UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From to
Commission File Number: 001-33664

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

Delaware	**84-1496755**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
400 Atlantic Street **Stamford, Connecticut 06901**	**(203) 905-7801**
(Address of principal executive offices including zip code)	*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

Number of shares of Class A common stock outstanding as of September 30, 2018: 228,917,692

Number of shares of Class B common stock outstanding as of September 30, 2018: 1

CHARTER COMMUNICATIONS, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2018

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This quarterly report on Form 10-Q is for the three and nine months ended September 30, 2018. The United States Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "Charter," "we," "us" and "our" refer to Charter Communications, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the "Results of Operations" and "Liquidity and Capital Resources" sections under Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this quarterly report. Although we believe that our plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under "Risk Factors" under Part I, Item 1A of our most recent Form 10-K filed with the SEC. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," "aim," "on track," "target," "opportunity," "tentative," "positioning," "designed," "create," "predict," "project," "initiatives," "seek," "would," "could," "continue," "ongoing," "upside," "increases" and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report on Form 10-Q, in our annual report on Form 10-K, and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- our ability to efficiently and effectively integrate acquired operations;
- our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, mobile, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our 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, fiber to the home providers, video provided over the Internet by (i) market participants that have not historically competed in the multichannel video business, (ii) traditional multichannel video distributors, and (iii) content providers that have historically licensed cable networks to multichannel video distributors, and providers of advertising over the Internet;
- general business conditions, economic uncertainty or downturn, unemployment levels and the level of activity in the housing sector;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- our ability to develop and deploy new products and technologies including mobile products, our cloud-based user interface, Spectrum Guide®, and downloadable security for set-top boxes, and any other cloud-based consumer services and service platforms;
- the effects of governmental regulation on our business including costs, disruptions and possible limitations on operating flexibility related to, and our ability to comply with, regulatory conditions applicable to us as a result of the Time Warner Cable Inc. and Bright House Networks, LLC transactions;
- any events that disrupt our networks, information systems or properties and impair our operating activities or our reputation;
- the ability to retain and hire key personnel;
- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We are under no duty or obligation to update any of the forward-looking statements after the date of this quarterly report.

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share data)

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 612	$ 621
Accounts receivable, less allowance for doubtful accounts of		
$125 and $113, respectively	1,736	1,635
Prepaid expenses and other current assets	381	299
Total current assets	2,729	2,555
RESTRICTED CASH	48	—
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated		
depreciation of $21,513 and $18,077, respectively	34,740	33,888
Customer relationships, net	10,136	11,951
Franchises	67,319	67,319
Goodwill	29,554	29,554
Total investment in cable properties, net	141,749	142,712
OTHER NONCURRENT ASSETS	1,559	1,356
Total assets	$ 146,085	$ 146,623
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 8,511	$ 9,045
Current portion of long-term debt	3,339	2,045
Total current liabilities	11,850	11,090
LONG-TERM DEBT	69,135	68,186
DEFERRED INCOME TAXES	17,421	17,314
OTHER LONG-TERM LIABILITIES	2,451	2,502
SHAREHOLDERS' EQUITY:		
Class A common stock; $.001 par value; 900 million shares authorized;		
239,491,925 and 238,506,059 shares issued, respectively	—	—
Class B common stock; $.001 par value; 1,000 shares authorized;		
1 share issued and outstanding	—	—
Preferred stock; $.001 par value; 250 million shares authorized;		
no shares issued and outstanding	—	—
Additional paid-in capital	35,493	35,253
Retained earnings	4,828	3,832
Treasury stock at cost; 10,574,233 and no shares, respectively	(3,214)	—
Accumulated other comprehensive loss	(2)	(1)
Total Charter shareholders' equity	37,105	39,084
Noncontrolling interests	8,123	8,447
Total shareholders' equity	45,228	47,531
Total liabilities and shareholders' equity	$ 146,085	$ 146,623

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
REVENUES	$ 10,892	$ 10,458	$ 32,403	$ 30,979
COSTS AND EXPENSES:				
Operating costs and expenses (exclusive of items shown separately below)	7,012	6,703	20,721	19,857
Depreciation and amortization	2,482	2,701	7,784	7,846
Other operating expenses, net	18	145	116	374
	9,512	9,549	28,621	28,077
Income from operations	1,380	909	3,782	2,902
OTHER EXPENSES:				
Interest expense, net	(901)	(788)	(2,630)	(2,250)
Loss on extinguishment of debt	—	—	—	(35)
Gain (loss) on financial instruments, net	12	17	—	(15)
Other pension benefits (costs)	207	(17)	247	9
Other expense, net	(5)	(3)	(75)	(14)
	(687)	(791)	(2,458)	(2,305)
Income before income taxes	693	118	1,324	597
Income tax expense	(109)	(26)	(178)	(99)
Consolidated net income	584	92	1,146	498
Less: Net income attributable to noncontrolling interests	(91)	(44)	(212)	(156)
Net income attributable to Charter shareholders	$ 493	$ 48	$ 934	$ 342
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CHARTER SHAREHOLDERS:				
Basic	$ 2.14	$ 0.19	$ 3.99	$ 1.31
Diluted	$ 2.11	$ 0.19	$ 3.93	$ 1.29
Weighted average common shares outstanding, basic	230,554,633	253,923,805	234,159,830	262,074,603
Weighted average common shares outstanding, diluted	233,607,414	258,341,851	237,343,924	266,363,602

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Consolidated net income	$ 584	$ 92	$ 1,146	$ 498
Foreign currency translation adjustment	—	1	(1)	1
Net impact of interest rate derivative instruments	—	1	—	4
Consolidated comprehensive income	584	94	1,145	503
Less: Comprehensive income attributable to noncontrolling interests	(91)	(44)	(212)	(156)
Comprehensive income attributable to Charter shareholders	$ 493	$ 50	$ 933	$ 347

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

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

	Nine Months Ended September 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 1,146	$ 498
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	7,784	7,846
Stock compensation expense	213	198
Accelerated vesting of equity awards	5	43
Noncash interest income, net	(242)	(283)
Other pension benefits	(247)	(9)
Loss on extinguishment of debt	—	35
Loss on financial instruments, net	—	15
Deferred income taxes	137	53
Other, net	81	93
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(101)	(101)
Prepaid expenses and other assets	(97)	37
Accounts payable, accrued liabilities and other	(80)	271
Net cash flows from operating activities	8,599	8,696
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(6,692)	(6,096)
Change in accrued expenses related to capital expenditures	(620)	276
Real estate investments through variable interest entities	(15)	—
Other, net	(103)	(63)
Net cash flows from investing activities	(7,430)	(5,883)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	11,552	12,115
Repayments of long-term debt	(8,964)	(5,534)
Payments for debt issuance costs	(29)	(83)
Purchase of treasury stock	(3,214)	(7,748)
Proceeds from exercise of stock options	56	111
Purchase of noncontrolling interest	(473)	(922)
Distributions to noncontrolling interest	(114)	(115)
Borrowings for real estate investments through variable interest entities	170	—
Distributions to variable interest entities noncontrolling interest	(107)	—
Other, net	(7)	(8)
Net cash flows from financing activities	(1,130)	(2,184)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	39	629
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	621	1,535
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ 660	$ 2,164
CASH PAID FOR INTEREST	$ 2,920	$ 2,544
CASH PAID FOR TAXES	$ 27	$ 38

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

1. Organization and Basis of Presentation

Organization

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

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

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and footnote disclosures typically included in Charter's Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying consolidated financial statements are unaudited and are subject to review by regulatory authorities. However, in the opinion of management, such financial statements include all adjustments, which consist of only normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; impairments of property, plant and equipment, intangibles and goodwill; pension benefits; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform with the 2018 presentation.

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

2. Franchises, Goodwill and Other Intangible Assets

Indefinite-lived and finite-lived intangible assets consist of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	$ 67,319	$ —	$ 67,319	$ 67,319	$ —	$ 67,319
Goodwill	29,554	—	29,554	29,554	—	29,554
Trademarks	159	—	159	159	—	159
	$ 97,032	$ —	$ 97,032	$ 97,032	$ —	$ 97,032
Finite-lived intangible assets:						
Customer relationships	$ 18,229	$ (8,093)	$ 10,136	$ 18,229	$ (6,278)	$ 11,951
Other intangible assets	397	(82)	315	731	(201)	530
	$ 18,626	$ (8,175)	$ 10,451	$ 18,960	$ (6,479)	$ 12,481

Amortization expense related to customer relationships and other intangible assets for the three and nine months ended September 30, 2018 was $583 million and $1.8 billion, respectively, and $664 million and $2.1 billion for the three and nine months ended September 30, 2017, respectively. Effective January 1, 2018 with the adoption of Accounting Standards Update ("ASU") 2014-09, up-front fees paid to market and serve customers who reside in residential multiple dwelling units ("MDUs") are no longer recorded as intangibles and amortized to depreciation and amortization expense, but are now being recorded as noncurrent assets and are amortized to operating costs and expenses. See Note 18.

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

Three months ended December 31, 2018	$ 582
2019	2,153
2020	1,871
2021	1,596
2022	1,326
Thereafter	2,923
	$ 10,451

Actual amortization expense in future periods will differ from these estimates as a result of new intangible asset acquisitions or divestitures, changes in useful lives, impairments and other relevant factors.

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

3. Real Estate Investments through Variable Interest Entities

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

	September 30, 2018	
Assets		
Current assets	$	3
Restricted cash	$	48
Property, plant and equipment	$	122
Liabilities		
Other long-term liabilities	$	173

Property, plant and equipment includes land, a parking garage and building construction costs, including the capitalization of qualifying interest. Other long-term liabilities include $170 million in VIE's mortgage note liability and $3 million in liability-classified noncontrolling interest representing the residual initial fair value upon consolidation (that remained after the distribution described below), along with accretion towards settlement of the put/call option in the lease.

The consolidated statement of cash flows for the nine months ended September 30, 2018 includes an increase to restricted cash of $48 million as a result of activity in the VIE including borrowings of $170 million by the VIE on the mortgage note liability offset by distributions by the VIE to the noncontrolling interest of $107 million for the contributed land and parking garage and $15 million incurred by the VIE for building construction costs. In December 2018, an additional $172 million is contractually scheduled to be borrowed by the SPE under the mortgage note construction financing.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
Accounts payable – trade	$	604	$	740
Deferred revenue		498		395
Accrued liabilities:				
Programming costs		2,055		1,907
Labor		1,012		1,109
Capital expenditures		1,318		1,935
Interest		1,011		1,054
Taxes and regulatory fees		575		556
Property and casualty		426		408
Other		1,012		941
	$	8,511	$	9,045

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

5. Long-Term Debt

Long-term debt consists of the following as of September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCO Holdings, LLC:				
5.250% senior notes due March 15, 2021	$ 500	$ 498	$ 500	$ 497
5.250% senior notes due September 30, 2022	1,250	1,237	1,250	1,235
5.125% senior notes due February 15, 2023	1,000	993	1,000	993
4.000% senior notes due March 1, 2023	500	496	500	495
5.125% senior notes due May 1, 2023	1,150	1,143	1,150	1,143
5.750% senior notes due September 1, 2023	500	497	500	496
5.750% senior notes due January 15, 2024	1,000	993	1,000	992
5.875% senior notes due April 1, 2024	1,700	1,688	1,700	1,687
5.375% senior notes due May 1, 2025	750	745	750	745
5.750% senior notes due February 15, 2026	2,500	2,466	2,500	2,464
5.500% senior notes due May 1, 2026	1,500	1,490	1,500	1,489
5.875% senior notes due May 1, 2027	800	795	800	794
5.125% senior notes due May 1, 2027	3,250	3,218	3,250	3,216
5.000% senior notes due February 1, 2028	2,500	2,465	2,500	2,462
Charter Communications Operating, LLC:				
3.579% senior notes due July 23, 2020	2,000	1,991	2,000	1,988
4.464% senior notes due July 23, 2022	3,000	2,981	3,000	2,977
Senior floating rate notes due February 1, 2024	900	903	—	—
4.500% senior notes due February 1, 2024	1,100	1,091	—	—
4.908% senior notes due July 23, 2025	4,500	4,465	4,500	4,462
3.750% senior notes due February 15, 2028	1,000	986	1,000	985
4.200% senior notes due March 15, 2028	1,250	1,239	1,250	1,238
6.384% senior notes due October 23, 2035	2,000	1,982	2,000	1,981
5.375% senior notes due April 1, 2038	800	785	—	—
6.484% senior notes due October 23, 2045	3,500	3,466	3,500	3,466
5.375% senior notes due May 1, 2047	2,500	2,506	2,500	2,506
5.750% senior notes due April 1, 2048	1,700	1,683	—	—
6.834% senior notes due October 23, 2055	500	495	500	495
Credit facilities	9,576	9,493	9,479	9,387
Time Warner Cable, LLC:				
6.750% senior notes due July 1, 2018	—	—	2,000	2,045
8.750% senior notes due February 14, 2019	1,250	1,279	1,250	1,337
8.250% senior notes due April 1, 2019	2,000	2,060	2,000	2,148
5.000% senior notes due February 1, 2020	1,500	1,551	1,500	1,579
4.125% senior notes due February 15, 2021	700	723	700	730
4.000% senior notes due September 1, 2021	1,000	1,036	1,000	1,045
5.750% sterling senior notes due June 2, 2031 [(a)]	815	876	845	912
6.550% senior debentures due May 1, 2037	1,500	1,682	1,500	1,686
7.300% senior debentures due July 1, 2038	1,500	1,782	1,500	1,788

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

6.750% senior debentures due June 15, 2039	1,500	1,720	1,500	1,724
5.875% senior debentures due November 15, 2040	1,200	1,257	1,200	1,258
5.500% senior debentures due September 1, 2041	1,250	1,258	1,250	1,258
5.250% sterling senior notes due July 15, 2042 (b)	847	817	879	847
4.500% senior debentures due September 15, 2042	1,250	1,139	1,250	1,137
Time Warner Cable Enterprises LLC:				
8.375% senior debentures due March 15, 2023	1,000	1,202	1,000	1,232
8.375% senior debentures due July 15, 2033	1,000	1,302	1,000	1,312
Total debt	71,538	72,474	69,003	70,231
Less current portion:				
6.750% senior notes due July 1, 2018	—	—	(2,000)	(2,045)
8.750% senior notes due February 14, 2019	(1,250)	(1,279)	—	—
8.250% senior notes due April 1, 2019	(2,000)	(2,060)	—	—
Long-term debt	$ 68,288	$ 69,135	$ 67,003	$ 68,186

(a) Principal amount includes £625 million remeasured at $815 million and $845 million as of September 30, 2018 and December 31, 2017, respectively, using the exchange rate at the respective dates.
(b) Principal amount includes £650 million remeasured at $847 million and $879 million as of September 30, 2018 and December 31, 2017, respectively, using the exchange rate at the respective dates.

The accreted values presented in the table above represent the principal amount of the debt less the original issue discount at the time of sale, deferred financing costs, and, in regards to Time Warner Cable, LLC and Time Warner Cable Enterprises LLC debt assumed, fair value premium adjustments as a result of applying acquisition accounting plus the accretion of those amounts to the balance sheet date. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. In regards to the fixed-rate British pound sterling denominated notes (the "Sterling Notes"), the principal amount of the debt and any premium or discount is remeasured into U.S. dollars as of each balance sheet date. See Note 8. The Company has availability under the Charter Operating credit facilities of approximately $3.4 billion as of September 30, 2018.

