the year ended December 31, 2016 and the results of operations of Legacy TWC and Legacy Bright House from the date of completion of the Transactions (May 18, 2016) through December 31, 2016.
2. Includes the results of operations of Legacy TWC and Legacy Bright House for the period from January 1, 2016 through May 17, 2016.

## Notes to Unaudited Pro Forma Financial Statements

### Note 1. TWC Transaction Pro Forma Statement of Operations Adjustments

(a) Adjustment to revenues and operating costs and expenses reflect the following adjustments for the year ended December 31, 2016 (in millions).

| | Year Ended December 31, 2016 |
|---|---|
| Reclassification to conform to CCO Holdings' financial statement classification | $ 96 |
| Elimination of revenue/expense between CCO Holdings and Legacy TWC | (31) |
| Adjustment to both revenues and operating costs and expenses | 65 |
| | |
| Incremental replacement stock award compensation expense | 22 |
| Elimination of amortization of actuarial gains (losses) and prior service credits for Legacy TWC's pension plans | (16) |
| Elimination of net income (loss) related to a party company entity not assumed by CCO Holdings in the TWC Transaction | (1) |
| Reclassification to conform to CCO Holdings' financial statement classification for other operating expenses | 28 |
| Total adjustment to operating costs and expenses | $ 98 |

Legacy TWC presents processing fees as a reduction to bad debt expense within operating costs and expenses in the statement of operations. CCO Holdings reports such fees as other revenue. As such, a pro forma reclassification was made to conform to CCO Holdings' financial statement classification for processing fee revenues and other revenue items.

Incremental replacement stock award compensation expense represents additional expense related to converted Legacy TWC equity awards associated with the post-combination vesting period. Compensation expense following the closing of the TWC Transaction reflects the $539 million fair value of the awards as of the closing date and will be recognized over the remaining vesting period. At closing, Legacy TWC employee equity awards were converted into equity awards with respect to Charter Class A common stock, after giving effect to the Stock Award Exchange Ratio (as defined under "The Merger Agreement—Treatment of TWC Equity Awards" in CCH I, LLC's prospectus filed with the SEC on August 20, 2015).

Net actuarial gains (losses) and prior service credits with respect to Legacy TWC's pension plans are included in Legacy TWC's accumulated other comprehensive loss (a component of equity) and have been reclassified into the results of operations based on service period assumptions. Because Legacy TWC's equity, including accumulated other comprehensive loss, is eliminated in the opening balance sheet pursuant to acquisition accounting, the results for the periods following the closing of the TWC Transaction will not include any impact from the amortization of these deferred net actuarial gains (losses) and prior service credits.

Other reclassifications to conform to CCO Holdings' financial statement classification were made such as gain (loss) on sale of fixed assets, pension interest cost and expected return on plan assets to other operating income (expenses), net.

(b) Depreciation and amortization was adjusted by $828 million for the year ended December 31, 2016 as follows (in millions).

| | Year Ended December 31, 2016 | | |
|---|---|---|---|
| | Depreciation | Amortization | Total |
| Legacy TWC pro forma expense based on fair value | $ 1,527 | $ 790 | $ 2,317 |
| Legacy TWC historical expense | | | (1,489) |
| Total pro forma depreciation and amortization adjustment | | | $ 828 |

The adjustment was estimated using an average useful life of 6 years for property, plant and equipment and 11 years for customer relationships. Customer relationships are amortized using an accelerated method (sum of the years' digits) to reflect the period over which the relationships are expected to generate cash flows. Following the completion of the Transactions, Legacy TWC's pro forma customer relationships of $13.5 billion would result in amortization expense under the accelerated method of $2.3 billion for year 1, $2.1 billion for year 2, $1.9 billion for year 3, $1.7 billion for year 4, $1.4 billion for year 5 and $4.1 billion thereafter. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized.

