

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): November 5, 2015**



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

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

**001-33664**

*(Commission File Number)*

**43-1857213**

*(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:

- Written communications pursuant Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## ITEM 8.01. OTHER EVENTS.

As previously announced, on May 23, 2015, Charter Communications, Inc. ("Charter" or the "Company") entered into an Agreement and Plan of Mergers (the "Merger Agreement") with Time Warner Cable Inc. ("TWC"), CCH I, LLC ("New Charter"), a wholly owned subsidiary of the Company; Nina Corporation I, Inc., Nina Company II, LLC, a wholly owned subsidiary of New Charter; and Nina Company III, LLC, a wholly owned subsidiary of New Charter, pursuant to which the parties will engage in a series of transactions that will result in Charter and TWC becoming wholly owned subsidiaries of New Charter (the "TWC transactions"), on the terms and subject to the conditions set forth in the Merger Agreement. After giving effect to the TWC transactions, New Charter will be the new public company parent that will hold the operations of the combined companies.

Also as previously announced, on March 31, 2015, the Company entered into a definitive Contribution Agreement, which was amended on May 23, 2015 in connection with the execution of the Merger Agreement, with Advance/Newhouse Partnership, A/NPC Holdings LLC, New Charter and Charter Communications Holdings, LLC, the Company's wholly owned subsidiary, pursuant to which Charter would become the owner of the membership interests in Bright House Networks, LLC ("Bright House") and any other assets (other than certain excluded assets and liabilities and non-operating cash) primarily related to Bright House (the "BHN transactions").

In connection with the TWC transactions, Charter and Liberty Broadband Corporation ("Liberty") entered into an investment agreement, pursuant to which Liberty agreed to invest \$4.3 billion in New Charter Class A common stock at the closing of the TWC transactions to partially finance the cash portion of the TWC transactions consideration. In connection with the BHN transactions, Liberty agreed to purchase at the closing of the BHN transactions \$700 million of New Charter Class A common stock (or, if the mergers are not consummated prior to the completion of the BHN transactions, Charter Class A common stock) (collectively with the TWC transactions and BHN transactions, the "Transactions").

In connection with the Company's offering of \$2.5 billion CCOH Safari, LLC notes to be used to partially fund the Transactions, the Company is filing this Current Report on Form 8-K in order to make available (i) the unaudited pro forma financial information of Charter as of September 30, 2015 and for the nine months ended September 30, 2015 and the year ended December 31, 2014, which give effect to the Transactions on the basis described therein and (ii) the condensed consolidated unaudited financial statements of Bright House Networks, LLC and its subsidiaries as of and for the three and nine month periods ended September 30, 2015. The foregoing are attached hereto as Exhibits 99.1 and 99.2, respectively.

## ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

<b>Exhibit Number</b>	<b>Description</b>
99.1 *	Unaudited Pro Forma Consolidated Financial Statements.
99.2 *	Unaudited Condensed Consolidated Financial Statements of Bright House Networks, LLC and Subsidiaries as of and for the three and nine month periods ended September 30, 2015 and 2014.

\* filed herewith

## Important Information For Investors And Shareholders

This Current Report does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed transaction between Time Warner Cable Inc. (“Time Warner Cable” or “TWC”) and Charter Communications, Inc. (“Charter”), Charter’s subsidiary, CCH I, LLC (“New Charter”), filed with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-4 that includes a joint proxy statement of Charter and Time Warner Cable that also constitutes a prospectus of New Charter (the “Joint Proxy Statement/Prospectus”). The registration statement was declared effective by the SEC on August 20, 2015, and Charter and Time Warner Cable commenced mailing the definitive Joint Proxy Statement/Prospectus to their respective stockholders on or about August 20, 2015. This Current Report is not a substitute for the Joint Proxy Statement/Prospectus or registration statement or for any other document that Charter or Time Warner Cable may file with the SEC or send to Charter’s and/or Time Warner Cable’s stockholders in connection with the proposed transactions. On September 21, 2015, Charter’s and Time Warner Cable’s respective stockholders each approved the merger agreement at their respective special meetings. INVESTORS AND SECURITY HOLDERS OF CHARTER AND TIME WARNER CABLE ARE URGED TO READ THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders are able to obtain free copies of the registration statement and the definitive Joint Proxy Statement/Prospectus and other documents filed with the SEC by Charter, New Charter or Time Warner Cable through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Charter or New Charter are or will be available free of charge on Charter’s website at <http://charter.com>, in the “Investor and News Center” near the bottom of the page, or by contacting Charter’s Investor Relations Department at 203-905-7955. Copies of the documents filed with the SEC by Time Warner Cable are or will be available free of charge on Time Warner Cable’s website at <http://ir.timewarnercable.com> or by contacting Time Warner Cable’s Investor Relations Department at 877-446-3689.

Charter and Time Warner Cable and their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies with respect to the proposed transactions under the rules of the SEC. Information about the directors and executive officers of Charter is set forth in the definitive Joint Proxy Statement/Prospectus and in its Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on February 24, 2015, and its proxy statement for its 2015 annual meeting of stockholders, which was filed with the SEC on March 18, 2015. Information about the directors and executive officers of Time Warner Cable is set forth in the definitive Joint Proxy Statement/Prospectus and its Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on February 13, 2015, as amended April 27, 2015, its proxy statement for its 2015 annual meeting of stockholders, which was filed with the SEC on May 18, 2015 and its Current Reports on Form 8-K, which were filed with the SEC on June 1, 2015 and August 6, 2015. These documents can be obtained free of charge from the sources indicated above.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Current 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, our plans, strategies and prospects, both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Risk Factors" from time to time in our filings with the SEC. Many of the forward-looking statements contained in this Current 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", "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 Current Report are set forth in our Annual Report on Form 10-K and other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

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

- delays in the completion of the Transactions;
- the risk that a condition to completion of the Transactions may not be satisfied;
- the risk that regulatory or other approvals that may be required for the Transactions is delayed, is not obtained or is obtained subject to conditions that are not anticipated;
- New Charter's ability to achieve the synergies and value creation contemplated by the TWC transactions and/or the BHN transactions;
- New Charter's ability to promptly, efficiently and effectively integrate acquired operations into its own operations;
- managing a significantly larger company than before the completion of the Transactions;
- diversion of management time on issues related to the Transactions;
- changes in Charter's, TWC's or Bright House's businesses, future cash requirements, capital requirements, results of operations, revenues, financial condition and/or cash flows;
- disruption in the existing business relationships of Charter, TWC and Bright House as a result of the TWC transactions and/or the BHN transactions;
- the increase in indebtedness as a result of the Transactions, which will increase interest expense and may decrease Charter's operating flexibility;
- changes in transaction costs, the amount of fees paid to financial advisors, potential termination fees and the potential payments to TWC's and Bright House's executive officers in connection with the Transactions;
- operating costs and business disruption that may be greater than expected;
- the ability to retain and hire key personnel and maintain relationships with providers or other business partners pending completion of the Transactions; and
- the impact of competition.

### *Risks Related to Our Business*

- our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our markets and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;

- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, digital subscriber line (“DSL”) providers, video provided over the Internet and providers of advertising over the Internet;
- general business conditions, economic uncertainty or downturn, high unemployment levels and the level of activity in the housing sector;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- the development and deployment of new products and technologies including our cloud-based user interface, Spectrum Guide<sup>®</sup>, and downloadable security for set-top boxes;
- the effects of governmental regulation on our business or potential business combination transactions;
- any events that disrupt our networks, information systems or properties and impair our operating activities and negatively impact our reputation;
- 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 Current Report.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, Charter Communications, Inc. 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: November 5, 2015

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
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99.2 *	Unaudited Condensed Consolidated Financial Statements of Bright House Networks, LLC and Subsidiaries as of and for the three and nine month periods ended September 30, 2015 and 2014.

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\* filed herewith

## UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma financial statements as of and for the nine months ended September 30, 2015 and for the year ended December 31, 2014 are intended to reflect the impacts of the TWC transactions, the BHN transactions and the Liberty transactions on Charter's consolidated financial statements as if the TWC transactions, BHN transactions and Liberty transactions had occurred as of September 30, 2015 for the unaudited pro forma consolidated balance sheet and as of January 1, 2014 for the unaudited pro forma consolidated statements of operations. The accompanying unaudited pro forma financial statements present the pro forma consolidated financial position and results of operations of Charter based on the historical financial statements and accounting records of Charter, TWC and Bright House 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 transactions, the BHN transactions and/or the Liberty transactions, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

### *TWC Transactions*

On May 23, 2015, Charter Communications, Inc. ("Charter") entered into an Agreement and Plan of Mergers (the "Merger Agreement") with Time Warner Cable Inc. ("TWC"), CCH I, LLC ("New Charter"), a wholly owned subsidiary of Charter; Nina Corporation I, Inc., Nina Company II, LLC, a wholly owned subsidiary of New Charter; and Nina Company III, LLC, a wholly owned subsidiary of New Charter, pursuant to which the parties will engage in a series of transactions that will result in Charter and TWC becoming wholly owned subsidiaries of New Charter (the "TWC transactions"), on the terms and subject to the conditions set forth in the Merger Agreement. After giving effect to the TWC Transaction, New Charter will be the new public company parent that will hold the operations of the combined companies.