In April 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $800 million aggregate principal amount of 5.375% senior notes due April 1, 2038 at a price of 98.846% of the aggregate principal amount and $1.7 billion aggregate principal amount of 5.750% senior notes due April 1, 2048 at a price of 99.706% of the aggregate principal amount. The net proceeds, together with cash on hand, were used to repay certain existing indebtedness, including the redemption of all of the outstanding $2.0 billion in aggregate principal amount of Time Warner Cable, LLC's 6.750% notes due July 1, 2018, to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units.

In July 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $400 million aggregate principal amount of senior floating rate notes due February 1, 2024 at par and $1.1 billion aggregate principal amount of 4.500% senior notes due February 1, 2024 at a price of 99.893% of the aggregate principal amount. In August 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued an additional $500 million aggregate principal amount of senior floating rate notes due February 1, 2024 at a price of 101.479% of the aggregate principal amount. Interest on the floating rate notes accrues at LIBOR plus 1.650%. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units.

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

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

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

Loss on extinguishment of debt consisted of the following for the nine months ended September 30, 2017.

	Nine Months Ended September 30, 2017
CCO Holdings notes redemption	$ (33)
Time Warner Cable, LLC notes redemption	(1)
Charter Operating credit facility refinancing	(1)
	$ (35)

6. Common Stock

The following represents the Company's purchase of Charter Class A common stock and the effect on the consolidated statements of cash flows during the three and nine months ended September 30, 2018 and 2017.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
	Shares	$	Shares	$	Shares	$	Shares	$
Share buybacks	3,046,346	$ 929	9,521,958	$ 3,513	10,349,639	$ 3,142	21,940,797	$ 7,611
Income tax withholding	12,703	4	32,283	12	209,394	72	424,148	137
Exercise cost	8,785		1,433		15,200		41,978	
	3,067,834	$ 933	9,555,674	$ 3,525	10,574,233	$ 3,214	22,406,923	$ 7,748

As of September 30, 2018, Charter had remaining board authority to purchase an additional $788 million of Charter's Class A common stock and/or Charter Holdings common units. The Company also withholds shares of its Class A common stock in payment of income tax withholding owed by employees upon vesting of equity awards as well as exercise costs owed by employees upon exercise of stock options.

In 2017, Charter's board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2017. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders' equity.

7. Noncontrolling Interests

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

Net income of Charter Holdings attributable to A/N's common noncontrolling interest for financial reporting purposes is based on the effective common ownership interest of approximately 8% during 2018 and 9% during 2017, and was $54 million and $99 million for the three and nine months ended September 30, 2018, respectively, and $6 million and $42 million for the three and nine months ended September 30, 2017, respectively. Net income of Charter Holdings attributable to A/N's preferred noncontrolling interest for financial reporting purposes is based on the preferred dividend which was $37 million and $112 million for each of the three and nine months ended September 30, 2018 and 2017, respectively.

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

The following table represents Charter Holdings' purchase of Charter Holdings common units from A/N pursuant to the Letter Agreement (see Note 14) and the effect on total shareholders' equity during the three and nine months ended September 30, 2018 and 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Number of units purchased	495,447	1,385,404	1,546,475	2,700,849
Average price per unit	$ 292.81	$ 355.83	$ 306.11	$ 341.49
Amount of units purchased	$ 145	$ 493	$ 473	$ 922
Decrease in noncontrolling interest based on carrying value	$ (122)	$ (292)	$ (376)	$ (582)
Decrease in additional paid-in-capital, net of tax	$ (17)	$ (123)	$ (73)	$ (209)

Total shareholders' equity was also adjusted during the three and nine months ended September 30, 2018 and 2017 due to the changes in Charter Holdings' ownership as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Decrease in noncontrolling interest	$ (10)	$ (170)	$ (53)	$ (336)
Increase in additional paid-in-capital, net of tax	$ 7	$ 106	$ 39	$ 208

8. Accounting for Derivative Instruments and Hedging Activities

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

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The Company is required to post collateral on the cross-currency derivative instruments when the derivative contracts are in a liability position. In May 2016, the Company entered into a collateral holiday agreement for 80% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years. The fair value of the Company's cross-currency derivatives on its consolidated balance sheets was $88 million and $25 million included in other long-term liabilities as of September 30, 2018 and December 31, 2017, respectively.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gain (Loss) on Financial Instruments, Net:				
Change in fair value of cross-currency derivative instruments	(10)	68	$ (63)	$ 126
Foreign currency remeasurement of Sterling Notes to U.S. dollars	22	(50)	63	(141)
Other, net	—	(1)	—	—
	$ 12	$ 17	$ —	$ (15)

9. Fair Value Measurements

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

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

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of September 30, 2018 and December 31, 2017 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

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

A portion of the Company's cash and cash equivalents as of September 30, 2018 and December 31, 2017 were invested in money market funds. The money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange which approximates fair value. The money market funds potentially subject the Company to concentration of credit risk. The amount invested within any one financial instrument did not exceed $300 million as of September 30, 2018 and December 31, 2017. As of September 30, 2018 and December 31, 2017, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

Financial instruments accounted for at fair value on a recurring basis are presented in the table below.

	September 30, 2018		December 31, 2017	
	Level 1	Level 2	Level 1	Level 2
Assets				
Money market funds	$ 15	$ —	$ 291	$ —
Liabilities				
Cross-currency derivative instruments	$ —	$ 88	$ —	$ 25

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

A summary of the carrying value and fair value of debt as of September 30, 2018 and December 31, 2017 is as follows:

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes and debentures	$ 62,981	$ 62,966	$ 60,844	$ 63,443
Credit facilities	$ 9,493	$ 9,577	$ 9,387	$ 9,440

The estimated fair value of the Company's senior notes and debentures as of September 30, 2018 and December 31, 2017 is based on quoted market prices in active markets and is classified within Level 1 of the valuation hierarchy, while the estimated fair value of the Company's credit facilities is based on quoted market prices in inactive markets and is classified within Level 2. The carrying amount of the consolidated variable interest entity's mortgage note liability approximates fair value.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as equity-method investments, franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No material impairments were recorded during the three and nine months ended September 30, 2018 and 2017.

10. Operating Costs and Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Programming	$ 2,778	$ 2,699	$ 8,333	$ 7,952
Regulatory, connectivity and produced content	546	523	1,639	1,553
Costs to service customers	1,854	1,823	5,492	5,385
Marketing	790	761	2,310	2,286
Mobile	94	—	135	—
Other	950	897	2,812	2,681
	$ 7,012	$ 6,703	$ 20,721	$ 19,857

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

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

11. Other Operating Expenses, Net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Merger and restructuring costs	$ 14	$ 67	$ 90	$ 293
Special charges, net	—	80	35	86
(Gain) loss on sale of assets, net	4	(2)	(9)	(5)
	$ 18	$ 145	$ 116	$ 374

Merger and restructuring costs

Merger and restructuring costs represent costs incurred in connection with merger and acquisition transactions and related restructuring, such as advisory, legal and accounting fees, employee retention costs, employee termination costs related to the acquisition in 2016 of Time Warner Cable Inc. ("TWC") and Bright House Networks, LLC ("Bright House") and other exit costs. Changes in accruals for merger and restructuring costs are presented below:

	Employee Retention Costs	Employee Termination Costs	Transaction and Advisory Costs	Other Costs	Total
Liability, December 31, 2016	$ 7	$ 244	$ 25	$ —	$ 276
Costs incurred	4	226	4	68	302
Cash paid	(10)	(298)	(12)	(60)	(380)
Remaining liability, December 31, 2017	1	172	17	8	198
Costs incurred	—	59	1	25	85
Cash paid	—	(155)	—	(23)	(178)
Remaining liability, September 30, 2018	$ 1	$ 76	$ 18	$ 10	$ 105

In addition to the costs incurred indicated above, the Company recorded $5 million of expense related to accelerated vesting of equity awards of terminated employees during the nine months ended September 30, 2018, and $6 million and $43 million during the three and nine months ended September 30, 2017, respectively.

Special charges, net

Special charges, net primarily includes employee termination costs not related to the acquisition of TWC and Bright House and net amounts of litigation settlements. The nine months ended September 30, 2018 includes a $22 million charge related to the Company's withdrawal liability from a multiemployer pension plan while the three and nine months ended September 30, 2017 includes an $83 million charge related to the Company's withdrawal liability from a multiemployer pension plan.

(Gain) loss on sale of assets, net

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

12. Income Taxes

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

The Company recorded income tax expense of $109 million and $178 million for the three and nine months ended September 30, 2018, respectively, and $26 million and $99 million for the three and nine months ended September 30, 2017, respectively. Income tax expense increased year over year as a result of higher pretax income offset by the impacts of federal tax reform.

The Company has reported provisional amounts for the income tax effects of Tax Cuts & Jobs Act ("Tax Reform") for which the accounting is incomplete but a reasonable estimate could be determined. There were no specific impacts of Tax Reform that could not be reasonably estimated which the Company accounted for under prior tax law. Based on a continued analysis of the estimates and further guidance on the application of the law, it is anticipated that additional revisions may occur throughout the allowable measurement period. During the three months ended September 30, 2018, a $12 million income tax benefit was recorded to update existing estimates reflecting more complete information. The final update is expected during the fourth quarter of 2018.

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

In determining the Company's tax provision for financial reporting purposes, the Company establishes a reserve for uncertain tax positions unless such positions are determined to be "more likely than not" of being sustained upon examination, based on their technical merits. There is considerable judgment involved in making such a determination. The Company has recorded unrecognized tax benefits totaling approximately $171 million and $164 million, excluding interest and penalties, as of September 30, 2018 and December 31, 2017, respectively. The Company does not currently anticipate that its reserve for uncertain tax positions will significantly increase or decrease during 2018; however, various events could cause the Company's current expectations to change in the future. These uncertain tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statements of operations as part of the income tax provision.

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

13. Earnings Per Share

Basic earnings per common share is computed by dividing net income attributable to Charter shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per common share considers the impact of potentially dilutive securities using the treasury stock and if-converted methods and is based on the weighted average number of shares used for the basic earnings per share calculation, adjusted for the dilutive effect of stock options, restricted stock, restricted stock units, equity awards with market conditions and Charter Holdings convertible preferred units and common units. Charter Holdings common and convertible preferred units of 30 million and 31 million for the three and nine months ended September 30, 2018, respectively, and 35 million and 37 million for the three and nine months ended September 30, 2017, respectively, were not included in the computation of diluted earnings per share as their effect would have been antidilutive. The following is the computation of diluted earnings per common share for the three and nine months ended September 30, 2018 and 2017.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Numerator:				
Net income attributable to Charter shareholders	$ 493	$ 48	$ 934	$ 342
Denominator:				
Weighted average common shares outstanding, basic	230,554,633	253,923,805	234,159,830	262,074,603
Effect of dilutive securities:				
Assumed exercise or issuance of shares relating to stock plans	3,052,781	4,418,046	3,184,094	4,288,999
Weighted average common shares outstanding, diluted	233,607,414	258,341,851	237,343,924	266,363,602
Basic earnings per common share attributable to Charter shareholders	$ 2.14	$ 0.19	$ 3.99	$ 1.31
Diluted earnings per common share attributable to Charter shareholders	$ 2.11	$ 0.19	$ 3.93	$ 1.29

14. Related Party Transactions

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

Liberty Broadband and A/N

Under the terms of the Amended and Restated Stockholders Agreement with Liberty Broadband Corporation ("Liberty Broadband"), A/N and Charter, dated May 23, 2015, the number of Charter's directors is fixed at 13, and includes its CEO. Two designees selected by A/N are members of the board of directors of Charter and three designees selected by Liberty Broadband are members of the board of directors of Charter. The remaining eight directors are not affiliated with either A/N or Liberty Broadband. Each of A/N and Liberty Broadband is entitled to nominate at least one director to each of the committees of Charter's board of directors, subject to applicable stock exchange listing rules and certain specified voting or equity ownership thresholds for each of A/N and Liberty Broadband, and provided that the Nominating and Corporate Governance Committee and the Compensation and Benefit Committee each have at least a majority of directors independent from A/N, Liberty Broadband and Charter (referred to as the "unaffiliated directors"). Each of the Nominating and Corporate Governance Committee and the Compensation and Benefits Committee is currently comprised of three unaffiliated directors and one designee of each of A/N and Liberty Broadband. A/N and Liberty Broadband also have certain other committee designation and other governance rights. Mr. Thomas Rutledge, the Company's CEO, is the chairman of the board of Charter.

In December 2017, Charter and A/N entered into an amendment to the letter agreement (the "Letter Agreement") that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis once Charter or Charter Holdings have repurchased shares of Class A common stock or Charter Holdings common units from A/N and its affiliates for an aggregate purchase price of $400 million which threshold has been reached.

The Company is aware that Dr. John Malone, a director emeritus of Charter and Chairman of the board of directors and holder of 47.1% of voting interest in Liberty Broadband, may be deemed to have a 37.5% voting interest in Qurate Retail, Inc. ("Qurate," formerly known as Liberty Interactive Corporation) and is on the board of directors of Qurate. Qurate wholly owns HSN, Inc. (“HSN”) and QVC, Inc. (“QVC”). The Company has programming relationships with HSN and QVC. For the three and nine months ended September 30, 2018, the Company recorded revenue in aggregate of approximately $18 million and $51 million, respectively, and for the three and nine months ended September 30, 2017, the Company recorded revenue in aggregate of approximately $17 million and $50 million, respectively, from HSN and QVC as part of channel carriage fees and revenue sharing arrangements for home shopping sales made to customers in the Company’s footprint.

Dr. Malone and Mr. Steven Miron, a member of Charter’s board of directors, also serve on the board of directors of Discovery Communications, Inc., (“Discovery”). The Company is aware that Dr. Malone owns 93.6% of the series B common stock of Discovery, 6% of the series C common stock of Discovery and has a 28% voting interest in Discovery for the election of directors. The Company is aware that Advance/Newhouse Programming Partnership (“A/N PP”), an affiliate of A/N and of which Mr. Miron is the CEO, owns 100% of the Series A-1 preferred stock of Discovery and 100% of the Series C-1 preferred stock of Discovery and has a 24.2% voting interest for the election of directors. A/N PP has the right to appoint three directors out of a total of eleven directors to Discovery’s board to be elected by the holders of Discovery’s Series A-1 preferred stock. The Company purchases programming from Discovery pursuant to agreements entered into prior to Dr. Malone and Mr. Miron joining Charter’s board of directors. Based on publicly available information, the Company does not believe that Discovery would currently be considered a related party. The amount paid in the aggregate to Discovery represents less than 3% of total operating costs and expenses for the three and nine months ended September 30, 2018 and 2017.

Equity Investments

The Company has agreements with certain equity-method investees pursuant to which the Company has made or received related party transaction payments. The Company recorded payments to equity-method investees totaling $99 million and $248 million during the three and nine months ended September 30, 2018, respectively, and $62 million and $208 million during the three and nine months ended September 30, 2017, respectively.

15. Contingencies

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

The California Attorney General and the Alameda County, California District Attorney are investigating whether certain of Charter’s waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. That investigation was commenced in January 2014. A similar investigation involving TWC was initiated in February 2012. Charter is cooperating with these investigations. While the Company is unable to predict the outcome of these investigations, it does not expect that the outcome will have a material effect on its operations, financial condition, or cash flows.