(c) For the year ended December 31, 2016, other operating (income) expenses, net decreased by $71 million as follows (in millions).

| | | Year Ended December 31, 2016 |
|---|---|---|
| Elimination of Legacy TWC stock compensation expense classified by Legacy TWC as merger-related in other operating expense | $ | (12) |
| Reclassification to conform to CCO Holdings' financial statement classification | | (28) |
| Elimination of CCO Holdings transaction costs directly related to the TWC Transaction | | (28) |
| Elimination of Legacy TWC transaction costs directly related to the TWC Transaction | | (3) |
| | $ | (71) |

(d) For the year ended December 31, 2016, interest expense, net increased by $226 million as follows (in millions).

| | | Year Ended December 31, 2016 |
|---|---|---|
| Additional interest expense on new debt issued or assumed | $ | (390) |
| Amortization of deferred financing fees and original issue discount | | (9) |
| Amortization of net premium as a result of adjusting assumed Legacy TWC long-term debt to fair value | | 167 |
| Elimination of amortization related to Legacy TWC's previously deferred financing fees and debt discounts | | 6 |
| | $ | (226) |

In 2015, Legacy Charter issued $15.5 billion CCO Safari II senior secured notes, $3.8 billion CCO Safari III senior secured bank loans and $2.5 billion CCOH Safari senior unsecured notes which were assumed by CCO Holdings upon closing of the Transactions. For pro forma purposes, CCO Holdings has assumed the use of borrowings under the Charter Operating revolving credit facility to fund the remaining cash portion of the TWC Transaction.

Legacy TWC long-term debt was adjusted to fair value based on quoted market prices. The difference between the fair value and the face amount of each borrowing is amortized as an offset to interest expense over the remaining term of each borrowing based on its maturity date. This adjustment results in interest expense that effectively reflects current market interest rates rather than the stated interest rates.

(e) Adjustments to income tax benefit (expense) reflect the elimination of income tax expense at Legacy TWC as Legacy TWC and its operations are no longer a corporation.

**Note 2. Bright House Transaction Pro Forma Statement of Operations Adjustments**

(a) Adjustment to revenues and operating costs and expenses reflect the following adjustments for the year ended December 31, 2016 (in millions).

| | | Year Ended December 31, 2016 |
|---|---|---|
| Reclassification to conform to CCO Holdings' financial statement classification | $ | (4) |
| Elimination of Legacy TWC management fee incurred by Legacy Bright House | | (57) |
| Elimination of revenue/expense between Legacy TWC and Legacy Bright House | | (6) |
| Adjustment to both revenues and operating costs and expenses | | (67) |
| | | |
| Adjustment to capitalize residential installation labor and other labor costs to conform to CCO Holdings' capitalization accounting policy | | (46) |
| Elimination of costs related to parent company obligations not assumed by CCO Holdings in the Bright House Transaction | | (14) |
| Reclassification to conform to CCO Holdings' financial statement classification for other operating expense | | (3) |
| Total adjustment to operating costs and expenses | $ | (130) |

Legacy Bright House presents processing fees as a reduction to bad debt expense within operating costs and expenses in the statement of operations. CCO Holdings reports such fees as other revenue. As such, a pro forma reclassification was made to conform to CCO Holdings' financial statement classification for processing fee revenues and other revenue items.

(b) Depreciation and amortization was adjusted by $152 million for the year ended December 31, 2016 as follows (in millions).

| | Year Ended December 31, 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Depreciation | | Amortization | | Total | |
| Legacy Bright House pro forma expense based on fair value | $ | 216 | $ | 112 | $ | 328 |
| Legacy Bright House historical expense | | | | | | (176) |
| Total pro forma depreciation and amortization adjustment | | | | | $ | 152 |

The increase was estimated using an average useful life of 7 years for property, plant and equipment and 10 years for customer relationships. Customer relationships are amortized using an accelerated method (sum of the years' digits) to reflect the period over which the relationships are expected to generate cash flows. Following the completion of the Transactions, Legacy Bright House's pro forma customer relationships of $2.2 billion would result in amortization expense under the accelerated method of $363 million for year 1, $328 million for year 2, $292 million for year 3, $256 million for year 4, $221 million for year 5 and $690 million thereafter. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized.

(c) For the year ended December 31, 2016, other operating (income) expenses, net increased by $1 million representing a reclassification to conform to CCO Holdings' financial statement classification for other operating expense.

(d) For the year ended December 31, 2016, interest expense, net, increased by $6 million representing additional interest expense on Term Loan A and related amortization of deferred financing fees offset by the elimination of historical interest expense incurred by Legacy Bright House as debt was not assumed in the Bright House Transaction and repayment of Charter Operating's revolving credit facility.