In the TWC transactions, TWC stockholders, excluding Liberty Broadband Corporation ("Liberty Broadband") and Liberty Interactive Corporation ("Liberty Interactive") pursuant to the terms of the Liberty contribution agreement, will have the right to elect to receive either \$100 in cash and shares of New Charter Class A common stock equivalent to 0.5409 shares of Charter Class A common stock for each share of TWC common stock outstanding (the "Option A Election") or \$115 in cash and shares of New Charter Class A common stock equivalent to 0.4562 shares of Charter Class A common stock (the "Option B Election"). The unaudited pro forma financial statements provided herein assume all of the TWC stockholders elect the Option A Election. Liberty Broadband and Liberty Interactive will not receive cash as part of the TWC transactions, but will have the right to receive shares of New Charter Class A common stock equivalent to 1.106 shares of Charter Class A common stock for each share of TWC common stock owned by them. For purposes of these unaudited pro forma financial statements, the TWC preliminary purchase price is assumed to be \$58.4 billion. Based on a per share price of \$190.94, the closing share price of Charter Class A common stock on October 30, 2015, and approximately 283.2 million shares of TWC common stock outstanding as of October 30, 2015, Charter expects to issue shares of New Charter Class A common stock equivalent to 157.6 million shares of Charter Class A common stock valued at approximately \$30.1 billion. Additionally, Charter expects to pay \$27.5 billion in cash to TWC stockholders, which is expected to be financed with new indebtedness of New Charter, the issuance of equity to Liberty Broadband pursuant to the Liberty transactions and cash on hand from TWC. The preliminary purchase price also includes New Charter replacement equity awards with an estimated pre-combination vesting period fair value of \$676 million that will be issued in respect of equity awards held by employees of TWC and \$89 million that will be paid in cash to TWC former employees and non-employee directors who hold equity awards, whether vested or not vested. The fair value of the equity portion of the TWC transactions consideration for accounting purposes will be based on the fair value of Charter Class A common stock at the date of close of the mergers and will be different from the assumed value presented in these unaudited pro forma financial statements. A 5% change in the per share price of Charter Class A common stock will result in a \$1.5 billion change in the fair value of the equity issued and total consideration for accounting purposes. In addition, the amount of equity and cash consideration will vary based on the number of TWC stockholders that elect the Option B Election. A 5% decrease in the number of shares held by TWC stockholders electing the Option A Election, who instead elect the Option B Election, will result in a \$223 million reduction in the fair value of equity issued and a \$207 million increase in the cash consideration paid which will be financed by additional debt.

The actual number of shares of New Charter Class A common stock that TWC stockholders, excluding Liberty Broadband and Liberty Interactive, will be entitled to receive will be calculated by multiplying the exchange ratios of 0.5409 or 0.4562 specified above by 0.9042 (the "Parent Merger Exchange Ratio"), which will also be the exchange ratio that will be used to determine the number of shares of New Charter Class A common stock that Charter stockholders will be entitled to receive per share of Charter Class A common stock. Such exchange ratio is not intended to impact the aggregate value represented by the shares of New Charter Class A common stock issued in the TWC transactions; however, it will impact the actual number of shares issued in the TWC transactions. Such impact is reflected in the weighted average common shares outstanding included in the accompanying unaudited pro forma consolidated statements of operations.



## ***BHN Transactions***

On March 31, 2015, Charter entered into a definitive Contribution Agreement (the "Contribution Agreement"), which was amended on May 23, 2015 in connection with the execution of the Merger Agreement, with Advance/Newhouse Partnership ("A/N"), A/NPC Holdings LLC, New Charter and Charter Communications Holdings, LLC ("Charter Holdings"), Charter's wholly owned subsidiary, pursuant to which Charter would become the owner of the membership interests in Bright House Networks, LLC ("Bright House") and any other assets (other than certain excluded assets and liabilities and non-operating cash) primarily related to Bright House (the "BHN transactions," and collectively with the TWC transactions (the "Transactions")).

In the BHN transactions, A/N will receive approximately 34.3 million Charter Holdings common units, approximately 10.3 million Charter Holdings convertible preferred units, both subject to application of the Parent Merger Exchange Ratio, and approximately \$2.0 billion in cash. For purposes of these unaudited pro forma financial statements, the Bright House preliminary purchase price is assumed to be \$11.1 billion. Based on a per share price of \$190.94, the closing share price of Charter Class A common stock on October 30, 2015, the Charter Holdings common units are valued at approximately \$6.5 billion. The issuance of Charter Holdings convertible preferred units are valued for pro forma purposes based on their \$2.5 billion aggregate liquidation preference. The approximately \$2.0 billion cash portion of the BHN transactions will be financed with new indebtedness of New Charter. The BHN transactions exclude certain assets and liabilities such as cash, marketable securities and pension-related assets and liabilities, among others. The fair value of the BHN transactions for accounting purposes will be based on the fair value of the Charter Holdings common units and the Charter Holdings convertible preferred units at the date of close and will be different from the assumed value presented in these unaudited pro forma financial statements. A 5% change in the fair value of the Charter Holdings common units and convertible preferred units will result in a \$452 million change in the fair value of the total consideration for accounting purposes.

## ***Liberty Transactions and Committed Financing***

In connection with the TWC transactions, Charter and Liberty Broadband entered into an investment agreement, pursuant to which Liberty Broadband agreed to invest \$4.3 billion in New Charter at the closing of the TWC transactions to partially finance the cash portion of the TWC transactions consideration. New Charter will issue shares to Liberty Broadband equivalent to approximately 24.3 million shares of Charter Class A common stock. In connection with the BHN transactions, Liberty Broadband agreed to purchase at the closing of the BHN transactions \$700 million of New Charter Class A common stock (or, if the mergers are not consummated prior to the completion of the BHN transactions, Charter Class A common stock). New Charter (or, if applicable, Charter) will issue shares to Liberty Broadband equivalent to approximately 4.0 million shares of Charter Class A common stock in connection with such \$700 million investment (the foregoing transactions are referred to as the "Liberty transactions").

Charter expects to finance the remaining cash portion of the purchase price of the Transactions with additional indebtedness and cash on the companies' balance sheets. In July 2015, Charter issued \$15.5 billion CCO Safari II, LLC senior secured notes and in August 2015, CCO Safari III, LLC closed on \$3.8 billion of senior secured bank loans. To fund the remaining cash portions of the Transactions, Charter has remaining commitments of approximately \$5.2 billion from banks to provide incremental senior secured term loan facilities and senior unsecured notes, as well as an incremental \$1.7 billion revolving facility. In addition, the bank commitments provide for a \$4.3 billion bridge facility if all TWC stockholders (other than the Liberty Parties) elect the Option B Election, in the event Charter is unable to issue senior unsecured notes in advance of the closing of the TWC transactions. For purposes of these unaudited pro forma financial statements, Charter has assumed acquisition financing of approximately 90% in new and recently issued first lien debt (including bank debt and senior secured notes) and approximately 10% in unsecured notes at current market interest rates. The indebtedness assumptions used herein are for illustrative purposes only and may not reflect the actual financing when completed.

## ***Basis of Presentation***

The unaudited pro forma financial statements are based on (i) the unaudited condensed consolidated financial statements of Charter Communications, Inc. and its subsidiaries as of and for the nine months ended September 30, 2015 contained in Charter's Quarterly Report on Form 10-Q filed with the SEC on October 29, 2015, (ii) the unaudited consolidated financial statements of Time Warner Cable Inc. as of and for the nine months ended September 30, 2015 contained in TWC's Quarterly Report on Form 10-Q filed with the SEC on October 29, 2015, (iii) the condensed consolidated unaudited financial statements of Bright House Networks, LLC and its subsidiaries as of and for the nine month period ended September 30, 2015 contained in this Current Report on Form 8-K, (iv) the audited consolidated financial statements of Charter Communications, Inc. and its subsidiaries for the year ended December 31, 2014 contained in Charter's Annual Report on Form 10-K filed with the SEC on February 23, 2015, (v) the audited consolidated financial statements of Time Warner Cable Inc. for the year ended December 31, 2014 contained in TWC's Annual Report on Form 10-K filed with the SEC on February 13, 2015, and (vi) the audited consolidated financial statements of Bright

House Networks, LLC and its subsidiaries for the year ended December 31, 2014 contained in Charter's definitive proxy statement filed with the SEC on August 20, 2015.

The Transactions will be accounted for using the acquisition method of accounting with Charter as the accounting acquirer. The unaudited pro forma financial statements reflect the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. The fair values assigned in the unaudited pro forma financial statements are preliminary and represent Charter's current best estimate of fair values and are subject to revision. The detailed valuation studies necessary to arrive at the required estimates of the fair values for the assets acquired and liabilities assumed have only recently commenced. Significant assets and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include property, plant and equipment and identifiable intangible assets, including franchises and customer relationships. Changes to the fair values of these assets and liabilities will also result in changes to goodwill and deferred tax liabilities.

The unaudited pro forma financial statements are provided for illustrative purposes only and are based on available information and assumptions that Charter believes are reasonable and do not purport to represent what the actual consolidated results of operations or the consolidated financial position of Charter would have been had the Transactions occurred on the dates indicated, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. The actual financial position and 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***

The unaudited pro forma financial statements do not reflect all reclassifications or adjustments to conform the TWC or Bright House financial statement presentation or accounting policies to those adopted by Charter. At this time, Charter is not aware of any intercompany transactions that would have a material impact on the unaudited pro forma financial statements that are not reflected in the pro forma adjustments. Further review may identify additional intercompany transactions, reclassifications or differences between the accounting policies of the companies that, when conformed, could have a material impact on the unaudited pro forma financial statements of the combined company.

The unaudited pro forma financial statements do not include any adjustment for liabilities or related costs that may result from integration activities, since management has not completed the process of making these assessments. Significant liabilities and related costs may ultimately be recorded for employee severance or relocation, costs of vacating some facilities and costs associated with other exit and integration activities. The unaudited pro forma statements of operations do not include any revenue or expense synergies or dis-synergies resulting from the Transactions, including programming costs or shared functions and other administrative and overhead allocations, as these adjustments are not factually supportable. The unaudited pro forma statements of operations also do not include an estimated \$425 million and \$30 million of non-recurring costs to be incurred directly attributable to the TWC transactions and the BHN transactions, respectively, such as escrow interest, investment banking fees and legal fees.

Charter intends to review the synergies of the combined businesses in advance of and subsequent to the completion of the Transactions, which may result in a plan to reorganize certain of TWC's, Bright House's or Charter's products, network, service operations and organizational structure. The costs of implementing such a plan, if it were to occur, and any resulting future changes in revenue or cost savings have not been reflected in the unaudited pro forma financial statements.