On December 19, 2011, Sprint Communications Company L.P. (“Sprint”) filed a complaint in the U.S. District Court for the District of Kansas alleging that TWC infringed certain U.S. patents purportedly relating to Voice over Internet Protocol (“VoIP”) services. A trial began on February 13, 2017. On March 3, 2017 the jury returned a verdict of $140 million against TWC and further concluded that TWC had willfully infringed Sprint’s patents. The court subsequently declined to enhance the damage award as a result of the purported willful infringement and awarded Sprint an additional $6 million, representing pre-judgment interest on the damages award. The Company has appealed the case to the United States Court of Appeals for the Federal Circuit. In addition to its appeal, the Company continues to pursue indemnity from one of its vendors and has brought a patent suit against Sprint (TC Tech, LLC v. Sprint) in the U.S. District Court for the District of Delaware implicating Sprint's LTE technology. The impact of the Sprint verdict was reflected in the measurement period adjustments to net current liabilities. The Company does not expect that the outcome of this litigation will have a material adverse effect on its operations or financial condition. The ultimate outcome of this litigation or the pursuit of indemnity against the Company's vendor cannot be predicted.

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

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

The New York Public Service Commission (the "PSC") has issued multiple orders against Charter including two orders on July 27, 2018 relating to the agreement by which the PSC approved Charter's merger with TWC. One order finds that Charter had failed to satisfy one of its merger conditions by not extending its high speed broadband network according to the PSC's recent interpretation of which homes and businesses Charter built to should count, and it directs the initiation of a court action to impose financial and other penalties on Charter. The second order, rescinds the PSC's January 2016 approval of Charter's acquisition of TWC's New York operations and directs Charter to submit a plan to effect an orderly transition to a successor provider or providers for Charter to cease operations in New York within six months of the order. As the PSC and Charter have entered into discussions with the possibility of resolving the PSC related matters, the PSC has extended such deadline on three occasions with the last extension requiring submission of an exit plan by December 24, 2018. On July 30, 2018, the PSC filed a petition for penalties and injunctive relief in the Supreme Court of the State of New York seeking penalties of $100,000 per day from June 18, 2018 and until Charter complies with the PSC order and also seeks injunctive relief from the court to enjoin failure to comply with the New York Public Service Laws or any regulation or order of the PSC. While the Company believes the actions by the PSC are without merit and intends to defend the actions vigorously and does not believe the results of the proceedings will have a material adverse effect on Charter, no assurance can be given that, should an adverse outcome result, it would not be material to its consolidated financial condition, results of operations or liquidity. The Company cannot predict the outcome of the PSC claims, including any negotiations, nor can it reasonably estimate a range of possible loss in the event of an adverse result.

On October 23, 2015, the New York Office of the Attorney General (the "NY AG") began an investigation of TWC's advertised Internet speeds and other Internet product advertising. On February 1, 2017, the NY AG filed suit in the Supreme Court for the State of New York alleging that TWC's advertising of Internet speeds was false and misleading. The suit seeks restitution and injunctive relief. The Company continues to defend itself vigorously. Although no assurances can be made that such defenses would ultimately be successful, the Company does not expect that the outcome of this litigation will have a material adverse effect on its operations, financial condition or cash flows.

In addition to the Sprint litigation described above, the Company is a defendant or co-defendant in several additional lawsuits involving alleged infringement of various patents relating to various aspects of its businesses. Other industry participants are also defendants in certain of these cases. In the event that a court ultimately determines that the Company infringes on any intellectual property rights, the Company may be subject to substantial damages and/or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. While the Company believes the lawsuits are without merit and intends to defend the actions vigorously, no assurance can be given that any adverse outcome would not be material to the Company's consolidated financial condition, results of operations, or liquidity. The Company cannot predict the outcome of any such claims nor can it reasonably estimate a range of possible loss.

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

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

16. Stock Compensation Plans

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

Charter granted the following equity awards for the periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Stock options	24,200	20,900	1,490,700	1,167,100
Restricted stock	500	—	10,200	9,500
Restricted stock units	13,500	5,100	518,900	283,000

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

As of September 30, 2018, total unrecognized compensation remaining to be recognized in future periods totaled $235 million for stock options, $2 million for restricted stock and $224 million for restricted stock units and the weighted average period over which they are expected to be recognized is two years for stock options, one year for restricted stock and two years for restricted stock units.

The Company recorded $71 million and $213 million of stock compensation expense for the three and nine months ended September 30, 2018, respectively, and $64 million and $198 million or the three and nine months ended and September 30, 2017, respectively, which is included in operating costs and expenses. The Company also recorded $5 million for the nine months ended September 30, 2018, and $6 million and $43 million for the three and nine months ended September 30, 2017, respectively, of expense related to accelerated vesting of equity awards of terminated employees, which is recorded in merger and restructuring costs in other operating expenses, net in the consolidated statements of operations.

17. Employee Benefit Plans

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

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

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

The components of net periodic pension benefit (costs) for the three and nine months ended September 30, 2018 and 2017 are recorded in other pension benefits (costs) in the consolidated statements of operations and consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest cost	$ (32)	$ (33)	$ (96)	$ (101)
Expected return on plan assets	52	46	156	140
Remeasurement gain (loss), net	187	(30)	187	(30)
Net periodic pension benefit (costs)	$ 207	$ (17)	$ 247	$ 9

During the three and nine months ended September 30, 2018 and 2017, settlements for lump-sum distributions to qualified and nonqualified pension plan participants exceeded the estimated annual interest cost of the plans. As a result, the pension liability and pension asset values were reassessed as of September 30, 2018 and 2017 utilizing remeasurement date assumptions in accordance with the Company's mark-to-market pension accounting policy to record gains and losses in the period in which a remeasurement event occurs. The $187 million remeasurement gain recorded during the three and nine months ended September 30, 2018 was primarily driven by the effects of an increase of the discount rate from 3.68% at December 31, 2017 to 4.24% at September 30, 2018. This was partially offset by a loss to record pension assets to fair value at September 30, 2018. The $30 million remeasurement loss recorded during the three and nine months ended September 30, 2017 was primarily driven by the adoption of the revised lump sum conversion mortality tables published by the Internal Revenue Service effective January 1, 2018, and the effects of a decrease of the discount rate from 4.20% at December 31, 2016 to 3.88% at September 30, 2017. The effects of these changes were partially offset by a gain to record pension assets to fair value at September 30, 2017. The expected long-term rate of return on plan assets has decreased from 6.50% at December 31, 2017 to 5.75% at September 30, 2018 reflecting changes in the mix of plan assets.

The Company made no cash contributions to the qualified pension plans during the three and nine months ended September 30, 2018 and 2017; however, the Company may make discretionary cash contributions to the qualified pension plans in the future. Such contributions will be dependent on a variety of factors, including current and expected interest rates, asset performance, the funded status of the qualified pension plans and management’s judgment. For the nonqualified unfunded pension plan, the Company will continue to make contributions during 2018 to the extent benefits are paid.

18. Recently Issued Accounting Standards

Accounting Standards Adopted January 1, 2018

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

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 which is a comprehensive revenue recognition standard that superseded nearly all revenue recognition guidance under U.S. GAAP. ASU 2014-09 provides a single principles-based, five step model to be applied to all contracts with customers, which steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied.

The Company adopted ASU 2014-09 as of January 1, 2018 using the modified retrospective transition method with a cumulative-effect adjustment to equity. The adoption of ASU 2014-09 did not have a material impact on the Company’s financial position or results of operation. Previously reported results will not be restated under this transition method. The adoption results in the deferral of residential and small and medium business installation revenues and enterprise commission expenses over a period of time instead of recognized immediately. The adoption also results in the reclassification of the amortization of up-front fees paid to market and serve customers who reside in residential MDUs to operating costs and expenses instead of amortized as an intangible to depreciation and amortization expense.

The January 1, 2018 adoption cumulative-effect adjustment consisted of an increase to other noncurrent assets of $120 million, an increase to accounts payable and accrued liabilities of $71 million, an increase to deferred income tax liabilities of $11 million and an increase to total shareholders' equity of $38 million. The Company applied the cumulative-effect adjustment to all contracts as of January 1, 2018. Operating results for the three and nine months ended September 30, 2018 are not materially different than results that would have been reported under guidance in effect before application of ASU 2014-09.

Nature of Services

Residential Services

Residential customers are offered video, Internet and voice services primarily on a subscription basis. Residential customers may generally cancel their subscriptions at any time without penalty. Each subscription service provided is accounted for as a distinct performance obligation and revenue is recognized ratably over a one month service period as the subscription services are delivered. Each optional service purchased is generally accounted for as a distinct performance obligation when purchased and revenue is recognized when the service is provided.

Residential video customers have the option to purchase additional tiers of services, as well as video-on-demand ("VOD") programming and pay-per-view programming on a per-event basis. Video revenues consist primarily of revenues from the selected programming service tier, as well as VOD fees, pay-per-view fees, retransmission fees, regulatory fees, equipment service fees and video installation fees.

Residential Internet customers receive data download and upload services with speeds dependent on the selected tier of service. Customers are also offered a security suite, an in-home WiFi product, and an out-of-home WiFi service. Internet revenues consist primarily of data services, WiFi service fees and Internet installation fees.

Residential voice customers receive unlimited local and long distance calling to United States, Canada, Mexico, and Puerto Rico, voicemail, call waiting, caller ID, call forward and other features. Customers may also purchase international calling either by the minute, or through packages of minutes per month. Voice revenues consist primarily of voice services and regulatory fees.

Small and Medium Business

Small and medium business customers are offered video, Internet and voice services similar to those provided to residential customers. Small and medium business customers may generally cancel their subscriptions at any time without penalty. Each subscription service provided is accounted for as a distinct performance obligation and revenue is recognized ratably over a one month service period as the subscription services are delivered.

Enterprise Solutions

Enterprise Solutions include fiber-delivered communications and managed information technology solutions to larger businesses, as well as high-capacity last-mile data connectivity services to mobile and wireline carriers, Internet service providers, and other competitive carriers on a wholesale basis. Services are primarily offered on a subscription basis with a contractually specified and non-cancelable service period. The non-cancelable contract terms for enterprise services generally range from two to seven years. Each subscription service provided is accounted for as a distinct performance obligation and revenue is recognized ratably over the contract period as the subscription services are delivered. Enterprise subscription services are billed as monthly recurring charges to customers and related installation services, if applicable, are billed upon completion of the customer installation. Installation services are not accounted for as distinct performance obligations, but rather a component of the connectivity services, and therefore upfront installation fees are deferred and recognized as revenue over the related contract period.

Advertising Services

The Company offers local, regional and national businesses the opportunity to advertise in individual and multiple markets on cable television networks and digital outlets. Placement of advertising is accounted for as a distinct performance obligation and revenue is recognized at the point in time when the advertising is distributed. In some markets, the Company has formed advertising interconnects or entered into representation agreements with other video distributors, under which the Company sells advertising on behalf of those distributors. In other markets, the Company has entered into representation agreements under which another operator in the area will sell advertising on the Company's behalf. For representation arrangements in which the Company controls the sale of advertising and acts as the principal to the transaction, the Company recognizes revenue earned from the advertising customer on a gross basis and the amount remitted to the distributor as an operating expense. For other representation arrangements in which the Company does not control the sale of advertising and acts as an agent to the transaction, the Company recognizes revenue net of any fee remitted to the distributor.

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

Mobile

At the end of the second quarter of 2018, the Company launched its mobile product which is available to residential customers subscribing to its Internet service. Mobile services are sold under an unlimited data plan or a by-the-gig data usage plan and revenue is recognized as the services are provided. Customers can purchase mobile devices and accessory products and have the option to pay for devices under an installment plan. Revenue is recognized from the sale of devices at the time of shipment.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Video	$ 4,332	$ 4,208	$ 12,987	$ 12,401
Internet	3,809	3,555	11,286	10,464
Voice	512	611	1,599	1,955
Residential revenue	8,653	8,374	25,872	24,820
Small and medium business	922	896	2,737	2,652
Enterprise	632	594	1,881	1,761
Commercial revenue	1,554	1,490	4,618	4,413
Advertising sales	440	373	1,223	1,091
Mobile	17	—	17	—
Other	228	221	673	655
	$ 10,892	$ 10,458	$ 32,403	$ 30,979

Fees imposed on the Company by various governmental authorities are passed through on a monthly basis to the Company's customers and are periodically remitted to authorities. Fees of $239 million and $730 million for the three and nine months ended September 30, 2018, respectively, and $244 million and $717 million for the three and nine months ended September 30, 2017, respectively, are reported in video, voice, mobile and commercial revenues, on a gross basis with a corresponding operating expense because the Company is acting as a principal. Certain taxes, such as sales taxes imposed on the Company's customers, collected and remitted to state and local authorities, are recorded on a net basis because the Company is acting as an agent in such situation.

A significant portion of our revenue is derived from customers who may generally cancel their subscriptions at any time without penalty. As such, the amount of revenue related to unsatisfied performance obligations is not necessarily indicative of the future revenue to be recognized from our existing customer base. Revenue from customers with a contractually specified term and non-cancelable service period will be recognized over the term of such contracts, which is generally two to seven years for our enterprise contracts.

Significant Judgments

The Company often provides multiple services to a customer. Provision of customer premise equipment, installation services, and additional service tiers may have a significant level of integration and interdependency with the subscription video, Internet, voice, or connectivity services provided. Judgment is required to determine whether provision of customer premise equipment, installation services, and additional service tiers are considered distinct and accounted for separately, or not distinct and accounted for together with the subscription services.

Allocation of the transaction price to the distinct performance obligations in bundled residential service subscriptions requires judgment. The transaction price for a bundle of residential services is frequently less than the sum of the standalone selling prices of each individual service. The Company allocates the residential services bundle discount among the services to which the discount relates based on the relative standalone selling prices of those services. Standalone selling prices for the Company's residential video and Internet services are directly observable, while standalone selling price for the Company's residential voice service is estimated using the adjusted market assessment approach which relies upon information from peers and competitors who sell residential voice services individually.

The Company believes residential and small and medium business non-refundable upfront installation fees charged to customers result in a material right to renew the contract as such fees are not required to be paid upon subsequent renewals. The residential and small and medium business upfront fee is deferred over the period the fee remains material to the customer, which the Company has estimated to be approximately six months. Estimation of the period the fee remains material to the customer requires consideration of both quantitative and qualitative factors including average installation fee, average revenue per customer, and customer behavior, among others.

Contract Liabilities

Timing of revenue recognition may differ from the timing of invoicing to customers. Residential, small and medium business, and enterprise customers are invoiced for subscription services in advance of the service period. Deferred revenue liabilities, or contract liabilities, are recorded when the Company collects payments in advance of performing the services. Deferred revenue liabilities, or contract liabilities, are also recorded when the Company invoices customers upfront for installation services that are recognized as revenue over time. Residential and small and medium business installation revenues are deferred over the period the fee remains material to the customer. Enterprise installation revenues are deferred using a portfolio approach over the average contract life of each enterprise service category. As of September 30, 2018, current deferred revenue liabilities consisting of refundable customer prepayments of $410 million and upfront installation fees of $88 million were included in accounts payable and accrued liabilities. As of September 30, 2018, long-term deferred revenue liabilities consisting of enterprise upfront installation fees of $34 million were included in other long-term liabilities.

Contract Costs

The Company recognizes an asset for incremental costs of obtaining a contract with a customer if the amortization period of those costs is expected to be longer than one year and the costs are expected to be recovered. Enterprise sales commission costs meet the requirements to be deferred and, as a result, are recognized using a portfolio approach over a commission expense weighted-average enterprise contract period. Deferred enterprise commission costs are included in other noncurrent assets in the consolidated balance sheet and totaled $138 million as of September 30, 2018. As the amortization period of residential and small and medium business commissions costs is less than one year, the Company applies the practical expedient that allows such costs to be expensed as incurred. The Company has determined that the amortization period associated with residential and small and medium business commission costs is less than one year based on qualitative and quantitative factors.