In connection with the BHN transactions, New Charter and A/N will enter into a tax receivable agreement which will apply to an exchange or sale of the Charter Holdings common and convertible preferred units between the parties. The tax receivable agreement will provide for a payment by New Charter to A/N of 50% of the tax benefit when realized by New Charter from the step-up in tax basis resulting from the future exchange or sale. Charter has not recorded a pro forma adjustment for this contingent consideration obligation in the preliminary purchase price allocation as it is impractical to estimate its fair value since the tax benefit is dependent on uncertain future events that are outside New Charter's control. A future exchange or sale is not based on a fixed and determinable date and the exchange or sale is not certain to occur. If and when an exchange or sale occurs in the future, the undiscounted value of the obligation is estimated to be in the range of zero to \$2 billion depending on measurement of the tax step-up in the future and New Charter's ability to realize the tax benefit in the subsequent periods following the exchange or sale.

The unaudited pro forma financial statements do not reflect adjustments related to the impact of the termination of the transactions Charter entered into with Comcast Corporation in April 2014 as such adjustments are not directly related to the Transactions or Liberty transactions. The transactions Charter entered into with Comcast were terminated in April 2015 and the CCOH Safari, LLC notes and CCO Safari, LLC Term G Loans were subsequently repaid in April 2015. The unaudited pro forma consolidated statements of operations are not adjusted to eliminate approximately \$112 million and \$75 million of interest expense associated with the escrowed debt for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively. The

unaudited pro forma consolidated statements of operations are also not adjusted to eliminate approximately \$16 million and \$38 million of transaction costs incurred by Charter and \$37 million and \$195 million of transaction costs incurred by TWC directly related to the transactions with Comcast for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively.

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2015**  
**(IN MILLIONS)**

	Charter Historical	TWC	TWC Pro Forma Adjustments	Charter Pro Forma	Bright House	Bright House Pro Forma Adjustments	Charter Pro Forma As Adjusted
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ —	\$ 485	\$ (485) <sup>1a</sup>	\$ —	\$ 43	\$ (43) <sup>2a</sup>	\$ —
Accounts receivable, net	292	935	—	1,227	160	—	1,387
Prepaid expenses and other current assets	114	469	(10) <sup>1a</sup>	573	31	—	604
Total current assets	406	1,889	(495)	1,800	234	(43)	1,991
RESTRICTED CASH AND CASH EQUIVALENTS	19,626	—	(19,626) <sup>1e</sup>	—	—	—	—
<b>INVESTMENT IN CABLE PROPERTIES:</b>							
Property, plant and equipment, net	8,281	16,746	4,187 <sup>1b</sup>	29,214	2,169	542 <sup>2b</sup>	31,925
Franchises	6,006	26,014	22,450 <sup>1b</sup>	54,470	802	4,000 <sup>2b</sup>	59,272
Customer relationships, net	916	268	17,547 <sup>1b</sup>	18,731	—	1,752 <sup>2b</sup>	20,483
Goodwill	1,168	3,139	23,099 <sup>1b</sup>	27,406	13	1,865 <sup>2b</sup>	29,284
Total investment in cable properties, net	16,371	46,167	67,283	129,821	2,984	8,159	140,964
OTHER NONCURRENT ASSETS	470	665	615 <sup>1c</sup>	1,750	77	60 <sup>2c</sup>	1,887
Total assets	\$ 36,873	\$ 48,721	\$ 47,777	\$ 133,371	\$ 3,295	\$ 8,176	\$ 144,842
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>CURRENT LIABILITIES:</b>							
Accounts payable and accrued liabilities	\$ 1,829	\$ 3,757	\$ (34) <sup>1d</sup>	\$ 5,552	\$ 393	\$ (9) <sup>2d</sup>	\$ 5,936
Current portion of long-term debt	—	6	(6) <sup>1e</sup>	—	343	(343) <sup>2d</sup>	—
Total current liabilities	1,829	3,763	(40)	5,552	736	(352)	5,936
LONG-TERM DEBT	33,281	22,689	5,040 <sup>1e</sup>	61,010	128	1,244 <sup>2e</sup>	62,382
DEFERRED INCOME TAXES	1,616	12,688	14,058 <sup>1f</sup>	28,362	—	— <sup>2f</sup>	28,362
OTHER LONG-TERM LIABILITIES	87	832	(388) <sup>1g</sup>	531	471	(471) <sup>2g</sup>	531
<b>SHAREHOLDERS' EQUITY</b>							
Noncontrolling interest	—	4	(2) <sup>1h</sup>	2	—	9,045 <sup>2h</sup>	9,047
Controlling interest	60	8,745	29,109 <sup>1i</sup>	37,914	1,960	(1,290) <sup>2i</sup>	38,584
Total shareholders' equity	60	8,749	29,107	37,916	1,960	7,755	47,631
Total liabilities and shareholders' equity	\$ 36,873	\$ 48,721	\$ 47,777	\$ 133,371	\$ 3,295	\$ 8,176	\$ 144,842

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2015**  
**(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)**

	Charter	TWC	TWC Pro Forma Adjustments	Charter Pro Forma	Bright House	Bright House Pro Forma Adjustments	Charter Pro Forma As Adjusted
	Historical	TWC	Adjustments	Pro Forma	House	Adjustments	As Adjusted
<b>REVENUES:</b>							
Video	\$ 3,420	\$ 7,436	\$ —	\$ 10,856	\$ 1,234	\$ —	\$ 12,090
Internet	2,222	5,210	—	7,432	932	—	8,364
Voice	404	1,434	—	1,838	285	—	2,123
Commercial	833	2,420	—	3,253	344	—	3,597
Advertising sales	222	744	(17) <sup>3a</sup>	949	126	—	1,075
Other	141	381	163 <sup>3a</sup>	685	10	(67) <sup>4a</sup>	628
Total revenues	<u>7,242</u>	<u>17,625</u>	<u>146</u>	<u>25,013</u>	<u>2,931</u>	<u>(67)</u>	<u>27,877</u>
<b>COSTS AND EXPENSES:</b>							
Operating costs and expenses (exclusive of items shown separately below)	4,802	11,619	212 <sup>3a</sup>	16,633	1,999	(215) <sup>4a</sup>	18,417
Depreciation and amortization	1,580	2,740	2,252 <sup>3b</sup>	6,572	340	232 <sup>4b</sup>	7,144
Other operating (income) expenses, net	69	152	(107) <sup>3c</sup>	114	(24)	(9) <sup>4c</sup>	81
	<u>6,451</u>	<u>14,511</u>	<u>2,357</u>	<u>23,319</u>	<u>2,315</u>	<u>8</u>	<u>25,642</u>
Income from operations	<u>791</u>	<u>3,114</u>	<u>(2,211)</u>	<u>1,694</u>	<u>616</u>	<u>(75)</u>	<u>2,235</u>
<b>OTHER INCOME (EXPENSES):</b>							
Interest expense, net	(871)	(1,049)	(520) <sup>3d</sup>	(2,440)	(25)	(2) <sup>4d</sup>	(2,467)
Loss on extinguishment of debt	(128)	—	—	(128)	—	—	(128)
Loss on derivatives instruments, net	(10)	—	—	(10)	—	—	(10)
Other income (expense), net	(3)	147	—	144	1	—	145
	<u>(1,012)</u>	<u>(902)</u>	<u>(520)</u>	<u>(2,434)</u>	<u>(24)</u>	<u>(2)</u>	<u>(2,460)</u>
Income (loss) before taxes	<u>(221)</u>	<u>2,212</u>	<u>(2,731)</u>	<u>(740)</u>	<u>592</u>	<u>(77)</u>	<u>(225)</u>
Income tax benefit (expense)	<u>72</u>	<u>(854)</u>	<u>1,070</u> <sup>3e</sup>	<u>288</u>	<u>—</u>	<u>(170)</u> <sup>4e</sup>	<u>118</u>
Consolidated net income (loss)	<u>(149)</u>	<u>1,358</u>	<u>(1,661)</u>	<u>(452)</u>	<u>592</u>	<u>(247)</u>	<u>(107)</u>
Less: Noncontrolling interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(79)</u> <sup>4f</sup>	<u>(79)</u>
Net income (loss) before non-recurring charges directly attributable to the Transactions	<u>\$ (149)</u>	<u>\$ 1,358</u>	<u>\$ (1,661)</u>	<u>\$ (452)</u>	<u>\$ 592</u>	<u>\$ (326)</u>	<u>\$ (186)</u>
<b>LOSS PER COMMON SHARE, BASIC AND DILUTED</b>	<u>\$ (1.33)</u>			<u>\$ (1.70)</u>			<u>\$ (0.69)</u>
Weighted average common shares outstanding, basic and diluted	<u>111,790,076</u>		<u>153,722,779</u> <sup>3f</sup>	<u>265,512,855</u>		<u>3,658,691</u> <sup>4g</sup>	<u>269,171,546</u>

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2014**  
**(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)**

	Charter		TWC		Charter		Bright		Bright		Charter
	Historical	TWC	Pro Forma	Adjustments	Pro Forma	House	Pro Forma	Adjustments	House	Pro Forma	As Adjusted
<b>REVENUES:</b>											
Video	\$ 4,443	\$ 10,002	\$ —		\$ 14,445	\$ 1,545	\$ —		\$ 15,990		
Internet	2,576	6,428	—		9,004	1,164	—		10,168		
Voice	575	1,932	—		2,507	392	—		2,899		
Commercial	993	2,838	—		3,831	405	—		4,236		
Advertising sales	341	1,127	(28)	<sup>3a</sup>	1,440	170	—		1,610		
Other	180	485	201	<sup>3a</sup>	866	28	(88)	<sup>4a</sup>	806		
Total revenues	<u>9,108</u>	<u>22,812</u>	<u>173</u>		<u>32,093</u>	<u>3,704</u>	<u>(88)</u>		<u>35,709</u>		
<b>COSTS AND EXPENSES:</b>											
Operating costs and expenses (exclusive of items shown separately below)	5,973	14,584	335	<sup>3a</sup>	20,892	2,503	(257)	<sup>4a</sup>	23,138		
Depreciation and amortization	2,102	3,371	3,681	<sup>3b</sup>	9,154	416	386	<sup>4b</sup>	9,956		
Other operating (income) expenses, net	62	225	(56)	<sup>3c</sup>	231	(5)	—		226		
	<u>8,137</u>	<u>18,180</u>	<u>3,960</u>		<u>30,277</u>	<u>2,914</u>	<u>129</u>		<u>33,320</u>		
Income from operations	<u>971</u>	<u>4,632</u>	<u>(3,787)</u>		<u>1,816</u>	<u>790</u>	<u>(217)</u>		<u>2,389</u>		
<b>OTHER INCOME (EXPENSES):</b>											
Interest expense, net	(911)	(1,419)	(887)	<sup>3d</sup>	(3,217)	(38)	3	<sup>4d</sup>	(3,252)		
Loss on derivatives instruments, net	(7)	—	—		(7)	—	—		(7)		
Other income, net	—	35	—		35	—	—		35		
	<u>(918)</u>	<u>(1,384)</u>	<u>(887)</u>		<u>(3,189)</u>	<u>(38)</u>	<u>3</u>		<u>(3,224)</u>		
Income (loss) before taxes	<u>53</u>	<u>3,248</u>	<u>(4,674)</u>		<u>(1,373)</u>	<u>752</u>	<u>(214)</u>		<u>(835)</u>		
Income tax benefit (expense)	(236)	(1,217)	1,988	<sup>3e</sup>	535	—	(190)	<sup>4e</sup>	345		
Consolidated net income (loss)	<u>(183)</u>	<u>2,031</u>	<u>(2,686)</u>		<u>(838)</u>	<u>752</u>	<u>(404)</u>		<u>(490)</u>		
Less: Noncontrolling interest	—	—	—		—	—	(51)	<sup>4f</sup>	(51)		
Net income (loss) before non-recurring charges directly attributable to the Transactions	<u>\$ (183)</u>	<u>\$ 2,031</u>	<u>\$ (2,686)</u>		<u>\$ (838)</u>	<u>\$ 752</u>	<u>\$ (455)</u>		<u>\$ (541)</u>		
LOSS PER COMMON SHARE, BASIC AND DILUTED	<u>\$ (1.70)</u>				<u>\$ (3.19)</u>				<u>\$ (2.03)</u>		
Weighted average common shares outstanding, basic and diluted	<u>108,374,160</u>		<u>154,050,023</u>	<sup>3f</sup>	<u>262,424,183</u>		<u>3,658,691</u>	<sup>4g</sup>	<u>266,082,874</u>		

## Notes to Unaudited Pro Forma Financial Statements

### Note 1. TWC Transactions Pro Forma Balance Sheet Adjustments

The unaudited pro forma consolidated balance sheet has been adjusted to reflect the estimated fair values of the identifiable assets acquired and liabilities assumed in the TWC transactions. The preliminary purchase price is estimated to be approximately \$58.4 billion for purposes of the unaudited pro forma financial statements. The fair value of the equity portion of the TWC transactions consideration for accounting purposes will be based on the fair value of Charter Class A common stock at the date of closing and will be different from the assumed value presented in the unaudited pro forma financial statements. The table below presents the preliminary purchase price for pro forma purposes based on the October 30, 2015 outstanding shares of TWC common stock and equity awards and October 30, 2015 Charter Class A common stock closing price. For purposes of these notes, Liberty means Liberty Broadband and Liberty Interactive.

#### Preliminary Purchase Price (in millions, except per share data)

Outstanding shares of TWC common stock (excluding Liberty)	275.5
Share exchange ratio	0.5409
Equivalent shares of Charter Class A common stock to be issued (excluding Liberty)	149.0
Charter Class A common stock closing price per share	\$ 190.94
Estimated fair value of Charter Class A common stock to be issued (excluding Liberty)	\$ 28,452
Outstanding shares of TWC common stock held by Liberty	7.7
Share exchange ratio	1.1060
Equivalent shares of Charter Class A common stock to be issued to Liberty	8.5
Charter Class A common stock closing price per share	\$ 190.94
Estimated fair value of Charter Class A common stock to be issued to Liberty	\$ 1,631
Total estimated fair value of Charter Class A common stock to be issued	\$ 30,083
Outstanding shares of TWC common stock (excluding Liberty)	275.5
\$100 cash portion per share	\$ 100.00
Cash paid to TWC stockholders (excluding Liberty)	\$ 27,549
Pre-combination vesting period fair value of New Charter replacement equity awards issued to TWC employees in exchange for TWC equity awards	\$ 676
Cash paid for TWC non-employee equity awards	\$ 89
Total preliminary purchase price	\$ 58,397

The table below presents a preliminary allocation of purchase price to the assets acquired and liabilities assumed as if the TWC transactions had closed on September 30, 2015.

**Preliminary Allocation of Purchase Price (in millions)**

Current assets	\$ 1,879
Property, plant and equipment, net	20,933
Franchises	48,464
Customer relationships, net	17,815
Goodwill	26,238
Other noncurrent assets	1,010
Current liabilities	(3,723)
Long-term debt assumed	(23,807)
Deferred income taxes	(29,966)
Other long-term liabilities	(444)
Noncontrolling interest	(2)
	\$ 58,397

The preliminary estimates are based upon currently available information and prior valuation history. As such, additional assets and liabilities may be identified and reflected in the final purchase price allocation.

Upon completion of the fair value assessment following the closing of the TWC transactions, Charter anticipates the finalized fair values of the net assets acquired will differ from the preliminary assessment outlined above. Generally, changes to the initial estimates of the fair value of the assets acquired and liabilities assumed will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill. If upon completion of the valuations, the fair values are 10% greater or less than the amounts included in the preliminary purchase price allocation above, such a change would not likely have a material impact on the financial position or results of operations of New Charter.

The following summarizes the pro forma balance sheet adjustments relating to the TWC transactions.

- (a) Adjustment of \$485 million to cash and cash equivalents represents the use of TWC's cash and cash equivalents to reduce the amount of debt issued to fund the TWC transactions. No fair value adjustments are reflected in accounts receivable, net as they are estimated to be at fair value. Adjustment of \$10 million to prepaid expenses and other current assets represents eliminating the current portion of TWC deferred financing fees as a result of adjusting TWC's long-term debt to fair value.
- (b) For purposes of the preliminary purchase price allocation, Charter assumed a 25% increase to the net book value of TWC's property, plant and equipment. This assumption is based on increases to net book values reflected in valuations previously performed on Charter assets and taking into consideration the recent capital expenditure history of TWC relative to Charter and the status of its all-digital rollout among other factors. The fair values of TWC's franchises and customer relationships were based on previous valuations of Charter assets performed for general business purposes that were allocated to the TWC cable systems by applying a relative percentage of purchase price allocated to the intangible assets. The valuations previously performed on Charter assets represent valuations performed in 2013 for general business purposes and for a significant business combination. Pro forma valuation metrics derived from previous valuations of Charter assets were used as a basis for determining fair value of TWC assets as such metrics take into consideration market participant assumptions and Charter management's historical valuation methods. Goodwill represents the residual of the purchase price over the fair values of the identified assets acquired and liabilities assumed.

(c) Other noncurrent assets reflect the following adjustments (in millions).

Adjust TWC's equity investments to estimated fair value	\$ 431
Deferred financing fees associated with newly issued debt	270
Elimination of TWC deferred financing fees relating to assumed TWC debt	(84)
Elimination of Charter's cost investment in a TWC subsidiary	(2)
	<u>\$ 615</u>

The estimated fair value of TWC's equity investments was based on applying implied multiples to estimated cash flows. The implied multiples were estimated based on precedent transactions and comparable companies. Acquisition accounting rules require that the increase in the carrying value of the TWC equity investments be allocated to the underlying net assets of the investees. This allocation has not yet been performed, and for pro forma purposes, is allocated to non-amortizing goodwill of the investees and thus no pro forma adjustment related to these investments is reflected in the unaudited pro forma consolidated statements of operations.

(d) Adjustment of \$34 million to accounts payable and accrued liabilities represents the elimination of current deferred revenue as it is assumed to have no fair value as there are no associated payment obligations or substantive performance obligations.

(e) The TWC long-term debt assumed was adjusted to fair value using quoted market values as of October 30, 2015. This adjustment resulted in an increase in long-term debt of \$1.1 billion. The fair value adjustment to long-term debt is a result of quoted market values of TWC's debt being higher than the face amount of the related debt. The quoted market value of a debt instrument is higher than the face amount of the debt when the market interest rates are lower than the stated interest rate of the debt. In acquisition accounting, this results in an increase in debt and a reduction in interest expense to reflect the lower market interest rate.

The pro forma adjustment to reclassify \$6 million of TWC's current portion of long-term debt to long-term debt is a result of conforming to Charter's balance sheet classification. When Charter has availability to repay debt maturing in the next twelve months with its existing revolving credit facility, which is anticipated to be the case following the TWC transactions, those current maturities are classified as long-term debt.

Long-term debt was also adjusted to reflect new debt raised to fund the TWC transactions and the release of cash and cash equivalents from escrow for debt already incurred as of September 30, 2015.

The following table presents pro forma cash sources and uses as a result of the TWC transactions.