The Company recognizes an asset for costs incurred to fulfill a contract when those costs are directly related to services provided under the contract, generate or enhance resources of the entity that will be used in performing service obligations under the contract, and are expected to be recovered. Up-front fees paid to MDUs, such as apartment building owners, in order to gain access to market and serve tenants who reside within the MDU meet the requirements to be deferred and, as a result, are recognized over the term of the MDU contract. Deferred upfront MDU fees are amortized on a straight-line basis and are included in other noncurrent assets in the consolidated balance sheet and totaled $266 million as of September 30, 2018. Amortization expense of $16 million and $46 million was included in regulatory, connectivity and produced content within operating expenses in the consolidated statements of operations for the three and nine months ended September 30, 2018, respectively. Residential and small and medium business installation costs not capitalized into property, plant and equipment are expensed as incurred under cable industry-specific guidance.

ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments **("ASU 2016-15")**

In August 2016, the FASB issued ASU 2016-15 which clarifies how entities should classify cash receipts and cash payments related to eight specific cash flow matters on the statement of cash flows, with the objective of reducing existing diversity in practice. The Company adopted ASU 2016-15 on January 1, 2018. The adoption of ASU 2016-15 did not have a material impact to the Company's consolidated financial statements.

ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16")

In October 2016, the FASB issued ASU 2016-16 which requires both the selling entity and the buying entity in an intra-entity asset transfer (other than the transfer of inventory) to immediately recognize the current and deferred income tax consequences of the transaction. Income tax effects of intra-entity transfers of inventory will continue to be deferred until the inventory has been sold to a third party. The Company adopted the standard on January 1, 2018, using a modified retrospective approach, with the cumulative-effect adjustment recognized directly to shareholders equity for the income tax effects of intra-entity asset transfers (other than transfers of inventory) that happened before the adoption date. The Company identified a $31 million increase to total shareholders' equity and corresponding increase to deferred tax assets related to the adoption, which was recorded during the three months ended September 30, 2018.

ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18")

In November 2016, the FASB issued ASU 2016-18 which requires that amounts generally described as restricted cash to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 does not provide a definition of restricted cash or restricted cash equivalents. The Company adopted ASU 2016-18 on January 1, 2018. The new guidance will only be applicable to amounts described by the Company as restricted cash. As a result of the adoption of ASU 2016-18, $48 million of restricted cash was included in ending period cash, cash equivalents and restricted cash in the Company's consolidated statement of cash flow for the nine months ended September 30, 2018. The Company's consolidated statement of cash flows for the year ended December 31, 2016 will also be recast to present $22.3 billion of restricted cash as beginning of period cash, cash equivalents and restricted cash.

ASU No. 2017-09, Scope of Modification Accounting ("ASU 2017-09")

In May 2017, the FASB issued ASU 2017-09 which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. ASU 2017-09 is applied prospectively to awards modified on or after the effective date. The Company adopted ASU 2017-09 on January 1, 2018. The adoption of ASU 2017-09 did not have a material impact to the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

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

In February 2016, the FASB issued ASU 2016-02 which requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. Lessees are allowed to account for short-term leases (i.e., leases with a term of 12 months or less) off-balance sheet, consistent with current operating lease accounting. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines.

The Company plans to adopt ASU 2016-02 using the modified retrospective approach with a cumulative-effect adjustment recorded at the beginning of the period of adoption (January 1, 2019). Therefore, upon adoption, the Company will recognize and measure operating leases on the consolidated balance sheet without revising comparative period information or disclosure. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply. The Company anticipates electing the transition package practical expedient which would eliminate the reassessment of past leases, classification and initial direct costs. The Company anticipates adopting the land easements practical expedient which allows adopters the ability not to retrospectively treat land easements as leases; however, must apply lease accounting prospectively to land easements if they meet the definition of a lease.

The Company's adoption process of ASU 2016-02 is ongoing, including evaluating and quantifying the impact on its consolidated financial statements, identifying the population of leases (and embedded leases), implementing a selected technology solution and collecting and validating lease data. Although the Company has not yet completed the evaluation of the new standard, or quantified its impact, the Company expects its lease obligations designated as operating leases (as disclosed in Note 20 to the audited consolidated financial statements in its most recent Annual Report on Form 10-K) will be reported on the consolidated balance sheet upon adoption.

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

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

ASU No. 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13")

In August 2018, the FASB issued ASU 2018-13 which amends fair value measurement disclosure requirements aiming to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing the disclosures. ASU 2018-13 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020 for the Company). Early adoption is permitted. The Company does not expect the adoption of ASU 2017-13 to have a material impact on its consolidated financial statements.

ASU No. 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14")

In August 2018, the FASB issued ASU 2018-14 which amends Accounting Standards Codification 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 will be effective for interim and annual periods beginning after December 15, 2021 (January 1, 2022 for the Company). Early adoption is permitted. The Company does not expect the adoption of ASU 2017-14 to have a material impact on its consolidated financial statements.

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

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

19. Consolidating Schedules

Each of Charter Operating, TWC, LLC, TWCE, CCO Holdings and certain subsidiaries jointly, severally, fully and unconditionally guarantee the outstanding debt securities of the others (other than the CCO Holdings notes) on an unsecured senior basis and the condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*. Certain Charter Operating subsidiaries that are regulated telephone entities only become guarantor subsidiaries upon approval by regulators. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with generally accepted accounting principles.

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

Condensed consolidating financial statements as of September 30, 2018 and December 31, 2017 and for the nine months ended September 30, 2018 and 2017 follow.

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of September 30, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ —	$ 261	$ —	$ 351	$ —	$ 612
Accounts receivable, net	—	29	—	1,707	—	1,736
Receivables from related party	25	498	53	—	(576)	—
Prepaid expenses and other current assets	7	39	—	335	—	381
Total current assets	32	827	53	2,393	(576)	2,729
RESTRICTED CASH	—	48	—	—	—	48
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	—	447	—	34,293	—	34,740
Customer relationships, net	—	—	—	10,136	—	10,136
Franchises	—	—	—	67,319	—	67,319
Goodwill	—	—	—	29,554	—	29,554
Total investment in cable properties, net	—	447	—	141,302	—	141,749
INVESTMENT IN SUBSIDIARIES	54,440	61,513	79,969	—	(195,922)	—
LOANS RECEIVABLE – RELATED PARTY	246	674	526	—	(1,446)	—
OTHER NONCURRENT ASSETS	—	215	—	1,347	(3)	1,559
Total assets	$ 54,718	$ 63,724	$ 80,548	$ 145,042	$ (197,947)	$ 146,085
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	$ 4	$ 861	$ 311	$ 7,335	$ —	$ 8,511
Payables to related party	—	—	—	576	(576)	—
Current portion of long-term debt	—	—	—	3,339	—	3,339
Total current liabilities	4	861	311	11,250	(576)	11,850
LONG-TERM DEBT	—	—	18,724	50,411	—	69,135
LOANS PAYABLE – RELATED PARTY	—	—	—	1,446	(1,446)	—
DEFERRED INCOME TAXES	17,408	16	—	—	(3)	17,421
OTHER LONG-TERM LIABILITIES	201	308	—	1,942	—	2,451
SHAREHOLDERS'/MEMBER'S EQUITY						
Controlling interest	37,105	54,440	61,513	79,969	(195,922)	37,105
Noncontrolling interests	—	8,099	—	24	—	8,123
Total shareholders'/member's equity	37,105	62,539	61,513	79,993	(195,922)	45,228
Total liabilities and shareholders'/member's equity	$ 54,718	$ 63,724	$ 80,548	$ 145,042	$ (197,947)	$ 146,085

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of December 31, 2017

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ —	$ 291	$ —	$ 330	$ —	$ 621
Accounts receivable, net	—	24	—	1,611	—	1,635
Receivables from related party	22	613	55	—	(690)	—
Prepaid expenses and other current assets	22	34	—	243	—	299
Total current assets	44	962	55	2,184	(690)	2,555
INVESTMENT IN CABLE PROPERTIES:						
Property, plant and equipment, net	—	336	—	33,552	—	33,888
Customer relationships, net	—	—	—	11,951	—	11,951
Franchises	—	—	—	67,319	—	67,319
Goodwill	—	—	—	29,554	—	29,554
Total investment in cable properties, net	—	336	—	142,376	—	142,712
INVESTMENT IN SUBSIDIARIES	56,263	63,558	81,980	—	(201,801)	—
LOANS RECEIVABLE – RELATED PARTY	233	655	511	—	(1,399)	—
OTHER NONCURRENT ASSETS	—	223	—	1,133	—	1,356
Total assets	$ 56,540	$ 65,734	$ 82,546	$ 145,693	$ (203,890)	$ 146,623
LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY						
CURRENT LIABILITIES:						
Accounts payable and accrued liabilities	$ 4	$ 900	$ 280	$ 7,861	$ —	$ 9,045
Payables to related party	—	—	—	690	(690)	—
Current portion of long-term debt	—	—	—	2,045	—	2,045
Total current liabilities	4	900	280	10,596	(690)	11,090
LONG-TERM DEBT	—	—	18,708	49,478	—	68,186
LOANS PAYABLE – RELATED PARTY	—	—	—	1,399	(1,399)	—
DEFERRED INCOME TAXES	17,268	14	—	32	—	17,314
OTHER LONG-TERM LIABILITIES	184	134	—	2,184	—	2,502
SHAREHOLDERS'/MEMBER'S EQUITY						
Controlling interest	39,084	56,263	63,558	81,980	(201,801)	39,084
Noncontrolling interests	—	8,423	—	24	—	8,447
Total shareholders'/member's equity	39,084	64,686	63,558	82,004	(201,801)	47,531
Total liabilities and shareholders'/member's equity	$ 56,540	$ 65,734	$ 82,546	$ 145,693	$ (203,890)	$ 146,623

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Operations
For the nine months ended September 30, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
REVENUES	$ 37	$ 844	$ —	$ 32,390	$ (868)	$ 32,403
COSTS AND EXPENSES:						
Operating costs and expenses (exclusive of items shown separately below)	37	810	—	20,742	(868)	20,721
Depreciation and amortization	—	8	—	7,776	—	7,784
Other operating expenses, net	—	4	—	112	—	116
	37	822	—	28,630	(868)	28,621
Income from operations	—	22	—	3,760	—	3,782
OTHER INCOME (EXPENSES):						
Interest income (expense), net	7	21	(762)	(1,896)	—	(2,630)
Other pension benefits	—	—	—	247	—	247
Other expense, net	—	(26)	—	(49)	—	(75)
Equity in income of subsidiaries	1,085	1,286	2,048	—	(4,419)	—
	1,092	1,281	1,286	(1,698)	(4,419)	(2,458)
Income before income taxes	1,092	1,303	1,286	2,062	(4,419)	1,324
Income tax expense	(158)	(7)	—	(13)	—	(178)
Consolidated net income	934	1,296	1,286	2,049	(4,419)	1,146
Less: Net income attributable to noncontrolling interests	—	(211)	—	(1)	—	(212)
Net income	$ 934	$ 1,085	$ 1,286	$ 2,048	$ (4,419)	$ 934

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

Charter Communications, Inc. and Subsidiaries

Condensed Consolidating Statements of Operations

For the nine months ended September 30, 2017

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
REVENUES	$ 79	$ 897	$ —	$ 30,979	$ (976)	$ 30,979
COSTS AND EXPENSES:						
Operating costs and expenses (exclusive of items shown separately below)	79	883	—	19,871	(976)	19,857
Depreciation and amortization	—	7	—	7,839	—	7,846
Other operating expenses, net	—	—	—	374	—	374
	79	890	—	28,084	(976)	28,077
Income from operations	—	7	—	2,895	—	2,902
OTHER INCOME (EXPENSES):						
Interest income (expense), net	4	14	(631)	(1,637)	—	(2,250)
Loss on extinguishment of debt	—	—	(33)	(2)	—	(35)
Loss on financial instruments, net	—	—	—	(15)	—	(15)
Other pension benefits	—	—	—	9	—	9
Other expense, net	—	(12)	—	(2)	—	(14)
Equity in income of subsidiaries	390	548	1,212	—	(2,150)	—
	394	550	548	(1,647)	(2,150)	(2,305)
Income before income taxes	394	557	548	1,248	(2,150)	597
Income tax expense	(52)	(12)	—	(35)	—	(99)
Consolidated net income	342	545	548	1,213	(2,150)	498
Less: Net income attributable to noncontrolling interests	—	(155)	—	(1)	—	(156)
Net income	$ 342	$ 390	$ 548	$ 1,212	$ (2,150)	$ 342

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

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

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
Consolidated net income	$ 934	$ 1,296	$ 1,286	$ 2,049	$ (4,419)	$ 1,146
Foreign currency translation adjustment	(1)	(1)	(1)	(1)	3	(1)
Consolidated comprehensive income	933	1,295	1,285	2,048	(4,416)	1,145
Less: Comprehensive income attributable to noncontrolling interests	—	(211)	—	(1)	—	(212)
Comprehensive income	$ 933	$ 1,084	$ 1,285	$ 2,047	$ (4,416)	$ 933

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income
For the nine months ended September 30, 2017

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
Consolidated net income	$ 342	$ 545	$ 548	$ 1,213	$ (2,150)	$ 498
Net impact of interest rate derivative instruments	4	4	4	4	(12)	4
Foreign currency translation adjustment	1	1	1	1	(3)	1
Consolidated comprehensive income	347	550	553	1,218	(2,165)	503
Less: Comprehensive income attributable to noncontrolling interests	—	(155)	—	(1)	—	(156)
Comprehensive income	$ 347	$ 395	$ 553	$ 1,217	$ (2,165)	$ 347

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the nine months ended September 30, 2018

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 4	$ 91	$ (728)	$ 9,232	$ —	$ 8,599
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	—	—	—	(6,692)	—	(6,692)
Change in accrued expenses related to capital expenditures	—	—	—	(620)	—	(620)
Real estate investments through variable interest entities	—	(15)	—	—	—	(15)
Contributions to subsidiaries	(56)	(127)	(127)	—	310	—
Distributions from subsidiaries	3,217	3,763	4,491	—	(11,471)	—
Other, net	—	(10)	—	(93)	—	(103)
Net cash flows from investing activities	3,161	3,611	4,364	(7,405)	(11,161)	(7,430)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt	—	—	—	11,552	—	11,552
Repayments of long-term debt	—	—	—	(8,964)	—	(8,964)
Borrowings (repayments) loans payable - related parties	(7)	—	—	7	—	—
Payments for debt issuance costs	—	—	—	(29)	—	(29)
Purchase of treasury stock	(3,214)	—	—	—	—	(3,214)
Proceeds from exercise of stock options	56	—	—	—	—	56
Purchase of noncontrolling interest	—	(473)	—	—	—	(473)
Distributions to noncontrolling interest	—	(113)	—	(1)	—	(114)
Contributions from parent	—	56	127	127	(310)	—
Distributions to parent	—	(3,217)	(3,763)	(4,491)	11,471	—
Borrowings for real estate investments through variable interest entities	—	170	—	—	—	170
Distributions to variable interest entities noncontrolling interest	—	(107)	—	—	—	(107)
Other, net	—	—	—	(7)	—	(7)
Net cash flows from financing activities	(3,165)	(3,684)	(3,636)	(1,806)	11,161	(1,130)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	—	18	—	21	—	39
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	—	291	—	330	—	621
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ —	$ 309	$ —	$ 351	$ —	$ 660

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the nine months ended September 30, 2017

	Non-Guarantor Subsidiaries		Guarantor Subsidiaries			
	Charter	Intermediate Holding Companies	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	Charter Consolidated
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 95	$ 80	$ (504)	$ 9,025	$ —	$ 8,696
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchases of property, plant and equipment	—	—	—	(6,096)	—	(6,096)
Change in accrued expenses related to capital expenditures	—	—	—	276	—	276
Contribution to subsidiary	(111)	—	(693)	—	804	—
Distributions from subsidiaries	7,759	8,641	5,912	—	(22,312)	—
Other, net	—	—	—	(63)	—	(63)
Net cash flows from investing activities	7,648	8,641	5,219	(5,883)	(21,508)	(5,883)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Borrowings of long-term debt	—	—	4,747	7,368	—	12,115
Repayments of long-term debt	—	—	(775)	(4,759)	—	(5,534)
Borrowings (repayments) loans payable - related parties	(163)	—	—	163	—	—
Payments for debt issuance costs	—	—	(46)	(37)	—	(83)
Purchase of treasury stock	(7,748)	—	—	—	—	(7,748)
Proceeds from exercise of stock options	111	—	—	—	—	111
Purchase of noncontrolling interest	—	(922)	—	—	—	(922)
Distributions to noncontrolling interest	—	(115)	—	—	—	(115)
Contributions from parent	—	111	—	693	(804)	—
Distributions to parent	—	(7,759)	(8,641)	(5,912)	22,312	—
Other, net	—	—	—	(8)	—	(8)
Net cash flows from financing activities	(7,800)	(8,685)	(4,715)	(2,492)	21,508	(2,184)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(57)	36	—	650	—	629
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	57	154	—	1,324	—	1,535
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$ —	$ 190	$ —	$ 1,974	$ —	$ 2,164

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

General

Charter Communications, Inc. (together with its controlled subsidiaries, "Charter") is the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services to approximately 27.9 million residential and business customers at September 30, 2018. We also recently launched our mobile service to residential customers. In addition, we sell video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology ("IT") solutions to larger enterprise customers. We also own and operate regional sports networks and local sports, news and community channels and sell security and home management services in the residential marketplace.