**Pro Forma Cash Sources and Uses (in millions)**

**Sources:**

Restricted cash and cash equivalents	\$ 19,626
Proceeds from issuance of long-term debt	3,922
Proceeds from issuance of Charter Class A common stock to Liberty	4,300
TWC cash and cash equivalents assumed	485
	<u>\$ 28,333</u>

**Uses:**

Cash portion of purchase price	\$ 27,638
Advisor fees and other expenses directly related to the TWC transactions	425
Deferred financing fees	270
	<u>\$ 28,333</u>



(f) Pro forma adjustments to deferred tax liabilities reflect the following (in millions):

Deferred tax liabilities from TWC acquisition accounting adjustments	\$ 17,278
Reduction in valuation allowance on Charter's preexisting deferred tax assets	(3,041)
Other deferred taxes recorded directly to equity	(179)
	<u>\$ 14,058</u>

The TWC transactions are assumed to be a non-taxable business combination for pro forma purposes. A pro forma adjustment was recorded for the deferred tax impact of acquisition accounting adjustments primarily related to property, plant and equipment, franchises, customer relationships and assumed TWC long-term debt. The incremental deferred tax liabilities of \$17.3 billion were calculated based on the tax effect of an approximate \$44.3 billion step-up in book basis of net assets of TWC excluding the amount attributable to goodwill. This deferred tax pro forma adjustment was determined by applying an estimated tax rate of 39%.

In contemplation of the TWC transactions, Charter has performed a preliminary analysis of the valuation allowance recorded on Charter's preexisting deferred tax assets. Based on this analysis, certain of the deferred tax liabilities recognized in connection with the TWC transactions are expected to reverse and provide a source of future taxable income, resulting in a \$3.0 billion reduction of substantially all of Charter's preexisting valuation allowance associated with its deferred tax assets. Such reduction in Charter's valuation allowance is reflected as a reduction to deferred tax liabilities in the pro forma balance sheet as a result of the TWC transactions and was determined by applying an estimated tax rate of 39%. The impact of the reduction in the valuation allowance is not reflected in the unaudited pro forma consolidated statements of operations as it is non-recurring.

Other deferred taxes recorded directly to equity include \$119 million of estimated tax benefit on advisor fees and other transaction expenses, \$35 million of excess tax benefit relating to cash paid for TWC non-employee equity awards and \$25 million of tax benefit upon remeasuring Charter's legacy deferred taxes at a 39.0% New Charter estimated tax rate compared to a 39.4% legacy Charter tax rate due to estimated changes in apportionment factors related to state income taxes. The adjustment to legacy Charter's deferred taxes as a result of the tax rate remeasurement is not reflected in the unaudited pro forma consolidated statements of operations as it is non-recurring.

Deferred taxes recognized in connection with the TWC transactions reflect currently available information as well as estimates and assumptions made in accordance with the basis of presentation of the unaudited pro forma financial statements. The final deferred tax liability recognized in connection with the TWC transactions could be significantly different.

(g) Adjustment of \$388 million to other long-term liabilities represents the elimination of deferred liabilities assumed to have no fair value as there are no associated payment obligations or substantive performance obligations.

(h) Represents the elimination of Charter's noncontrolling interest in a TWC subsidiary.

(i) Pro forma adjustments to controlling interest of shareholders' equity reflects the following (in millions).

Elimination of TWC's historical shareholders' equity and accumulated other comprehensive loss	\$ (8,745)
Exchange of New Charter Class A common stock to TWC stockholders (including Liberty)	30,083
Issuance of New Charter Class A common stock to Liberty	4,300
Reduction in valuation allowance on Charter's existing deferred tax assets (see Note 1(f))	3,041
Advisor fees and other expenses directly related to the TWC transactions	(425)
Pre-combination vesting period fair value of New Charter replacement equity awards issued to TWC employees in exchange for TWC equity awards	676
Other deferred taxes recorded directly to equity (see Note 1(f))	179
	<u>\$ 29,109</u>

Advisor fees and other expenses directly related to the TWC transactions of \$425 million are not reflected in the unaudited pro forma statements of operations and consist primarily of escrow interest, investment banking fees and legal fees.

At closing, TWC employee equity awards will be converted into replacement equity awards with respect to New Charter Class A common stock with an estimated pre-combination vesting period fair value of \$676 million. The estimated fair value of the post-combination portion of the awards totaling \$671 million will be amortized to stock compensation expense over the remaining vesting period of the awards.

## Note 2. BHN Transactions Pro Forma Balance Sheet Adjustments

The unaudited pro forma consolidated balance sheet has been adjusted to reflect the estimated fair values of the identifiable assets acquired and liabilities assumed in the BHN transactions. The preliminary purchase price of Bright House is assumed to be approximately \$11.1 billion for purposes of the unaudited pro forma financial statements. The BHN transactions exclude certain assets and liabilities such as cash, marketable securities, pension-related assets and liabilities, and debt, among others. The fair value of the BHN transactions for accounting purposes will be based on the fair value of the Charter Holdings common units and the Charter Holdings convertible preferred units at the date of close and will be different from the assumed value presented in these unaudited pro forma financial statements. The table below presents the preliminary purchase price for pro forma purposes based on the October 30, 2015 Charter Class A common stock closing share price.

### Preliminary Purchase Price (in millions, except per share data)

Charter Holdings common units issued to A/N (before the Parent Merger Exchange Ratio)		34.3
Charter Class A common stock closing price per share	\$	190.94
Estimated fair value of Charter Holdings common units issued to A/N based on Charter share price	\$	6,545
Estimated fair value of convertible preferred units based on \$2.5 billion aggregate liquidation preference	\$	2,500
Cash paid to A/N	\$	2,014
Total preliminary purchase price	\$	11,059

The table below presents the preliminary allocation of purchase price to the assets acquired and liabilities assumed for the Bright House cable systems as if the BHN transactions had closed on September 30, 2015.

### Preliminary Allocation of Purchase Price (in millions)

Current assets	\$	191
Property, plant and equipment, net		2,711
Franchises		4,802
Customer relationships, net		1,752
Goodwill		1,878
Other noncurrent assets		109
Current liabilities		(384)
	\$	11,059

The preliminary estimates are based upon currently available information and prior valuation history. As such, additional assets and liabilities may be identified and reflected in the final purchase price allocation.

Upon completion of the fair value assessment following the closing of the BHN transactions, Charter anticipates the finalized fair values of the net assets acquired will differ from the preliminary assessment outlined above. Generally, changes to the initial estimates of the fair value of the assets acquired and liabilities assumed will be recorded as adjustments to those assets and liabilities and residual amounts will be allocated to goodwill. If upon completion of the valuations, the fair values are 10% greater or less than the amounts included in the preliminary purchase price allocation above, such a change would not likely have a material impact on the financial position or results of operations of New Charter.

The following summarizes the pro forma balance sheet adjustments relating to the BHN transactions.

- (a) Adjustment to current assets represents the elimination of cash and cash equivalents not assumed in the BHN transactions of \$43 million. No fair value adjustments are reflected in accounts receivable, net or prepaid expenses and other current assets as carrying value is estimated to approximate fair value.
- (b) For purposes of the preliminary purchase price allocation, Charter assumed a 25% increase to the net book value of Bright House’s property, plant and equipment. This assumption is based on increases to net book values reflected in valuations previously performed on Charter assets and taking into consideration differences in capitalization policies, recent capital expenditure history of Bright House relative to Charter and the status of its all-digital rollout, among other factors. The fair values of Bright House’s franchises and customer relationships were based on previous valuations of Charter assets that were allocated to the Bright House cable systems by applying a relative percentage of the purchase price allocated to the intangible assets. The valuations previously performed on Charter assets represent valuations performed in 2013 for general business purposes and for a significant business combination. Pro forma valuation metrics derived from previous valuations of Charter assets were used as a basis for determining the fair value of Bright House assets as such metrics take into consideration market participant assumptions and Charter management’s historical valuation methods. Goodwill represents the residual of the purchase price over the fair values of the identified assets acquired and liabilities assumed.
- (c) Adjustment to other noncurrent assets represents an increase of \$33 million to adjust Bright House’s equity investments to fair value and \$28 million of deferred financing fees associated with the issuance of new debt as noted below, partially offset by the elimination of BHN deferred financing fees of \$1 million.
- (d) Adjustment to total current liabilities represents the elimination of liabilities not assumed in the BHN transactions consisting of \$3 million of current pension obligation, \$6 million of accrued interest and \$343 million of current portion of long-term debt.
- (e) Adjustment to long-term debt represents the elimination of Bright House’s long-term debt not assumed in the BHN transactions and the issuance of new debt to partially fund the BHN transactions. The table below represents the following pro forma cash sources and uses as a result of the BHN transactions.

**Pro Forma Cash Sources and Uses (in millions)**

**Sources:**

Proceeds from the issuance of long-term debt	\$ 2,000
Issuance of New Charter Class A common stock to Liberty	700
	<u>\$ 2,700</u>

**Uses:**

Cash portion of purchase price paid to A/N	\$ 2,014
Repayment of Charter Operating revolving credit facility	628
Advisor fees and other expenses directly related to the BHN transactions	30
Deferred financing fees	28
	<u>\$ 2,700</u>

- (f) The BHN transaction is assumed to be a non-taxable business combination for pro forma purposes. No pro forma adjustment was recorded to net deferred tax liabilities directly attributable to the BHN transactions in the unaudited pro forma consolidated balance sheet. New Charter’s difference between book and tax basis in its investment in the Charter Holdings partnership, and underlying net assets, is not anticipated to change following A/N’s contribution of the Bright House assets and liabilities. New Charter will record net deferred tax liabilities related to its investment, and its underlying net assets, in Charter Holdings following the BHN transactions based on future differences that arise between book and tax.
- (g) Represents the elimination of \$445 million of pension and other benefits related to long-term liabilities not assumed and the elimination of \$26 million of other long-term deferred liabilities assumed to have no fair value as there are no associated payment obligations or substantive performance obligations.

(h) Adjustment to noncontrolling interest reflects the following adjustments (in millions).

Issuance of Charter Holdings common units to A/N	\$ 6,545
Issuance of Charter Holdings convertible preferred units to A/N	2,500
	<u>\$ 9,045</u>

Charter Holdings will issue approximately 34.3 million common units, subject to application of the Parent Merger Exchange Ratio, that are exchangeable into New Charter Class A common stock on a one-for-one basis, which are valued at approximately \$6.5 billion for pro forma purposes, based on Charter Class A common stock closing stock price on October 30, 2015 of \$190.94. These units are recorded in noncontrolling interest as permanent equity on the unaudited pro forma consolidated balance sheet. The actual value of the Charter Holdings common units for accounting purposes will be based on the closing price of Charter Class A common stock on the date of closing of the BHN transactions and will be different from the assumed value presented in the unaudited pro forma financial statements.