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

Overview

In 2017, we completed the roll-out of Spectrum pricing and packaging ("SPP") to Time Warner Cable Inc. ("TWC") and Bright House Networks, LLC ("Bright House") markets simplifying our offers and improving our packaging of products, allowing us to deliver more value to new and existing customers. As of September 30, 2018, over 70% of our residential customers are in an SPP package. In 2017, we also began converting the remaining TWC and Bright House analog markets to an all-digital platform enabling us to deliver more HD channels and higher Internet speeds. As of September 30, 2018, 96% of our footprint was all-digital. Our corporate organization, as well as our marketing, sales and product development departments, are centralized. Field operations are managed through eleven regional areas, each designed to represent a combination of designated marketing areas. In 2017, we began migrating TWC and Bright House customer care centers to our model of using virtualized, U.S.-based in-house call centers. We are focused on deploying superior products and service with minimal service disruptions as we integrate our information technology and network operations. We intend to continue to insource the TWC and Bright House workforces in our call centers and in our field operations, which we expect to lead to lower customer churn and longer customer lifetimes. Our integration activities will continue in 2018 with the expectation that by 2019, we will have substantially integrated the practices and systems of Charter, TWC and Bright House.

At the end of the second quarter of 2018, we launched our mobile product, Spectrum Mobile, under our mobile virtual network operator ("MVNO") reseller agreement with Verizon Communications Inc. ("Verizon"). Our Spectrum mobile service is offered to our residential customers subscribing to our Internet service and runs on Verizon's mobile network combined with our existing network of in-home and outdoor WiFi hotspots. We began mass market advertising of Spectrum Mobile in September 2018. In the future, we may also offer our mobile service to small and medium business customers on similar terms. During the nine months ended September 30, 2018, we invested in our mobile operating partnership with Comcast Corporation, with a portion representing our equity investment in the partnership and a portion representing a prepayment of software development and related services for the mobile back office platform. As the partnership delivers services, we will reflect such services as capital or operating expense depending on the nature of services delivered. As a result of growth costs for a new product line and implementing our operating strategy across TWC and Bright House, we cannot be certain that we will be able to grow revenues or maintain our margins at recent historical rates. During the three and nine months ended September 30, 2018, revenues increased by $17 million, Adjusted EBITDA was reduced by approximately $77 million and $118 million, respectively, and free cash flow was reduced by approximately $149 million and $290 million, respectively, related to mobile.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Revenues	$ 10,892	$ 10,458	4.2%	$ 32,403	$ 30,979	4.6%
Adjusted EBITDA	$ 3,951	$ 3,819	3.5%	$ 11,895	$ 11,320	5.1%
Income from operations	$ 1,380	$ 909	51.7%	$ 3,782	$ 2,902	30.3%

Adjusted EBITDA is defined as consolidated net income plus net interest expense, income taxes, depreciation and amortization, stock compensation expense, loss on extinguishment of debt, (gain) loss on financial instruments, net, other expense, net and other operating (income) expenses, such as merger and restructuring costs, special charges and (gain) loss on sale or retirement of assets. See "—Use of Adjusted EBITDA and Free Cash Flow" for further information on Adjusted EBITDA and free cash flow.

Growth in total revenue, Adjusted EBITDA and income from operations for the three and nine months ended September 30, 2018 compared to the corresponding prior periods was primarily due to growth in our residential Internet and commercial business customers. In addition to the items noted above, Adjusted EBITDA growth was offset by increases in operating costs and expenses primarily programming and mobile. Income from operations for the nine months ended September 30, 2018 was additionally affected by a decrease in depreciation and amortization, merger and restructuring costs and special charges, net.

The following table summarizes our customer statistics for video, Internet and voice as of September 30, 2018 and 2017 (in thousands except per customer data and footnotes).

	Approximate as of September 30, 2018 [(b)]	Approximate as of September 30, 2017 [(a)(b)]
Customer Relationships [(c)]		
Residential	26,063	25,329
Small and Medium Business	1,792	1,623
Total Customer Relationships	27,855	26,952
Residential Primary Service Units ("PSU")		
Video	16,140	16,398
Internet	23,336	22,255
Voice	10,218	10,401
	49,694	49,054
Monthly Residential Revenue per Residential Customer [(d)]	$ 111.13	$ 110.66
Small and Medium Business PSUs		
Video	488	438
Internet	1,594	1,429
Voice	1,024	898
	3,106	2,765
Monthly Small and Medium Business Revenue per Customer [(e)]	$ 173.52	$ 186.66
Enterprise PSUs [(f)]	243	210

(a) Between the closing of the TWC and Bright House transactions in May 2016 through the first quarter of 2018, we reported our customer data and results using legacy company reporting methodologies. During the second quarter of 2018, we implemented certain reporting changes on a retrospective basis which allowed for the recasting of historical customer data and results using consistent definitions and reporting methodologies across all three legacy companies. TWC Hawaii customer statistics are expected to move to our standard methodology in 2019 and variances, if any, will be disclosed at that time.

(b) We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, as of September 30, 2018 and 2017, customers include approximately 231,400 and 221,400 customers, respectively, whose accounts were over 60 days past due, approximately 23,100 and 21,100 customers, respectively, whose accounts were over 90 days past due and approximately 18,500 and 12,500 customers, respectively, whose accounts were over 120 days past due.

(c) Customer relationships include the number of customers that receive one or more levels of service, encompassing video, Internet and voice services, without regard to which service(s) such customers receive. Customers who reside in residential multiple dwelling units ("MDUs") and that are billed under bulk contracts are counted based on the number of billed units within each bulk MDU. Total customer relationships excludes enterprise customer relationships.

(d) Monthly residential revenue per residential customer is calculated as total residential video, Internet and voice quarterly revenue divided by three divided by average residential customer relationships during the respective quarter.

(e) Monthly small and medium business revenue per customer is calculated as total small and medium business quarterly revenue divided by three divided by average small and medium business customer relationships during the respective quarter.
(f) Enterprise PSUs represent the aggregate number of fiber service offerings counting each separate service offering as an individual PSU.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates therefore, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2017 Annual Report on Form 10-K. There have been no material changes from the critical accounting policies described in our Form 10-K.

Results of Operations

In the second quarter of 2018, certain revenue line items and associated expenses were recast to reflect the customer changes described in note (a) under "Overview" above and to classify certain expenses more closely with organizational responsibility. There were no changes to total revenue, Adjusted EBITDA, capital expenditures, free cash flow or net income. The following table sets forth the consolidated statements of operations for the periods presented (dollars in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues	$ 10,892	$ 10,458	$ 32,403	$ 30,979
Costs and Expenses:				
Operating costs and expenses (exclusive of items shown separately below)	7,012	6,703	20,721	19,857
Depreciation and amortization	2,482	2,701	7,784	7,846
Other operating expenses, net	18	145	116	374
	9,512	9,549	28,621	28,077
Income from operations	1,380	909	3,782	2,902
Other Expenses:				
Interest expense, net	(901)	(788)	(2,630)	(2,250)
Loss on extinguishment of debt	—	—	—	(35)
Gain (loss) on financial instruments, net	12	17	—	(15)
Other pension benefits (costs)	207	(17)	247	9
Other expense, net	(5)	(3)	(75)	(14)
	(687)	(791)	(2,458)	(2,305)
Income before income taxes	693	118	1,324	597
Income tax expense	(109)	(26)	(178)	(99)
Consolidated net income	584	92	1,146	498
Less: Net income attributable to noncontrolling interests	(91)	(44)	(212)	(156)
Net income attributable to Charter shareholders	$ 493	$ 48	$ 934	$ 342
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CHARTER SHAREHOLDERS:				
Basic	$ 2.14	$ 0.19	$ 3.99	$ 1.31
Diluted	$ 2.11	$ 0.19	$ 3.93	$ 1.29
Weighted average common shares outstanding, basic	230,554,633	253,923,805	234,159,830	262,074,603
Weighted average common shares outstanding, diluted	233,607,414	258,341,851	237,343,924	266,363,602

Revenues. Total revenues grew $434 million and $1.4 billion for the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily due to increases in the number of residential Internet and commercial business customers, price adjustments as well as the launch of our mobile service offset by a decrease in limited basic video customers.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Video	$ 4,332	$ 4,208	2.9 %	$ 12,987	$ 12,401	4.7 %
Internet	3,809	3,555	7.2 %	11,286	10,464	7.9 %
Voice	512	611	(16.2)%	1,599	1,955	(18.2)%
Residential revenue	8,653	8,374	3.3 %	25,872	24,820	4.2 %
Small and medium business	922	896	2.8 %	2,737	2,652	3.2 %
Enterprise	632	594	6.4 %	1,881	1,761	6.8 %
Commercial revenue	1,554	1,490	4.3 %	4,618	4,413	4.7 %
Advertising sales	440	373	18.1 %	1,223	1,091	12.1 %
Mobile	17	—	NM	17	—	NM
Other	228	221	3.3 %	673	655	2.7 %
	$ 10,892	$ 10,458	4.2 %	$ 32,403	$ 30,979	4.6 %

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Increase related to rate changes	$ 247	$ 878
Decrease in average residential video customers	(69)	(222)
Decrease in video on demand and pay-per-view	(54)	(70)
	$ 124	$ 586

The increases related to rate changes were primarily due to price adjustments including promotional roll-off, service level changes and bundle revenue allocation. Residential video customers decreased by 258,000 from September 30, 2017 to September 30, 2018.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Increase in average residential Internet customers	$ 174	$ 519
Increase related to rate changes	80	303
	$ 254	$ 822

Residential Internet customers grew by 1,081,000 customers from September 30, 2017 to September 30, 2018. The increases related to rate changes were primarily due to price adjustments including promotional roll-off and bundle revenue allocation.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Decrease related to rate changes	$ (92)	$ (351)
Decrease in average residential voice customers	(7)	(5)
	$ (99)	$ (356)

The decreases related to rate changes were primarily due to value-based pricing and bundle revenue allocation. Residential voice customers decreased by 183,000 customers from September 30, 2017 to September 30, 2018.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Increase in small and medium business customers	$ 95	$ 285
Decrease related to rate changes	(69)	(200)
	$ 26	$ 85

Small and medium business PSUs grew by 341,000 from September 30, 2017 to September 30, 2018. The decreases related to rate changes were primarily due to value pricing related to SPP, net of promotional roll-off and price adjustments.

Enterprise PSUs increased 33,000 from September 30, 2017 to September 30, 2018. Enterprise revenues increased $38 million and $120 million during the three and nine months ended September 30, 2018 compared to the corresponding periods in 2017 primarily due to growth in customers.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors, as well as local cable and advertising on regional sports and news channels. Advertising sales revenues increased $67 million and $132 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily due to an increase in political and continued roll-out of addressability and newer advanced advertising products that allows for more targeted media purchases using our inventory.

Mobile revenues represent approximately $16 million of device revenues and approximately $1 million of service revenues related to our mobile service.

Other revenues consist of revenue from regional sports and news channels (excluding intercompany charges or advertising sales on those channels), home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues increased $7 million and $18 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily due to an increase in late payment fees.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Programming	$ 79	$ 381
Regulatory, connectivity and produced content	23	86
Costs to service customers	31	107
Marketing	29	24
Mobile	94	135
Other	53	131
	$ 309	$ 864

Programming costs were approximately $2.8 billion and $2.7 billion, representing 40% of total operating costs and expenses for each of the three months ended September 30, 2018 and 2017, respectively, and $8.3 billion and $8.0 billion, representing 40% of total operating costs and expenses for each of the nine months ended September 30, 2018 and 2017, respectively. Programming costs consist primarily of costs paid to programmers for basic, digital, premium, video on demand and pay-per-view programming. The increase in programming costs is primarily a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consents partly offset by lower video customers, pay-per-view and one-time programming benefits during the three and nine months ended September 30, 2018. We expect programming expenses will continue to increase due to a variety of factors, including annual increases imposed by programmers with additional selling power as a result of media consolidation, increased demands by owners of broadcast stations for payment for retransmission consent or linking carriage of other services to retransmission consent, and additional programming, particularly new services. We have been unable to fully pass these increases on to our customers nor do we expect to be able to do so in the future without a potential loss of customers.

Regulatory, connectivity and produced content increased $23 million and $86 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily due to the adoption of Accounting Standards Update 2014-09 as of January 1, 2018, which results in the reclassification of expenses related to the amortization of up-front fees paid to market and serve customers who reside in MDUs that were recorded in depreciation and amortization expense in the prior-year period to regulatory, connectivity and produced content expenses, as well as higher regulatory fees related to higher video revenue. For more information, see Note 18 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Costs to service customers increased $31 million and $107 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily due to an increase in bad debt expense.

Mobile costs of $94 million and $135 million for the three and nine months ended September 30, 2018, respectively, were comprised of mobile launch costs, device costs and mobile service and operating costs.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Advertising sales expense	$ 23	$ 51
Property tax and insurance	8	28
Corporate costs	10	18
Enterprise	6	18
Stock compensation expense	7	15
Other	(1)	1
	$ 53	$ 131

Depreciation and amortization. Depreciation and amortization expense decreased by $219 million and $62 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017. The decrease was primarily due to a decrease in depreciation and amortization as certain assets acquired from TWC and Bright House become fully depreciated offset by an increase in depreciation as a result of more recent capital expenditures.

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

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Merger and restructuring costs	$ (53)	$ (203)
Special charges, net	(80)	(51)
(Gain) loss on sale of assets, net	6	(4)
	$ (127)	$ (258)

The decrease in merger and restructuring costs during the three and nine months ended September 30, 2018 compared to the corresponding periods in 2017 is primarily due to a decrease of approximately $33 million and $169 million of employee termination and retention costs, respectively. The decrease in special charges, net during the three and nine months ended September 30, 2018 compared to the corresponding prior periods is primarily due to a withdrawal liability from a multiemployer pension plan of approximately $22 million recorded during the nine months ended September 30, 2018 versus $83 million recorded during the three and nine months ended September 30, 2017. See Note 11 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Interest expense, net. Net interest expense increased by $113 million and $380 million for the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017 primarily as a result of an increase in weighted average debt outstanding of approximately $8 billion primarily due to the issuance of notes throughout 2017 and 2018 for general corporate purposes including stock buybacks.

Loss on extinguishment of debt. Loss on extinguishment of debt of $35 million for the nine months ended September 30, 2017 primarily represents losses recognized as a result of repurchases of CCO Holdings, LLC ("CCO Holdings") notes. For more information, see Note 5 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Gain (loss) on financial instruments, net. We recorded a gain of $12 million during the three months ended September 30, 2018, and a gain of $17 million and loss of $15 million during the three and nine months ended September 30, 2017, respectively. Gains and losses on financial instruments are primarily recognized due to changes in the fair value of our cross currency derivative instruments and the foreign currency remeasurement of the fixed-rate British pound sterling denominated notes (the "Sterling

Notes") into U.S. dollars. For more information, see Note 8 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Other pension benefits (costs). Other pension benefits (costs) increased by $224 million and $238 million during the three and nine months ended September 30, 2018, respectively, compared to the corresponding periods in 2017. The increase during the three and months ended September 30, 2018 compared to the corresponding periods in 2017 was primarily due to third quarter remeasurements as a result of significant lump sum settlement payments to participants. The remeasurements resulted in a $187 million gain in the third quarter of 2018 versus a $30 million loss in the third quarter of 2017. For more information, see Note 17 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Other expense, net. Other expense, net primarily represents equity losses on our equity-method investments.

Income tax expense. We recognized income tax expense of $109 million and $178 million for the three and nine months ended September 30, 2018, respectively, and $26 million and $99 million for the three and nine months ended September 30, 2017, respectively. Income tax expense increased year over year as a result of higher pretax income offset by the impacts of federal tax reform. For more information, see Note 12 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Net income attributable to noncontrolling interest. Net income attributable to noncontrolling interest for financial reporting purposes represents A/N's portion of Charter Holdings' net income based on its effective common unit ownership interest and the preferred dividend of $37 million and $112 million for each of the three and nine months ended September 30, 2018 and 2017, respectively. For more information, see Note 7 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Net income attributable to Charter shareholders. Net income attributable to Charter shareholders increased from $48 million for the three months ended September 30, 2017 to $493 million for the three months ended September 30, 2018, and from $342 million for the nine months ended September 30, 2017 to $934 million for the nine months ended September 30, 2018 primarily as a result of the factors described above.

Use of Adjusted EBITDA and Free Cash Flow

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

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

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

Management and Charter's board of directors use Adjusted EBITDA and free cash flow to assess our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the Securities and Exchange Commission (the "SEC")). For the purpose of calculating compliance with leverage covenants, we use Adjusted EBITDA, as presented, excluding certain expenses paid by our operating subsidiaries to other Charter entities. Our debt covenants refer to these expenses as management fees, which were $278 million and $816 million for the three and nine months ended September 30, 2018, respectively, and $262 million and $791 million for the three and nine months ended September 30, 2017, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Consolidated net income	$ 584	$ 92	$ 1,146	$ 498
Plus: Interest expense, net	901	788	2,630	2,250
Income tax expense	109	26	178	99
Depreciation and amortization	2,482	2,701	7,784	7,846
Stock compensation expense	71	64	213	198
Loss on extinguishment of debt	—	—	—	35
(Gain) loss on financial instruments, net	(12)	(17)	—	15
Other pension (benefits) costs	(207)	17	(247)	(9)
Other, net	23	148	191	388
Adjusted EBITDA	$ 3,951	$ 3,819	$ 11,895	$ 11,320
Net cash flows from operating activities	$ 2,804	$ 2,908	$ 8,599	$ 8,696
Less: Purchases of property, plant and equipment	(2,118)	(2,393)	(6,692)	(6,096)
Change in accrued expenses related to capital expenditures	(154)	79	(620)	276
Free cash flow	$ 532	$ 594	$ 1,287	$ 2,876

Liquidity and Capital Resources

Introduction

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

Recent Events

In April 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $800 million aggregate principal amount of 5.375% senior notes due April 1, 2038 at a price of 98.846% of the aggregate principal amount and $1.7 billion aggregate principal amount of 5.750% senior notes due April 1, 2048 at a price of 99.706% of the aggregate principal amount. The net proceeds, together with cash on hand, were used to repay certain existing indebtedness, including the redemption of all of the outstanding $2.0 billion in aggregate principal amount of Time Warner Cable, LLC's 6.750% notes due July 1, 2018, to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units.

In July 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $400 million aggregate principal amount of senior floating rate notes due February 1, 2024 at par and $1.1 billion aggregate principal amount of 4.500% senior notes due February 1, 2024 at a price of 99.893% of the aggregate principal amount. In August 2018, Charter Operating and Charter Communications Operating Capital Corp. jointly issued an additional $500 million aggregate principal amount of senior floating rate notes due February 1, 2024 at a price of 101.479% of the aggregate principal amount. Interest on the floating rate notes accrues at LIBOR plus 1.650%. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units.

Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt. The principal amount of our debt as of September 30, 2018 was $71.5 billion, consisting of $9.6 billion of credit facility debt, $43.1 billion of investment grade senior secured notes and $18.9 billion of high-yield senior unsecured notes. Our business requires significant cash to fund principal and interest payments on our debt.

Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. As we launch our new mobile services, we expect an initial funding period to grow a new product as well as negative working capital impacts from the timing of device-related cash flows when we provide the handset or tablet to customers pursuant to equipment installment plans. Free cash flow was $532 million and $1.3 billion for the three and nine months ended September 30, 2018, respectively, and $594 million and $2.9 billion for the three and nine months ended September 30, 2017, respectively. The decrease in free cash flow for the nine months ended September 30, 2018 compared to the corresponding prior period is primarily due to an unfavorable change in working capital as well as an increase in capital expenditures partially offset by higher Adjusted EBITDA. As of September 30, 2018, the amount available under our credit facilities was approximately $3.4 billion and cash on hand was approximately $612 million. We expect to utilize free cash flow, cash on hand and availability under our credit facilities as well as future refinancing transactions to further extend the maturities of our obligations. The timing and terms of any refinancing transactions will be subject to market conditions among other considerations. Additionally, we may, from time to time, and depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings to retire our debt through open market purchases, privately negotiated purchases, tender offers or redemption provisions. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating's revolving credit facility as well as access to the capital markets to fund our projected cash needs.

We continue to evaluate the deployment of our cash on hand and anticipated future free cash flow including to invest in our business growth and other strategic opportunities, including mergers and acquisitions as well as stock repurchases and dividends. Charter's target leverage remains at 4 to 4.5 times, and up to 3.5 times at the Charter Operating level. Our leverage was 4.5 as of September 30, 2018. We may increase the total amount of our indebtedness to maintain leverage within Charter's target leverage range. During the three and nine months ended September 30, 2018, Charter purchased approximately 3.0 million and 10.3 million shares, respectively, of Charter Class A common stock for approximately $929 million and $3.1 billion, respectively, and during the three and nine months ended September 30, 2017, Charter purchased approximately 9.5 million and 21.9 million shares, respectively, of Charter Class A common stock for approximately $3.5 billion and $7.6 billion, respectively.

In December 2017, Charter and A/N entered into an amendment to the letter agreement (the "Letter Agreement") that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis once Charter or Charter Holdings have repurchased shares of Class A common stock or Charter Holdings common units from A/N and its affiliates for an aggregate purchase price of $400 million which threshold has been reached. Charter Holdings purchased from A/N 0.5 million and 1.5 million Charter Holdings common units at an average price per unit of $292.81 and $306.11, or $145 million and $473 million, during the three and nine months ended September 30, 2018, respectively. Charter Holdings purchased from A/N 1.4 million and 2.7 million Charter Holdings common units at an average price per unit of $355.83 and $341.49, or $493 million and $922 million, during the three and nine months ended September 30, 2017, respectively.

As of September 30, 2018, Charter had remaining board authority to purchase an additional $788 million of Charter's Class A common stock and/or Charter Holdings common units. Charter is not obligated to acquire any particular amount of common stock, and the timing of any purchases that may occur cannot be predicted and will largely depend on market conditions and other potential uses of capital. Purchases may include open market purchases, tender offers or negotiated transactions.

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

Free Cash Flow

Free cash flow decreased $62 million and $1.6 billion during the three and nine months ended September 30, 2018, respectively, compared to the corresponding prior periods in 2017 due to the following (dollars in millions).

	Three months ended September 30, 2018 compared to three months ended September 30, 2017 Increase / (Decrease)	Nine months ended September 30, 2018 compared to nine months ended September 30, 2017 Increase / (Decrease)
Changes in working capital, excluding change in accrued interest	$ (373)	$ (1,364)
Decrease (increase) in capital expenditures	275	(596)
Increase in cash paid for interest, net	(141)	(379)
Increase in Adjusted EBITDA	132	575
Decrease in merger and restructuring costs	47	165
Other, net	(2)	10
	$ (62)	$ (1,589)

Free cash flow was reduced by $149 million and $290 million due to mobile during the three and nine months ended September 30, 2018, respectively, compared to the corresponding prior periods with impacts negatively affecting working capital, capital expenditures and Adjusted EBITDA. The decrease in working capital during the nine months ended September 30, 2018 compared to the corresponding prior period, excluding change in accrued interest, is primarily due to the timing of fourth quarter 2017 capital expenditures and other payments.

Limitations on Distributions

Distributions by our subsidiaries to a parent company for payment of principal on parent company notes are restricted under indentures and credit facilities governing our indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable subsidiary's leverage ratio test is met at the time of such distribution. As of September 30, 2018, there was no default under any of these indentures or credit facilities, and each subsidiary met its applicable leverage ratio tests based on September 30, 2018 financial results. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in its credit facilities.

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

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

Historical Operating, Investing, and Financing Activities

Cash and Cash Equivalents. We held $612 million and $621 million in cash and cash equivalents as of September 30, 2018 and December 31, 2017, respectively. We also held $48 million in restricted cash as of September 30, 2018 representing escrowed funds of a consolidated variable interest entity. See Note 3 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

Operating Activities. Net cash provided by operating activities decreased $97 million during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, primarily due to changes in working capital, excluding the change in accrued interest and accrued expenses related to capital expenditures, that used $468 million more cash and an increase in cash paid for interest, net of $379 million offset by an increase in Adjusted EBITDA of $575 million and a decrease in merger and restructuring costs of $165 million and cash paid for taxes of $20 million.

Investing Activities. Net cash used in investing activities was $7.4 billion and $5.9 billion for the nine months ended September 30, 2018 and 2017, respectively. The increase in cash used was primarily due to an increase in capital expenditures and changes in accrued expenses related to capital expenditures.

Financing Activities. Net cash used in financing activities was $1.1 billion and $2.2 billion for the nine months ended September 30, 2018 and 2017, respectively. The decrease in cash used was primarily due to a decrease in the purchase of treasury stock and noncontrolling interest offset by a decrease in the amount by which borrowings of long-term debt exceeded repayments.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $2.1 billion and $6.7 billion for the three and nine months ended September 30, 2018, respectively, and $2.4 billion and $6.1 billion for the three and nine months ended September 30, 2017, respectively. The increase during the nine months ended September 30, 2018 compared to the corresponding prior period was primarily due to higher scalable infrastructure related to the timing of spend and planned product improvements, higher support capital investments due to the timing of spend and mobile and higher line extensions as a result of regulatory merger conditions, offset by a decrease in CPE expenditures due to timing. See the table below for more details.

The actual amount of our capital expenditures in 2018 will depend on a number of factors, including our all-digital transition in the TWC and Bright House markets, further spend related to product development and growth rates of both our residential and commercial businesses.

Our capital expenditures are funded primarily from cash flows from operating activities and borrowings on our credit facility. In addition, our accrued liabilities related to capital expenditures decreased by $620 million and increased by $276 million for the nine months ended September 30, 2018 and 2017, respectively.

The following tables present our major capital expenditures categories in accordance with National Cable and Telecommunications Association ("NCTA") disclosure guidelines for the three and nine months ended September 30, 2018 and 2017. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP (dollars in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Customer premise equipment (a)	$ 675	$ 855	$ 2,437	$ 2,579
Scalable infrastructure (b)	505	632	1,578	1,282
Line extensions (c)	348	319	992	864
Upgrade/rebuild (d)	190	163	522	415
Support capital (e)	400	424	1,163	956
Total capital expenditures	$ 2,118	$ 2,393	$ 6,692	$ 6,096
Capital expenditures included in total related to:				
Commercial services	$ 342	$ 342	$ 934	$ 945
All-digital transition	$ 42	$ 47	$ 316	$ 53
Mobile	$ 66	$ —	$ 136	$ —

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

Recently Issued Accounting Standards

See Note 18 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements" for a discussion of recently issued accounting standards.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk.***

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

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency derivative instruments have maturities of June 2031 and July 2042. We are required to post collateral on the cross-currency derivative instruments when such instruments are in a liability position. In May 2016, we entered into a collateral holiday agreement for 80% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years. For more information, see Note 8 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

As of September 30, 2018 and December 31, 2017, the weighted average interest rate on the credit facility debt was approximately 4.1% and 3.4%, respectively, and the weighted average interest rate on the senior notes was approximately 5.6% and 5.7%, respectively, resulting in a blended weighted average interest rate of 5.4% as of both time periods. The interest rate on approximately 85% and 86% of the total principal amount of our debt was effectively fixed as of September 30, 2018 and December 31, 2017, respectively.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of September 30, 2018 (dollars in millions).

	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Debt:								
Fixed-Rate	$ —	$ 3,250	$ 3,500	$ 2,200	$ 4,250	$ 47,862	$ 61,062	$ 62,046
Average Interest Rate	—%	8.44%	4.19%	4.32%	4.70%	5.66%	5.61%	
Variable Rate	$ 52	$ 207	$ 207	$ 207	$ 207	$ 9,596	$ 10,476	$ 10,497
Average Interest Rate	3.97%	4.44%	4.68%	4.68%	4.63%	4.84%	4.81%	

Interest rates on variable-rate debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at September 30, 2018 including applicable bank spread.

Item 4. ***Controls and Procedures.***

As of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our design and operation of disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based upon reports and certifications provided by a number of executives. Based on, and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective to provide reasonable assurances that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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

During the quarter ended September 30, 2018, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings.*

Our Annual Report on Form 10-K for the year ended December 31, 2017 includes “Legal Proceedings” under Item 3 of Part I. Other than as described below and in Note 14 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements,” there have been no material changes from the legal proceedings described in our Form 10-K.

On March 28, 2017, prior to the expiration of the collective bargaining agreement on March 31, 2017, approximately 1,600 of our employees in New York City and New Jersey, represented by Local 3 of the International Brotherhood of Electrical Workers (the “IBEW”) commenced a strike. Local 3 called the strike because it rejected Charter’s proposal of substantial increases in wages and enrolling employees in Charter’s robust health and retirement benefits, preferring relatively flat wages and continuing to participate in the IBEW sponsored multi-employer pension and medical plans. During the strike, Charter and the IBEW continued to negotiate but ultimately reached an impasse. As a result of the impasse, Charter implemented the terms of its proposal, which terms are consistent with terms adopted in contracts between Charter and two other local IBEW union groups negotiated during the same period. A group of employees represented by Local 3 have subsequently petitioned for an election to decertify the IBEW as the collective bargaining representative for the New York City and New Jersey bargaining unit employees.