Charter Holdings will issue approximately 10.3 million convertible preferred units, subject to application of the Parent Merger Exchange Ratio, that are valued for pro forma purposes based on their \$2.5 billion aggregate liquidation preference. These units are recorded in noncontrolling interest as permanent equity on the unaudited pro forma consolidated balance sheet. The preferred units are convertible into Charter Holdings common units based on a conversion feature as defined in the BHN contribution agreement and further exchangeable into New Charter Class A common stock on a one-for-one basis. The actual value of the Charter Holdings preferred units for accounting purposes will be recorded at fair value at the date of closing and will be different from the assumed value presented in the unaudited pro forma financial statements.

(i) Pro forma adjustment to controlling interest of shareholders' equity reflects the following (in millions).

Elimination of Bright House's historical shareholders' equity and accumulated other comprehensive loss	\$ (1,960)
Issuance of New Charter Class A common stock to Liberty	700
Advisor fees and other expenses directly related to the BHN transactions	(30)
	<u>\$ (1,290)</u>

Advisor fees and other expenses directly related to the BHN transactions of \$30 million are not reflected in the unaudited pro forma statements of operations and consist primarily of investment banking fees and legal fees.

### Note 3. TWC Transactions Pro Forma Statement of Operations Adjustments

(a) Adjustment to revenues and operating costs and expenses reflect the following adjustments for the nine months ended September 30, 2015 and year ended December 31, 2014 (in millions).

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Reclassification to conform to Charter's financial statement classification for processing fees revenue	\$ 163	\$ 201
Elimination of advertising revenue/expense between Charter and TWC	(17)	(28)
Adjustment to both revenues and operating costs and expenses	146	173
Incremental replacement stock award compensation expense	97	159
Elimination of amortization of actuarial gains (losses) and prior service credits for TWC's pension plans	(31)	3
Total adjustment to operating costs and expenses	<u>\$ 212</u>	<u>\$ 335</u>

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

Incremental replacement stock award compensation expense represents additional expense related to converted TWC equity awards associated with the post-combination vesting period. Compensation expense, following the closing of the TWC transactions, will reflect the \$671 million fair value of the awards as of the closing date and will be recognized over the remaining vesting period. At closing, TWC employee equity awards will be converted into equity awards with respect to New 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 are included in TWC’s accumulated other comprehensive loss component of equity and reclassified into the results of operations based on service period assumptions. Because 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 TWC transactions will not include any impact from the amortization of these deferred net actuarial gains (losses) and prior service credits.

- (b) Charter increased depreciation and amortization by \$2.3 billion and \$3.7 billion for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, as follows (in millions).

	Nine Months Ended September 30, 2015			Year Ended December 31, 2014		
	Depreciation	Amortization	Total	Depreciation	Amortization	Total
TWC pro forma expense based on fair value	\$ 2,617	\$ 2,375	\$ 4,992	\$ 3,489	\$ 3,563	\$ 7,052
TWC historical expense			(2,740)			(3,371)
Total pro forma depreciation and amortization adjustment			\$ 2,252			\$ 3,681

The increase was estimated using a preliminary average useful life of 6 years for property, plant and equipment and 9 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 acquisition, TWC’s pro forma customer relationships of \$17.8 billion would result in amortization expense under the accelerated method of \$3.6 billion for year 1, \$3.2 billion for year 2, \$2.8 billion for year 3, \$2.4 billion for year 4, \$2.0 billion for year 5 and \$3.8 billion thereafter. The effect of a one-year decrease in the weighted average useful lives of property, plant and equipment and customer relationships would be an increase to depreciation and amortization expense of approximately \$746 million and \$1.1 billion for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, while the effect of a one-year increase would result in a decrease of approximately \$563 million and \$822 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized and final determination of useful lives are made.

- (c) For the nine months ended September 30, 2015 and year ended December 31, 2014, other operating (income) expenses, net decreased by \$107 million and \$56 million, respectively, as follows (in millions).

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Elimination of TWC stock compensation expense classified by TWC as merger-related in other operating expense (see Note 3(a))	\$ (32)	\$ (56)
Elimination of Charter transaction costs directly related to the TWC transactions	(24)	—
Elimination of TWC transaction costs directly related to the TWC transactions	(51)	—
	\$ (107)	\$ (56)

- (d) For the nine months ended September 30, 2015 and year ended December 31, 2014, interest expense, net increased by \$520 million and \$887 million, respectively, as follows (in millions).

	<b>Nine Months Ended September 30, 2015</b>	<b>Year Ended December 31, 2014</b>
Additional interest expense on new debt issued	\$ (695)	\$ (1,122)
Amortization of deferred financing fees and original issue discount	(19)	(25)
Amortization of net premium as a result of adjusting assumed TWC long-term debt to fair value	180	240
Elimination of amortization related to TWC's previously deferred financing fees and debt discounts	14	20
	<u>\$ (520)</u>	<u>\$ (887)</u>

In July 2015, Charter issued \$15.5 billion CCO Safari II, LLC senior secured notes and in August 2015, CCO Safari III, LLC closed on \$3.8 billion of senior secured bank loans. Although the nature of the remaining debt financing may be secured through various combinations of bank debt, unsecured notes and secured notes, for pro forma purposes, Charter has assumed issuing unsecured notes at current market rates and borrowings under the Charter Operating revolving credit facility to fund the remaining \$3.9 billion cash portion of the TWC transactions. A 0.125% change in interest rates would increase (decrease) interest expense by \$2 million and \$3 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively.

As noted in Note 1(e) above, TWC long-term debt was adjusted to fair value. 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) As discussed in Note 1(f) above, Charter determined that TWC's reversing deferred tax liabilities provide a source of future taxable income in the combined entity, resulting in a reduction of substantially all of Charter's preexisting valuation allowance. The pro forma adjustment to income taxes includes the incremental pro forma tax benefit relating to the legacy Charter operations under the assumption the Charter tax calculation no longer reflects the effects of the preexisting valuation allowance. Thus, the income tax benefit impact of the pro forma adjustments was determined by applying an estimated New Charter tax rate of 39% to the pro forma loss before taxes of New Charter following the TWC transactions, resulting in a \$288 million and \$535 million income tax benefit in the unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively. The pro forma income tax benefit does not reflect the effects of any special partnership tax allocations as these effects are currently not estimable.
- (f) Completion of the TWC transactions includes a conversion of all of Charter's existing Class A common stock into 0.9042 shares of New Charter Class A common stock. This Parent Merger Exchange Ratio is applied to all legacy Charter Class A common stock and to stock issued to TWC stockholders and Liberty. This will result in the following adjustment to weighted average common shares outstanding.

	<b>Nine Months Ended September 30, 2015</b>	<b>Year Ended December 31, 2014</b>
Equivalent Charter shares issued to TWC stockholders	157,553,219	157,553,219
Equivalent Charter shares purchased by Liberty	24,300,650	24,300,650
	181,853,869	181,853,869
Parent Merger Exchange Ratio	0.9042	0.9042
New Charter shares issued in TWC transactions	164,432,268	164,432,268
Reduction of legacy Charter shares outstanding upon conversion from Charter Class A common stock to New Charter Class A common stock	10,709,489	10,382,245
	<u>153,722,779</u>	<u>154,050,023</u>

The amount of shares issued will vary based on the number of TWC stockholders that elect the Option B Election. A 5% decrease in the number of shares held by TWC stockholders electing the Option A Election, who instead elect the Option B Election, will result in a decrease in the number of shares issued of approximately 1.2 million shares.

The replacement stock awards, including restricted stock units and stock options, in New Charter were not included for purposes of the computation of pro forma diluted earnings per share because the effect would have been anti-dilutive given the pro forma net loss resulting from the TWC transactions.

**Note 4. BHN Transactions Pro Forma Statement of Operations Adjustments**

- (a) Adjustment to revenues and operating costs and expenses reflect the following adjustments for the nine months ended September 30, 2015 and year ended December 31, 2014 (in millions).

	<b>Nine Months Ended September 30, 2015</b>	<b>Year Ended December 31, 2014</b>
Reclassification to conform to Charter's financial statement classification for processing fees revenue	\$ 43	\$ 55
Elimination of TWC management fee incurred by Bright House	(110)	(143)
Adjustment to both revenues and operating costs and expenses	(67)	(88)
Adjustment to capitalize residential installation labor and other labor costs to conform to Charter's capitalization accounting policy	(75)	(112)
Elimination of pension plans and costs related to parent company obligations not assumed by Charter in the BHN transactions	(71)	(54)
Reclassification to conform to Charter's financial statement classification for other operating expense	(2)	(3)
Total adjustment to operating costs and expenses	<u>\$ (215)</u>	<u>\$ (257)</u>

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

- (b) Charter increased depreciation and amortization by \$232 million and \$386 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, as follows (in millions).

	<b>Nine Months Ended September 30, 2015</b>			<b>Year Ended December 31, 2014</b>		
	<b>Depreciation</b>	<b>Amortization</b>	<b>Total</b>	<b>Depreciation</b>	<b>Amortization</b>	<b>Total</b>
Bright House pro forma expense based on fair value	\$ 338	\$ 234	\$ 572	\$ 452	\$ 350	\$ 802
Bright House historical expense			(340)			(416)
Total pro forma depreciation and amortization adjustment			<u>\$ 232</u>			<u>\$ 386</u>

The increase was estimated using a preliminary average useful life of 6 years for property, plant and equipment and 9 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 acquisition, Bright House's pro forma customer relationships of \$1.8 billion would result in amortization expense under the accelerated method of \$350 million for year 1, \$311 million for year 2, \$273 million for year 3, \$234 million for year 4, \$195 million for year 5 and \$389 million thereafter. The effect of a one-year decrease in the weighted average useful lives of property, plant and equipment and customer relationships would be an increase to depreciation and amortization expense of approximately \$90 million and \$129 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, while the effect of a one-year increase would result in a decrease of approximately \$67 million and \$96 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized and final determination of useful lives are made.

- (c) For the nine months ended September 30, 2015 and year ended December 31, 2014, other operating (income) expenses, net decreased by \$9 million and \$0, respectively, as follows (in millions).

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Elimination of Charter transaction costs directly related to the BHN transactions	\$ (11)	\$ (3)
Reclassification to conform to Charter's financial statement classification for other operating expense	2	3
	<u>\$ (9)</u>	<u>\$ —</u>

- (d) For the nine months ended September 30, 2015 and year ended December 31, 2014, interest expense, net, increased by \$2 million and decreased by \$3 million, respectively, representing the expected change in interest expense on new debt to be incurred to fund the BHN transactions and related amortization of deferred financing fees offset by the elimination of historical interest expense incurred by Bright House as debt is not assumed in the BHN transactions and repayment of Charter Operating's revolving credit facility. For pro forma purposes the \$2.0 billion of debt issued for the BHN transactions was assumed to be based on current market interest rates on bank debt. A 0.125% change in interest rates would increase (decrease) interest expense by \$2 million and \$3 million for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively.
- (e) The \$170 million and \$190 million income tax benefit for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively, was determined by applying an estimated New Charter tax rate of 39% to pro forma loss before income taxes of New Charter following the TWC transactions and BHN transactions, less the impact on the tax rate as a result of the noncontrolling interest allocation of the Charter Holdings partnership which is treated as a permanent item for tax purposes in the combined entities' pro forma tax benefit calculation. The resulting income tax benefit of \$118 million and \$345 million is reflected in the unaudited consolidated statements of operations for the nine months ended September 30, 2015 and year ended December 31, 2014, respectively. The resulting effective tax rate of 52% and 41% for the respective periods is a result of the permanent treatment of the noncontrolling interest expense. The pro forma income tax benefit does not reflect the effects of any special partnership tax allocations as these effects are currently not estimable.
- (f) Reflects the following noncontrolling interest adjustment for the nine months ended September 30, 2015 and year ended December 31, 2014 as follows (dollars in millions).

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Charter Holdings pro forma net loss for the TWC transactions and BHN transactions	\$ (225)	\$ (835)
Charter Holdings 6% cash dividend to preferred unit holders	(113)	(150)
Charter Holdings pro forma net loss available for allocation to common unit holders	(338)	(985)
A/N pro forma noncontrolling interest in Charter Holdings excluding preferred units	10%	10%
Noncontrolling interest - Charter Holdings common units	(34)	\$ (99)
Noncontrolling interest - Charter Holdings convertible preferred units	113	150
	<u>\$ 79</u>	<u>\$ 51</u>

The allocation of Charter Holdings' net income to noncontrolling interest for financial reporting purposes is first allocated to the convertible preferred units for their stated dividend following their aggregate liquidation preference. The residual Charter Holdings net income (loss) is allocated to the common unit holders in Charter Holdings based on the relative economic common ownership interests in Charter Holdings. A/N's relative economic common ownership interest in Charter Holdings used for pro forma purposes is 10%.



- (g) Completion of the TWC transactions includes a conversion of all of Charter's existing Class A common stock into 0.9042 shares of New Charter Class A common stock. This Parent Merger Exchange Ratio is applied to all legacy Charter Class A common stock and to stock issued to Liberty and A/N. This will result in the following adjustment to weighted average common shares outstanding for both the nine months ended September 30, 2015 and year ended December 31, 2014.

Equivalent Charter shares purchased by Liberty	4,046,329
Parent Merger Exchange Ratio	0.9042
New Charter shares issued to Liberty	<u>3,658,691</u>

The Charter Holdings common units of 34.3 million (31.0 million units applying the Parent Merger Exchange Ratio of 0.9042) and Charter Holdings convertible preferred units of 10.3 million (9.3 million units applying the Parent Merger Exchange Ratio of 0.9042) to be issued to A/N were not included on an if-converted, if-exchanged basis for purposes of the computation of pro forma diluted earnings per share because the effect would have been anti-dilutive given the pro forma net loss resulting from the TWC transactions and BHN transactions.

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

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**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**  
Condensed Consolidated Balance Sheets  
(In thousands of dollars)

	<b>September 30, 2015 (unaudited)</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 43,093	653,714
Short-term marketable securities (note 3)	—	112,397
Accounts receivable-trade, net of allowances of \$20,956 and \$19,250 as of September 30, 2015 and December 31, 2014, respectively	159,912	179,383
Other current assets	30,524	55,564
Total current assets	233,529	1,001,058
Property, plant and equipment, net	2,169,495	2,130,642
Long-term marketable securities (note 3)	—	362,940
Investments	12,279	12,006
Goodwill	12,746	12,746
Intangible assets, net (note 4)	854,941	851,484
Other assets	12,169	50,241
Total assets	\$ 3,295,159	4,421,117
<b>Liabilities and Member's Equity</b>		
Accounts payable and other current liabilities (note 5)	\$ 330,201	348,342
Current maturities of long-term debt (note 6)	342,857	42,857
Deferred revenue	63,084	62,946
Total current liabilities	736,142	454,145
Long-term debt (note 6)	128,571	471,429
Other liabilities (note 7)	470,639	479,722
Total liabilities	1,335,352	1,405,296
Commitments and contingencies (note 11)		
Member's equity	1,959,807	3,015,821
Total liabilities and member's equity	\$ 3,295,159	4,421,117

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**  
Condensed Consolidated Statements of Income  
(In thousands of dollars)  
(unaudited)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>				
Subscriber	\$ 916,217	866,519	2,785,186	2,616,778
Advertising and other	47,910	55,800	146,280	144,093
Total revenues	<u>964,127</u>	<u>922,319</u>	<u>2,931,466</u>	<u>2,760,871</u>
<b>Costs, expenses and other:</b>				
Operating expenses	666,843	629,397	1,999,271	1,879,333
Depreciation and amortization	116,070	105,663	339,948	305,142
Gain from disposal of assets, net and other income	(1,745)	(1,437)	(23,677)	(3,269)
Income from equity investments	(494)	(560)	(1,313)	(1,616)
Interest, net	8,497	8,926	24,969	28,931
Total costs and expenses	<u>789,171</u>	<u>741,989</u>	<u>2,339,198</u>	<u>2,208,521</u>
Net income	<u>\$ 174,956</u>	<u>180,330</u>	<u>592,268</u>	<u>552,350</u>

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**  
Condensed Consolidated Statements of Comprehensive Income  
(In thousands of dollars)  
(unaudited)

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 174,956	180,330	592,268	552,350
Change in unrecognized amounts included in pension and postretirement obligations	3,175	932	9,525	2,796
Comprehensive income	<u>\$ 178,131</u>	<u>181,262</u>	<u>601,793</u>	<u>555,146</u>

See accompanying notes to condensed consolidated financial statements.

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

## Condensed Consolidated Statements of Cash Flows

(In thousands of dollars)

(unaudited)

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 592,268	552,350
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	339,948	305,142
Income from equity investments	(1,313)	(1,616)
Gain on disposal of assets, net	(3,236)	(3,269)
Change in operating assets and liabilities:		
Accounts receivable	19,471	(10,669)
Other current assets	22,579	(2,337)
Other assets	6,374	1,853
Accounts payable and other liabilities	(17,699)	(7,773)
Deferred revenue	138	9,030
Net cash provided by operating activities	<u>958,530</u>	<u>842,711</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(371,639)	(398,248)
Franchise expenditures	(10,984)	(7,573)
Purchases of marketable securities	(205,932)	(541,157)
Proceeds from sale and maturities of marketable securities	192,005	81,949
Acquisitions of investments and other assets	(424)	(530)
Transfer from (to) restricted cash	35,807	(31,282)
Proceeds from sale of other assets	3,236	3,269
Net cash used in investing activities	<u>(357,931)</u>	<u>(893,572)</u>
<b>Cash flows from financing activities:</b>		
Member distributions	(1,168,363)	(298,800)
Repayment of senior note	(42,857)	(42,857)
Net cash used in financing activities	<u>(1,211,220)</u>	<u>(341,657)</u>
Net decrease in cash and cash equivalents	(610,621)	(392,518)
Cash and cash equivalents at beginning of period	653,714	1,001,774
Cash and cash equivalents at end of period	<u>\$ 43,093</u>	<u>609,256</u>
Interest paid	\$ 37,821	41,036
<b>Noncash financing activities:</b>		
Member distributions of marketable securities	\$ 489,444	—

See accompanying notes to condensed consolidated financial statements.

# BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Description of Business

Bright House Networks, LLC and subsidiaries (BHN or the Company) is a cable operator with its primary markets in Florida, Michigan, Alabama, Indiana and California. The Company provides its subscribers with video, high-speed data and digital phone services. The Company also sells advertising on its cable systems to local and national advertisers.

The Company is a wholly owned subsidiary of Time Warner Entertainment-Advance/Newhouse (TWE-A/N). TWE-A/N is a partnership between Advance/Newhouse Partnership (A/N) and a subsidiary of Time Warner Cable Inc. (TWC). A/N is the manager of the Company and is entitled to 100% of its economic benefits.

#### (b) Interim Financial Statements

The condensed consolidated financial statements are unaudited; however, in the opinion of management, they contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly, in all material respects, the financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to interim periods. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014, which report was dated March 27, 2015.

#### (c) Basis of Consolidation

The accompanying condensed consolidated financial statements include all of the accounts and all entities that are majority-owned by the Company and are required to be consolidated in accordance with GAAP. The Company has eliminated intercompany accounts and transactions among consolidated entities.