During this period, the New York Public Service Commission (the “PSC”) has issued multiple orders against Charter including denying a simple franchise transfer of a small upstate New York cable system that Charter had planned to quickly upgrade to bring robust broadband services to the community for the first time. These orders include two orders on July 27, 2018 relating to the agreement by which the PSC approved Charter’s merger with Time Warner Cable. One order rejected Charter’s arguments as to why Charter has complied with the merger conditions and finds that Charter had failed to satisfy one of its merger conditions by not extending its high speed broadband network according to the PSC’s recent interpretation of which homes and businesses Charter built to should count, and it directs the initiation of a court action to impose financial and other penalties on Charter. The second order, based primarily upon Charter’s progress in meeting its broadband expansion commitment as judged by the PSC, rescinds the PSC’s January 2016 approval of Charter’s acquisition of Time Warner Cable’s New York operations and directs Charter to submit a plan to effect an orderly transition to a successor provider or providers for Charter to cease operations in New York within six months of the order. Such plan had been ordered to be submitted within 60 days of the July 27, 2018 order. However, as the PSC and Charter have entered into discussions with the possibility of resolving the PSC related matters, the PSC has extended such deadline on three occasions with the last extension requiring submission of an exit plan by December 24, 2018. On July 30, 2018, the PSC filed a petition for penalties and injunctive relief in the Supreme Court of the State of New York seeking penalties of $100,000 per day from June 18, 2018 and until Charter complies with the PSC order and also seeks injunctive relief from the court to enjoin failure to comply with the New York Public Service Laws or any regulation or order of the PSC. Charter continues to believe that its plain reading of the merger conditions is correct and that it is in compliance with the merger conditions. Although Charter has entered into discussions with the PSC with the possibility of resolving the PSC matters, Charter has substantial defenses and appeal rights regarding the actions of the PSC and will aggressively defend against these unprecedented actions by the PSC. We expect these proceedings to continue for up to several years unless a settlement is reached. While we believe the actions by the PSC are without merit and intend to defend the actions vigorously and do not believe the results of the proceedings will have a material adverse effect on Charter, no assurance can be given that, should an adverse outcome result, it would not be material to our consolidated financial condition, results of operations or liquidity. We cannot predict the outcome of the PSC claims, including any negotiations, nor can we reasonably estimate a range of possible loss in the event of an adverse result.

Item 1A. *Risk Factors.*

Our Annual Report on Form 10-K for the year ended December 31, 2017 includes "Risk Factors" under Item 1A of Part I. There have been no material changes from the updated risk factors described in our Form 10-K.

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

(C) Purchases of Equity Securities by the Issuer

The following table presents Charter's purchases of equity securities completed during the third quarter of 2018 (dollars in millions, except per share amounts):

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
July 1 - 31, 2018	637,778	$295.73	636,900	$1,419
August 1 - 31, 2018	1,229,115	$300.96	1,209,040	$1,081
September 1 - 30, 2018	1,200,941	$313.97	1,200,406	$788

(1) Includes 878, 20,075 and 535 shares withheld from employees for the payment of taxes and exercise costs upon the exercise of stock options or vesting of other equity awards for the months of July, August and September 2018, respectively.

(2) During the three months ended September 30, 2018, Charter purchased approximately 3.0 million shares of its Class A common stock for approximately $929 million. Charter Holdings purchased 0.5 million Charter Holdings common units from A/N at an average price per unit of $292.81, or $145 million, during the three months ended September 30, 2018. As of September 30, 2018, Charter had remaining board authority to purchase an additional $788 million of Charter's Class A common stock and/or Charter Holdings common units. In addition to open market purchases including pursuant to Rule 10b5-1 plans adopted from time to time, Charter may also buy shares of Charter Class A common stock, from time to time, pursuant to private transactions outside of its Rule 10b5-1 plan and any such repurchases would also trigger the repurchases from A/N pursuant to and to the extent provided in the Letter Agreement.

Item 6. ***Exhibits.***

See Exhibit Index.

SIGNATURES

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

CHARTER COMMUNICATIONS, INC.,
Registrant

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

Date: October 26, 2018

Exhibit Index

Exhibit	Description
3.2	Bylaws of Charter Communications, Inc., as amended.*
10.1	Underwriting Agreement, dated as of June 28, 2018, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., CCO Holdings, LLC, as parent guarantor, the subsidiary guarantors party thereto and Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, as representatives of the several underwriters named therein (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on July 3, 2018 (File No. 001-33664)).
10.2	Tenth Supplemental Indenture, dated as of July 3, 2018, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., as issuers, CCO Holdings, LLC, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (incorporated by reference to Exhibit 4.2 to the current report on Form 8-K filed by Charter Communications, Inc. on July 9, 2018 (File No. 001-33664)).
10.3	Underwriting Agreement, dated as of August 9, 2018, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., CCO Holdings, LLC, as parent guarantor, the subsidiary guarantors party thereto and Morgan Stanley & Co. LLC, as underwriter (incorporated by reference to Exhibit 99.1 to the current report on Form 8-K filed by Charter Communications, Inc. on August 15, 2018 (File No. 001-33664)).
31.1*	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the under the Securities Exchange Act of 1934.
31.2*	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2*	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101**	The following financial statements from Charter Communications, Inc.'s Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2018, filed with the Securities and Exchange Commission on October 26, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.

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* Filed herewith.

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

BYLAWS
OF
CHARTER COMMUNICATIONS, INC.
(As adopted and in effect on May 18, 2016, as amended July 24, 2018)

ARTICLE 1

OFFICES

SECTION 1.1 Delaware Office. The office of Charter Communications, Inc. (the "Corporation") within the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION1.2 Other Offices. The Corporation may also have an office or offices and keep the books and records of the Corporation, except as otherwise may be required by law, in such other place or places, either within or without the State of Delaware, as the Board of Directors of the Corporation (the "Board") may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 2.1 Place of Meetings. All meetings of holders of shares of capital stock of the Corporation shall be held at the office of the Corporation in the State of Delaware or at such other place, within or without the State of Delaware, as may from time to time be fixed by the Board or specified or fixed in the respective notices or waivers of notice thereof.

SECTION 2.2 Annual Meetings. An annual meeting of stockholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before the meeting (an "Annual Meeting") shall, if required by law, be held at such place, on such date, and at such time as the Board shall each year fix.

SECTION 2.3 Special Meetings. Except as required by law and subject to the rights of holders of any series of Preferred Stock (as defined below), special meetings of stockholders may be called at any time only by the Chairman of the Board, the Chief Executive Officer or by the Board pursuant to a resolution approved by a majority of the then authorized number of directors. Any such call must specify the matter or matters to be acted upon at such meeting and only such matter or matters shall be acted upon thereat.

SECTION 2.4 Notice of Meetings. Except as otherwise required by law, notice of each meeting of stockholders, whether an Annual Meeting or a special meeting, shall state the purpose or purposes of the meeting, the place, date and hour of the meeting and, unless it is an Annual Meeting, shall indicate that the notice is being issued by or at the direction of the person or persons calling the meeting and shall be given not less than ten (10) or more than sixty (60) days before the date of said meeting, to each stockholder entitled to vote at such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to each stockholder at such stockholder's address as it appears on the stock records of the Corporation. Notice of an adjourned meeting need not be given if the date, time and place to which the meeting is to be adjourned was announced at the meeting at which the adjournment was taken, unless (i) the adjournment is for more than thirty (30) days, or (ii) the Board shall fix a new record date for such adjourned meeting after the adjournment.

SECTION 2.5 Quorum. At each meeting of stockholders of the Corporation, the holders of shares having a majority of the voting power of the capital stock of the Corporation issued and outstanding and entitled to vote thereat shall be present or represented by proxy to constitute a quorum for the transaction of business, except as otherwise provided by law. Where a separate vote by a class or classes or series is required, a majority of the voting power of the shares of such class or classes or series in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter.

SECTION 2.6 Adjournments. Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which holders of shares having a majority of the voting power of the capital stock of the Corporation may be deemed to be present or represented by proxy and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. A meeting of the stockholders may be adjourned only by the Chairman of the Board or holders of shares having a majority of the voting power of the capital stock of the Corporation present or represented by proxy at such meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 2.4 hereof shall be given to each stockholder of record entitled to notice of and to vote at the meeting.

SECTION 2.7 Notice of Stockholder Business and Director Nomination.Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board and the proposal of business to be considered by the stockholders may be made at an Annual Meeting only (A) pursuant to the Corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the Board or (C) by any stockholder of the Corporation who was a stockholder of record of the Corporation at the time the notice provided for in this Section 2.7 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting for such director and who complies with the notice and delivery procedures set forth in this Section 2.7.

(2) For nominations or other business to be properly brought before an Annual Meeting by a stockholder pursuant to clause (C) of paragraph (a)(1) of this Section 2.7, (A) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (B) any such proposed business other than nominations of persons for election to the Board must constitute a proper matter for stockholder action, (C) if the stockholder, or beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in subclause III of this paragraph (a)(2) of Section 2.7, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to the holders of at least the percentage of the Corporation's voting shares required under applicable law to carry such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of at least the percentage of the

Corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder and (D) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of a Solicitation Notice under this section. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the forty-fifth (45th) day nor earlier than the close of business on the seventieth (70th) day prior to the first anniversary (the "Mailing Anniversary") of the date on which the Corporation first mailed proxy materials for the preceding year's Annual Meeting (provided, however, that in the event that the date of the Annual Meeting is more than thirty (30) days before or more than thirty (30) days after the anniversary date of the preceding year's Annual Meeting, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such Annual Meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such Annual Meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the public announcement of an adjournment or postponement of an Annual Meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (I) as to each person whom the stockholder proposes to nominate for election as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (and such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (II) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (III) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, if any, (ii) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (iv) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee (an affirmative statement of such intent, a "Solicitation Notice"). The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 2.7 to the contrary, in the event that the number of directors to be elected to the Board at an Annual Meeting is increased and there is no public announcement by the Corporation naming the nominees for the additional directorships at least fifty-five (55) days prior to the Mailing Anniversary, a stockholder’s notice required by this Section 2.7 shall also be considered timely, but only with respect to nominees for the additional directorships, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (1) by or at the direction of the Board or (2) provided that the Board has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time the notice provided for in this Section 2.7 is delivered to the Secretary of the Corporation, who is entitled to vote at the meeting upon such election of such director and who complies with the notice and delivery procedures set forth in this Section 2.7. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board, any such stockholder entitled to vote in such election of such directors may nominate a person or persons (as the case may be) for election to such position(s) as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (a)(2) of this Section 2.7 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which the public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting. In no event shall the public announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) General. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.7 shall be eligible to be elected at an Annual Meeting or special meeting of stockholders of the Corporation to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.7. Except as otherwise provided by law, the chairman of the meeting shall have the power and duty (A) to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 2.7 (including whether the stockholder or beneficial owner, if any, on whose behalf the nomination or proposal is made solicited (or is part of a group which solicited) or did not so solicit, as the case may be, proxies in support of such stockholder's nominee or proposal in compliance with such stockholder's representation as required by clause (a)(2)(III)(iv) of this Section 2.7) and (B) if any proposed nomination or business was not made or proposed in compliance with this Section 2.7, to declare that such nomination shall be disregarded or that such proposed business shall not be transacted.

(2) For purposes of this Section 2.7, "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.7, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.7. Nothing in this Section 2.7 shall be deemed to affect any rights (A) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (B) of the holders of any series of Preferred Stock to elect directors pursuant to any applicable provisions of the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation").

SECTION 2.8 Proxies and Voting. At each meeting of stockholders, all matters (except in cases where a larger vote is required by law or by the Certificate of Incorporation or these Bylaws) shall be decided by a majority of the votes cast at such meeting by the holders of shares of capital stock present or represented by proxy and entitled to vote thereon, a quorum being present. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 2.8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

SECTION 2.9 Inspectors. In advance of any meeting of stockholders, the Board may, and shall if required by law, appoint an inspector or inspectors. If, for any election of directors or the voting upon any other matter, any inspector appointed by the Board shall be unwilling or unable to serve, the chairman of the meeting shall appoint the necessary inspector or inspectors. The inspectors so appointed, before entering upon the discharge of their duties, shall be sworn faithfully to execute the duties of inspectors with strict impartiality, and according to the best of their ability, and the oath so taken shall be subscribed by them. Such inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each of the shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. The inspectors shall make a report in writing of any challenge, question or matter determined by them and shall execute a certificate of any fact found by them.

No director or candidate for the office of director shall act as an inspector of election of directors. Inspectors need not be stockholders.

SECTION 2.10 Consent of Stockholders in Lieu of Meeting. Any action required to be taken at any Annual Meeting or special meeting of stockholders of the Corporation, or any action which may be taken at any Annual Meeting or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the Corporation in the manner prescribed in the first paragraph of this Section, a written consent or consents signed by a sufficient number of holders to take action are delivered to the Corporation in the manner prescribed in the first paragraph of this Section.

ARTICLE III

DIRECTORS

SECTION 3.1 Powers. The business of the Corporation shall be managed by or under the direction of the Board. The Board may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

SECTION 3.2 Number; Terms and Vacancies. The number of directors, which shall constitute the whole Board, shall be fixed at thirteen (13) persons. In the event the Contribution Agreement (as defined in the Certificate of Incorporation) is terminated prior to the Closing of the A/N Contribution (as defined in the Certificate of Incorporation), the number of directors which shall constitute the whole Board shall be fixed at eleven (11). The directors of the Corporation shall be elected by majority vote of the holders of Class A Common Stock and Class B Common Stock voting together as one class (or if any holders of shares of Preferred Stock are entitled to vote thereon together with the holders of Class A Common Stock and Class B Common Stock, as one class with such holders of shares of Preferred Stock). Any vacancies on the Board resulting from death, resignation, disqualification, removal from office or other cause shall be filled in the manner provided in the Certificate of Incorporation and, if and to the extent applicable, the Second Amended and Restated Stockholders Agreement (as defined in the Certificate of Incorporation) or the Existing Stockholders Agreement (as defined in the Certificate of Incorporation).

SECTION 3.3 Place of Meetings. Meetings of the Board shall be held at the Corporation's office in the State of Delaware or at such other places, within or without such State, as the Board may from time to time determine or as shall be specified or fixed in the notice or waiver of notice of any such meeting.

SECTION 3.4 Regular Meetings. Regular meetings of the Board shall be held in accordance with a yearly meeting schedule as determined by the Board; or such meetings may be held on such other days and at such other times as the Board may from time to time determine. Regular meetings of the Board shall be held not less frequently than quarterly.

SECTION 3.5 Special Meetings. Special meetings of the Board may be called by a majority of the directors then in office (rounded up to the nearest whole number) or by the Chairman of the Board and shall be held at such place, on such date, and at such time as they or he shall fix.

SECTION 3.6 Notice of Meetings. Notice of each special meeting of the Board stating the time, place and purposes thereof, shall be (i) mailed to each director not less than five (5) days prior to the meeting, addressed to such director at his or her residence or usual place of business, or (ii) shall be sent to him by facsimile or other means of electronic transmission, or shall be given personally or by telephone, on not less than twenty four (24) hours notice.

SECTION 3.7 Quorum and Manner of Acting. The presence of at least a majority of the authorized number of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. If a quorum shall not be present at any meeting of the Board, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. Except where a different vote is required or permitted by law, the Certificate of Incorporation or these Bylaws, the act of a majority of the directors present at any meeting at which a quorum shall be present shall be the act of the Board. Any action required or permitted to be taken by the Board may be taken without a meeting if all the directors consent in writing or by electronic transmission to the adoption of a resolution authorizing the action. The resolution and the written consents or copies of electronic consents thereto by the directors shall be filed with the minutes of the proceedings of the Board. Any one or more directors may participate in any meeting of the Board by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall be deemed to constitute presence in person at a meeting of the Board.

SECTION 3.8 Resignation. Any director may resign at any time by giving written notice to the Corporation; provided, however, that written notice to the Board, the Chairman of the Board, the Chief Executive Officer of the Corporation or the Secretary of the Corporation shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective.

SECTION 3.9 Removal of Directors. Directors may be removed as provided by law and in the Certificate of Incorporation.

SECTION 3.10 Compensation of Directors. The Board may provide for the payment to any of the directors, other than officers or employees of the Corporation, of a specified amount for services as director or member of a committee of the Board, or of a specified amount for attendance at each regular or special Board meeting or committee meeting, or of both, and all directors shall be reimbursed for expenses of attendance at any such meeting; provided, however, that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 3.11 Director Emeritus Positions. The Board may, from time to time in its discretion, by majority vote, designate one or more of its former directors a Director Emeritus or, in the case of a former Chairman of the Board, one Chairman Emeritus. Each such designation shall be for a one-year term or until such Director Emeritus' or Chairman Emeritus' earlier death, resignation, retirement or removal (for any reason or no reason by a majority of the Board). Each Director Emeritus and Chairman Emeritus may be re-appointed for one or more additional one-year terms. Directors Emeritus and the Chairman Emeritus may provide advisory services to the Board and its committees as requested from time to time by the Board. Directors Emeritus and the Chairman Emeritus may attend Board meetings as and when invited by the Board and attend meetings of any committee of the Board as and when invited by the committee, but they shall not be entitled to notice of any such meetings or to vote or be counted for quorum purposes at any such meetings. If present, Directors Emeritus and the Chairman Emeritus may participate in the discussions occurring at such meetings. Any person holding the position of Director Emeritus or Chairman Emeritus shall not be considered a director or officer for any purpose, including the corporation's Certificate of Incorporation and Bylaws, applicable federal securities laws and the General Corporation Law of the State of Delaware, as it may be amended (the "DGCL"), and a Director Emeritus or Chairman Emeritus shall have no power or authority to manage the affairs of the Corporation. Directors Emeritus and the Chairman Emeritus shall not have any of the responsibilities or liabilities of a director or officer of the Corporation under the DGCL, nor any of a director's or officer's rights, powers or privileges in their capacities as Directors Emeritus or Chairman Emeritus. Reference in these Bylaws to "directors" or "officers" shall not mean or include Directors Emeritus or the Chairman Emeritus. Directors Emeritus and the Chairman Emeritus will be entitled to receive fees for such service in such form and amount as approved by the Board, and shall be reimbursed for reasonable travel and other out-of-pocket business expenses incurred in connection with attendance at meetings of the Board and its committees. Directors Emeritus and the Chairman Emeritus shall remain subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, and shall remain subject to all of the Corporation's policies applicable to directors.

ARTICLE IV

COMMITTEES OF THE BOARD

SECTION 4.1 Committees. The Board may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided herein or in the resolution of the Board designating such committee, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Certificate of Incorporation or Delaware law to be submitted to stockholders for approval or (ii) adopting, amending or repealing any Bylaws of the Corporation.

SECTION 4.2 Audit Committee. Subject to Section 4.1, the Board may designate an Audit Committee of the Board, which shall consist of such number of members as the Board shall determine. The Audit Committee shall: (i) make recommendations to the Board as to the independent accountants to be appointed by the Board; (ii) review with the independent accountants the scope of their examinations; (iii) receive the reports of the independent accountants and meet with representatives of such accountants for the purpose of reviewing and considering questions relating to their examination and such reports; (iv) review, either directly or through the independent accountants, the internal accounting and auditing procedures of the Corporation; (v) review related party transactions; and (vi) perform such other functions as may be assigned to it from time to time by the Board. The Audit Committee may determine its manner of acting, and fix the time and place of its meetings, unless the Board shall otherwise provide.

SECTION 4.3 Compensation Committee. Subject to Section 4.1, the Board may designate members of the Board to constitute a Compensation Committee which shall consist of such number of directors as the Board may determine. The Compensation Committee may determine its manner of acting and fix the time and place of its meetings, unless the Board shall otherwise provide.

SECTION 4.4 Action by Consent; Participation by Telephone or Similar Equipment. Unless the Board shall otherwise provide, any action required or permitted to be taken by any committee may be taken without a meeting if all the members of the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the committee shall be filed with the minutes of the proceedings of the committee. Unless the Board shall otherwise provide, any one or more members of any such committee may participate in any meeting of the committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting of the committee.

SECTION 4.5 Resignations; Removals. Any member of any committee may resign at any time by giving notice to the Corporation; provided, however, that notice to the Board, the Chairman of the Board, the Chief Executive Officer of the Corporation, the chairman of such committee or the Secretary of the Corporation shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, acceptance of such resignation shall not be necessary to make it effective. Subject to Section 4.6, any member of any such committee may be removed at any time, either with or without cause, by the affirmative vote of a majority of the authorized number of directors at any meeting of the Board called for that purpose.

ARTICLE V

OFFICERS

SECTION 5.1 Number, Titles and Qualification. The Corporation shall have such officers as may be necessary or desirable for the business of the Corporation. The officers of the Corporation may include a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Chief Financial Officer, a Secretary, one or more Assistant Secretaries, a Treasurer, and one or more Assistant Treasurers. The Chairman of the Board, Chief Executive Officer, President, Executive Vice Presidents, and Chief Financial Officer shall be elected by the Board, which shall consider that subject at its first meeting after every Annual Meeting of stockholders. The Corporation shall have such other officers as may from time to time be appointed by the Board or the Chief Executive Officer. Each officer shall hold office until his or her successor is elected or appointed, as the case may be, and qualified or until his or her earlier resignation or removal. Any number of offices may be held by the same person.

SECTION 5.2 Chairman of the Board. The Chairman of the Board shall be elected from among the directors, and the Chairman of the Board, or at the election of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and directors and shall have such other powers and perform such other duties as may be prescribed by the Board or provided in these By-laws. The Chief Executive Officer shall report to the Chairman of the Board. The Chairman of the Board shall be a non-executive officer position unless the Chairman of the Board also is serving as the Chief Executive Officer.

SECTION 5.3 Chief Executive Officer. The Chief Executive Officer shall have general and active responsibility for the management of the business of the Corporation, shall be responsible for implementing all orders and resolutions of the Board, shall supervise the daily operations of the business of the Corporation, and shall report to the Chairman of the Board. Subject to the provisions of these Bylaws and to the direction of the Chairman of the Board or the Board, he or she shall perform all duties which are commonly incident to the office of Chief Executive Officer or which are delegated to him or her by the Chairman of the Board or the Board. To the fullest extent permitted by law, he or she shall have power to sign all contracts and other instruments of the Corporation which are authorized and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation. The Chief Executive Officer shall perform the duties and exercise the powers of the Chairman of the Board in the event of the Chairman of the Board's absence or disability.

SECTION 5.4 President. The President shall have such powers and duties as may be delegated to him or her by the Chairman of the Board, the Board, or the Chief Executive Officer. The President shall perform the duties and exercise the powers of the Chief Executive Officer in the event of the Chief Executive Officer's absence or disability.

SECTION 5.5 Vice President. Each Vice President shall have such powers and duties as may be delegated to him or her by the Board or the Chief Executive Officer.

SECTION 5.6 Chief Financial Officer. The Chief Financial Officer shall have responsibility for maintaining the financial records of the Corporation. He or she shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Chief Financial Officer shall also perform such other duties as the Board or the Chief Executive Officer may from time to time prescribe.

SECTION 5.7 Treasurer. The Treasurer shall have the responsibility for investments and disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions. The Treasurer shall also perform such other duties as the Board or the Chief Executive Officer may from time to time prescribe.

SECTION 5.8 Secretary. The Secretary shall issue all authorized notices for, and shall keep minutes of, all meetings of the stockholders and the Board. He or she shall have charge of the corporate books and shall perform such other duties as the Board or the Chief Executive Officer may from time to time prescribe.

SECTION 5.9 Delegation of Authority. The Chairman of the Board, the Board, or the Chief Executive Officer may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

SECTION 5.10 Removal. Any officer of the Corporation may be removed at any time, with or without cause, by the Chairman of the Board, by the Board, or, except as to the Chairman of the Board, by the Chief Executive Officer.

SECTION 5.11 Resignations. Any officer may resign at any time by giving written notice to the Corporation; provided, however, that notice to the Chairman of the Board, the Chief Executive Officer or the Secretary shall be deemed to constitute notice to the Corporation. Such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 5.12 Vacancies. Any vacancy among the officers, whether caused by death, resignation, removal or any other cause, shall be filled in the manner prescribed for election or appointment to such office.

SECTION 5.13 Action with Respect to Securities of Other Corporations. Unless otherwise directed by the Board, the Chairman of the Board, the Chief Executive Officer or any other officer of the Corporation authorized by the Chairman of the Board or the Chief Executive Officer shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

SECTION 5.14 Bonds of Officers. If required by the Chairman of the Board, the Board, or the Chief Executive Officer, any officer of the Corporation shall give a bond for the faithful discharge of his or her duties in such amount and with such surety or sureties as the Chairman of the Board, the Board or the Chief Executive Officer may require.

SECTION 5.15 Officers of Operating Companies, Regions or Divisions. The Chief Executive Officer shall have the power to appoint, remove and prescribe the terms of office, responsibilities and duties of the officers of the operating companies, regions or divisions, other than those who are officers of the Corporation appointed by the Board.

ARTICLE VI

CONTRACTS, CHECKS, LOANS, DEPOSITS, ETC.

SECTION 6.1 Contracts. The Board may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation, to enter into any contract or to execute and deliver any instrument, which authorization may be general or confined to specific instances; and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or for any amount.

SECTION 6.2 Checks, etc. All checks, drafts, bills of exchange or other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, shall be signed in the name and on behalf of the Corporation in such manner as shall from time to time be authorized by the Board or the Chief Executive Officer, which authorization may be general or confined to specific instances.

SECTION 6.3 Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized by the Board, which authorization may be general or confined to specific instances, and bonds, debentures, notes and other obligations or evidences of indebtedness of the Corporation issued for such loans shall be made, executed and delivered as the Board shall authorize.

SECTION 6.4 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as may be selected by or in the manner designated by the Board, the Chief Executive Officer or the Chief Financial Officer. The Board or its designees may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of the Certificate of Incorporation or these Bylaws, as they may deem advisable.

ARTICLE VII

CAPITAL STOCK

SECTION 7.1 Certificates of Stock. The shares of the capital stock of the Corporation shall be represented by certificates, provided that the Board by resolution or resolutions may provide that some or all of any or all classes or series of capital stock of the Corporation shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by, the Chairman of the Board, President or a Vice President, and by the Secretary or an Assistant Secretary, or the Treasurer or an Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

SECTION 7.2 Transfers of Stock. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 7.4 of these Bylaws, an outstanding certificate for the number of shares involved, if certificated, shall be surrendered for cancellation before a new certificate is issued therefor.

SECTION 7.3 Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date, except as set forth in the Certificate of Incorporation, shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall be not more than ten (10) days after the date upon which the resolution fixing the record date is adopted. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary of the Corporation, request the Board to fix a record date. The Board shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board and no prior action by the Board is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in the manner prescribed by Section 2.10 hereof. If no record date has been fixed by the Board and prior action by the Board is required by the Delaware General Corporation Law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

SECTION 7.4 Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board may establish concerning proof of such loss, theft or destruction and concerning the giving of satisfactory bond or bonds of indemnity.

SECTION 7.5 Regulations. The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board may establish.

ARTICLE VIII

NOTICES

SECTION 8.1 Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, director, officer, employee or agent may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage-paid, or with a recognized overnight-delivery service or by sending such notice by facsimile or other means of electronic transmission, or such other means as is provided by law. Any such notice shall be addressed to such stockholder, director, officer, employee or agent at such person's last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by overnight delivery service, or by telegram, mailgram or facsimile, shall be the time of the giving of the notice.

SECTION 8.2 Waivers. A written waiver of any notice, signed by a stockholder, director, officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, director, officer, employee, agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board or a committee thereof.

SECTION 9.2 Corporate Seal. The Board may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary of the Corporation. If and when so directed by the Board or a committee thereof, duplicates of the seal may be kept and used by the Corporation's Treasurer or by an Assistant Secretary or Assistant Treasurer.

SECTION 9.3 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care or on behalf of the Corporation.

SECTION 9.4 Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board.

SECTION 9.5 Time Periods. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE X

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 10.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter, a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter, a "Covered Person"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Covered Person in connection therewith; provided, however, that, except as provided in Section 10.3 hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if such proceeding (or part thereof) was authorized by the Board.

SECTION 10.2 Right to Advancement of Expenses. The Corporation shall pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any such proceeding in advance of its final disposition (hereinafter, an "advancement of expenses"), provided, however, that, if the Delaware General Corporation Law so requires, an advancement of expenses incurred by a Covered Person in his or her capacity as such shall be made only upon delivery to the Corporation of an undertaking (hereinafter, an "undertaking"), by or on behalf of such Covered Person, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter, a "final adjudication") that such Covered Person is not entitled to be indemnified for such expenses under this Section 10.2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections 10.1 and 10.2 hereof shall be contract rights and such rights shall continue as to a Covered Person who has ceased to be such and shall inure to the benefit of the Covered Person's heirs, executors and administrators.

SECTION 10.3 Right of Covered Person to Bring Suit. If a claim under Section 10.1 or 10.2 hereof is not paid in full by the Corporation within sixty (60) days after a written claim therefor has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the Covered Person may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Covered Person shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the Covered Person to enforce a right to indemnification hereunder (but not in a suit brought by the Covered Person to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the Covered Person has not met the applicable standard for indemnification set forth in the Delaware General Corporation Law. To the fullest extent permitted by law, neither the failure of the Corporation (including its disinterested directors, committee thereof, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Covered Person is proper in the circumstances because the Covered Person has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its disinterested directors, committee thereof, independent legal counsel or its stockholders) that the Covered Person has not met such applicable standard of conduct, shall create a presumption that the Covered Person has not met the applicable standard of conduct or, in the case of such a suit brought by the Covered Person, be a defense to such suit. In any suit brought by the Covered Person to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Covered Person is not entitled to be indemnified, or to such advancement of expenses, under this Article X or otherwise shall, to the extent permitted by law, be on the Corporation.

SECTION 10.4 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire by any statute, the Corporation's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 10.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

SECTION 10.6 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article X with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

SECTION 10.7 Amendment or Repeal.

Any repeal or modification of the provisions of this Article X shall not adversely affect any right or protection hereunder of any Covered Person in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

ARTICLE XI

AMENDMENTS

The Board may from time to time adopt, make, amend, supplement or repeal these Bylaws by vote of a majority of the Board, subject to Section 8.2 of the Second Amended and Restated Stockholders Agreement.

Exhibit 31.1

I, Thomas M. Rutledge, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Charter Communications, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 26, 2018

/s/ Thomas M. Rutledge

Thomas M. Rutledge
Chairman and Chief Executive Officer

Exhibit 31.2

I, Christopher L. Winfrey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Charter Communications, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 26, 2018

/s/ Christopher L. Winfrey

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

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER REGARDING PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Thomas M. Rutledge, the Chairman and Chief Executive Officer of Charter Communications, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2018 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Thomas M. Rutledge
Thomas M. Rutledge
Chairman and Chief Executive Officer
October 26, 2018

Exhibit 32.2

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

I, Christopher L. Winfrey, the Chief Financial Officer of Charter Communications, Inc. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2018 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Christopher L. Winfrey
Christopher L. Winfrey
Chief Financial Officer
(Principal Financial Officer)
October 26, 2018