#### (d) Revenues and Costs

The Company pays for programming provided to its subscribers under joint contracts with TWC. Amounts paid to TWC for programming and other services were \$258.6 million and \$782.6 million for the three and nine months ended September 30, 2015, respectively, and \$241.6 and \$728.7 for the three and nine months ended September 30, 2014, respectively. At September 30, 2015 and December 31, 2014, unpaid balances due to TWC were \$159.7 million and \$154.4 million, respectively. Such amounts are included in accounts payable and other current liabilities in the accompanying condensed consolidated balance sheets.

In the normal course of business, the Company is assessed nonincome related taxes by governmental authorities, including franchising authorities, and collects such taxes from its subscribers. The Company's policy is that, in instances where the tax is being assessed directly on the Company, amounts paid to governmental authorities and amounts received from subscribers are recorded on a gross basis. That is, amounts paid to governmental authorities are recorded as operating expenses and amounts received from subscribers are recorded as revenues. The amount of such fees included as a component of revenues was



## BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

\$22.9 million and \$70.3 million for the three and nine months ended September 30, 2015 and \$22.1 and \$67.8 for the three and nine months ended September 30, 2014, respectively.

The Company recorded income of \$20.4 million in the nine months ended September 30, 2015, for minimum payments due under its agreement with Verizon, which is included in Gain from disposal of assets, net and other income in the condensed consolidated statements of income in 2015. The amount was paid in full in July 2015.

#### **(e) Fair Value Disclosures**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Level 1 - Defined as observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Defined as observable inputs other than Level 1 inputs. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying value of accounts receivable, accounts payable, and other current liabilities approximates fair value because of the relatively short maturity of these items.

The Company's marketable securities, which included U.S. Treasury securities, corporate debt securities, U.S. government agency securities, municipal securities, certificates of deposit and commercial paper, were recorded at fair value (note 3). The Company classified these investments as Level 2 since the fair value estimates were based on market observable inputs for investments with similar terms and maturities.

#### **(f) Use of Estimates**

The accompanying condensed consolidated financial statements are prepared in accordance with GAAP, which requires that management make estimates and assumptions that affect the reported amounts. Actual results could differ from these estimates.

Significant estimates inherent in the preparation of the accompanying condensed consolidated financial statements include accounting for asset impairments, allowances for doubtful accounts, investments, depreciation and amortization, pension benefits, and contingencies. Allocation methodologies used to prepare the accompanying condensed consolidated financial statements are based on estimates and are described in the notes, where appropriate.

## **(2) Charter Agreement**

On March 31, 2015, A/N entered into an agreement (the Agreement) with Charter Communications, Inc. (Charter) whereby Charter will acquire the BHN business (with the exception of certain excluded assets and liabilities). On May 26, 2015, Charter and TWC announced that they had entered into an agreement to merge, following

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

## Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

which Charter and A/N amended their Agreement. Following the closing of the merger between Charter and TWC and the acquisition of BHN by Charter (which transactions are expected to close contemporaneously), A/N is expected to own between 14% and 13% of the combined Charter-TWC-BHN business (depending on final elections of cash versus stock available to shareholders of TWC), on an as-converted, as-exchanged basis.

The Agreement, as amended, between Charter and A/N is subject to several conditions, including, the completion of the merger between Charter and TWC (subject to certain exceptions if TWC enters into another sale transaction), Charter shareholder approval, TWC shareholder approval and regulatory approvals.

**(3) Marketable Securities**

Our marketable debt securities consisted of the following at:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
	(In thousands)	
Short-term marketable securities:		
U.S. Treasury securities	\$ —	27,782
Corporate debt securities	—	3,103
U.S. agency securities	—	17,491
Municipal securities	—	13,552
Certificates of deposit	—	18,998
Commercial paper	—	31,471
	<hr/>	<hr/>
Total short-term marketable securities	<u>\$ —</u>	<u>112,397</u>
Long-term marketable securities:		
Corporate debt securities	—	73,424
U.S. agency securities	—	129,782
Municipal securities	—	159,734
	<hr/>	<hr/>
Total long-term marketable securities	<u>\$ —</u>	<u>362,940</u>

On July 1, 2015, the Company distributed all marketable securities to A/N.

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

## Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

**(4) Intangible Assets**

Intangible assets and related accumulated amortization consist of the following at:

	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Total	Gross Carrying Amount	Accumulated Amortization	Total
(In thousands)						
Indefinite-lived cable						
franchise rights	\$ 801,760	—	801,760	801,760	—	801,760
Finite-lived intangible assets:						
Renewal of cable franchise rights	90,137	(82,886)	7,251	85,246	(82,177)	3,069
Deferred right-of-way costs	90,392	(47,153)	43,239	84,297	(40,923)	43,374
Trade names and subscriber lists	1,564	(861)	703	1,564	(625)	939
Other	5,530	(3,542)	1,988	5,530	(3,188)	2,342
	187,623	(134,442)	53,181	176,637	(126,913)	49,724
Total intangible assets, net	\$ 989,383	(134,442)	854,941	978,397	(126,913)	851,484

**(5) Accounts Payable and Other Current Liabilities**

Accounts payable and other current liabilities consist of the following at:

	September 30, 2015	December 31, 2014
(In thousands)		
Accounts payable	\$ 62,431	77,638
Amount owed to TWC	159,725	154,367
Other	108,045	116,337
	\$ 330,201	348,342

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

**(6) Long-Term Debt**

The following table summarizes the Company's debt arrangements:

Type	Maturity	Principal Amount	Balance outstanding	
			September 30, 2015	December 31, 2014
(In thousands)				
Senior notes	2016	\$ 300,000	300,000	300,000
Senior notes	2019	300,000	171,428	214,286
Revolving credit	2018	500,000	—	—
Total		<u>\$ 1,100,000</u>	471,428	514,286
Less current portion			<u>342,857</u>	<u>42,857</u>
Total long-term debt			<u>\$ 128,571</u>	<u>471,429</u>

The Company's debt had an estimated fair value of \$540.0 million and \$564.0 million as of September 30, 2015 and December 31, 2014, respectively. The estimated fair value of the Company's privately held debt was based on available interest rates for debt issuances with similar terms and remaining maturities. Unrealized gains or losses on debt do not result in the realization or expenditure of cash and are not recognized for financial reporting purposes unless the debt is retired prior to its maturity.

The Company is required to maintain certain financial covenants and was in compliance with those covenants as of September 30, 2015. In the event of a change in control, the Company is required to give written notice to each holder containing an offer to prepay the senior notes at a price of 100% of the principal amount of the senior notes plus accrued and unpaid interest, accrued to such date of prepayment, plus a make-whole amount.

Interest expense for the instruments above, including amortization of deferred financing fees and other fees of \$0.4 million and \$1.2 million for the three and nine months ended September 30, 2015 and \$0.5 million and \$1.2 million for the three and nine months ended September 30, 2014, respectively, was \$9.3 million and \$29.0 million for the three and nine months ended September 30, 2015 and \$10.1 million and \$31.4 million for the three and nine months ended September 30, 2014, respectively.

**(7) Other Liabilities**

Other liabilities consist of the following:

	September 30, 2015	December 31, 2014
(In thousands)		
Accrued pension benefits	\$ 420,658	420,648
Other	49,981	59,074
	<u>\$ 470,639</u>	<u>479,722</u>

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

## Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

**(8) Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss consists of the following at December 31:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
	(In thousands)	
Cumulative net unrecognized loss on pension and other postretirement employee benefits	\$ 214,393	223,918

**(9) Pension and Other Postretirement Benefits**

The Company sponsors a funded pension plan, the Bright House Networks Pension Plan (the Plan). The Plan provides employees with retirement benefits in accordance with benefit provision formulas based on years of service and compensation. Additionally, the Company sponsors unfunded supplemental pension benefit plans for a select group of management and highly compensated employees and provides postretirement healthcare to retirees and eligible dependents.

A summary of the components of the net periodic benefit costs for the Company's pension and postretirement benefit plans are as follows:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	(In thousands)		(In thousands)	
Service cost	\$ 10,850	8,389	32,550	25,167
Interest cost	7,599	6,313	22,797	18,939
Expected return on plan assets	(5,425)	(6,998)	(16,275)	(20,994)
Amortization of net loss	3,175	932	9,525	2,796
Net period benefit cost	<u>\$ 16,199</u>	<u>8,636</u>	<u>48,597</u>	<u>25,908</u>
Contributions to the Plan	<u>\$ 16,618</u>	<u>23,000</u>	<u>36,962</u>	<u>45,000</u>

**BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES**

## Notes to Condensed Consolidated Financial Statements

Three and Nine-Month Periods ended September 30, 2015 and 2014

(Unaudited)

**(10) Related Party Transactions**

Advance Publications, Inc. and its wholly owned subsidiaries (Advance) is a related party to the Company due to its ownership of A/N (note 1). Amounts due from Advance (included within other current assets in the accompanying condensed consolidated balance sheets at September 30, 2015 and December 31, 2014) are as follows:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
	(In thousands)	
Total due from Advance, net	\$ 579	24,247

The accompanying condensed consolidated statements of income include allocations from Advance for certain corporate administrative expenses. Total allocated corporate expense was \$18.3 million and \$54.8 million for the three and nine months ended September 30, 2015 and \$12.0 million and \$36.0 million for the three and nine months ended September 30, 2014, respectively, which is recorded by the Company as a component of operating expense within the accompanying condensed consolidated statements of income. Additionally, the Company recognized interest income of \$0.5 million and \$1.4 million for the three and nine months ended September 30, 2015 and \$0.5 million and \$1.4 million for the three and nine months ended September 30, 2014 pursuant to its revolving credit agreement with Advance. The aforementioned interest income is recorded as a component of interest, net within the accompanying condensed consolidated statements of income.

**(11) Commitments and Contingencies**

The Company has certain pending lawsuits, which, in the opinion of management, will not have a material adverse effect upon the financial condition of the Company.

**(12) Subsequent Events**

The Company has evaluated subsequent events that have occurred through November 4, 2015, the date which the accompanying consolidated financial statements were available to be issued, and has determined there were no material events since the balance sheet date of this report requiring disclosure or adjustment to the accompanying consolidated financial statements.