

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported): April 7, 2016



Charter Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

001-33664

(Commission File Number)

43-1857213

(I.R.S. Employer Identification Number)

400 Atlantic Street

Stamford, Connecticut 06901

(Address of principal executive offices including zip code)

(203) 905-7801

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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

- Written communications pursuant Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 7.01. REGULATION FD DISCLOSURE.

On April 7, 2016, Charter Communications, Inc. ("Charter" or the "Company") disclosed a presentation made to certain potential investors. The presentation was posted to the Company's Investor Resources website located at ir.charter.com.

ITEM 8.01. OTHER EVENTS.

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

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

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

In connection with the Company's offering of \$1.0 billion CCO Holdings, LLC notes, the Company is filing this Current Report on Form 8-K in order to make available (i) the unaudited pro forma financial information of Charter as of December 31, 2015 which give effect to the Transactions on the basis described therein and (ii) the consolidated audited financial statements of Bright House Networks, LLC and its subsidiaries as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013. The foregoing are attached hereto as Exhibits 99.1 and 99.2, respectively.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

Exhibit Number	Description
99.1 *	Unaudited Pro Forma Consolidated Financial Statements.
99.2 *	Consolidated Financial Statements of Bright House Networks, LLC and Subsidiaries as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013.

* filed herewith

Important Information for Investors and Shareholders

This Current Report does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed transaction between Time Warner Cable Inc. ("Time Warner Cable" or "TWC") and Charter Communications, Inc. ("Charter"), Charter's subsidiary, CCH I, LLC ("New Charter"), filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4 that includes a joint proxy statement of Charter and Time Warner Cable that also constitutes a prospectus of New Charter (the "Joint Proxy Statement/Prospectus"). The registration statement was declared effective by the SEC on August 20, 2015, and Charter and Time Warner Cable commenced mailing the definitive Joint Proxy Statement/Prospectus to their respective stockholders on or about August 20, 2015. This Current Report is not a

substitute for the Joint Proxy Statement/Prospectus or registration statement or for any other document that Charter or Time Warner Cable may file with the SEC or send to Charter's and/or Time Warner Cable's stockholders in connection with the proposed transactions. On September 21, 2015, Charter's and Time Warner Cable's respective stockholders each approved the merger agreement at their respective special meetings. INVESTORS AND SECURITY HOLDERS OF CHARTER AND TIME WARNER CABLE ARE URGED TO READ THE DEFINITIVE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders are able to obtain free copies of the registration statement and the definitive Joint Proxy Statement/Prospectus and other documents filed with the SEC by Charter, New Charter or Time Warner Cable through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Charter or New Charter are or will be available free of charge on Charter's website at <http://charter.com>, in the "Investor and News Center" near the bottom of the page, or by contacting Charter's Investor Relations Department at 203-905-7955. Copies of the documents filed with the SEC by Time Warner Cable are or will be available free of charge on Time Warner Cable's website at <http://ir.timewarnercable.com> or by contacting Time Warner Cable's Investor Relations Department at 877-446-3689.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Current Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, our plans, strategies and prospects, both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under “Risk Factors” from time to time in our filings with the SEC. Many of the forward-looking statements contained in this Current Report may be identified by the use of forward-looking words such as “believe”, “expect”, “anticipate”, “should”, “planned”, “will”, “may”, “intend”, “estimated”, “aim”, “on track”, “target”, “opportunity”, “tentative”, “positioning”, “designed”, “create”, “predict”, “project”, “seek”, “would”, “could”, “continue”, “ongoing”, “upside”, “increases” and “potential”, among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this Current Report are set forth in our Annual Report on Form 10-K and other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

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

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

Risks Related to Our Business

- our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our markets and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;
 - the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, digital subscriber line (“DSL”) providers, video provided over the Internet and providers of advertising over the Internet;
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- general business conditions, economic uncertainty or downturn, high unemployment levels and the level of activity in the housing sector;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- the development and deployment of new products and technologies including our cloud-based user interface, Spectrum Guide®, and downloadable security for set-top boxes;
- the effects of governmental regulation on our business or potential business combination transactions;
- any events that disrupt our networks, information systems or properties and impair our operating activities and negatively impact our reputation;
- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Charter Communications, Inc. has duly caused this Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

CHARTER COMMUNICATIONS, INC.,
Registrant

By: /s/ Kevin D. Howard

Kevin D. Howard

Senior Vice President - Finance, Controller and
Chief Accounting Officer

Date: April 7, 2016

EXHIBIT INDEX

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* filed herewith

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma financial statements as of and for the year ended December 31, 2015 are intended to reflect the impacts of the TWC transactions, the BHN transactions and the Liberty transactions on Charter's consolidated financial statements as if the TWC transactions, BHN transactions and Liberty transactions had occurred as of December 31, 2015 for the unaudited pro forma consolidated balance sheet and as of January 1, 2015 for the unaudited pro forma consolidated statements of operations. The accompanying unaudited pro forma financial statements present the pro forma consolidated financial position and results of operations of Charter based on the historical financial statements and accounting records of Charter, TWC and Bright House and the related pro forma adjustments as described in the accompanying notes. The pro forma adjustments are included only to the extent they are (i) directly attributable to the TWC transactions, the BHN transactions and/or the Liberty transactions, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

TWC Transactions

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

In the TWC transactions, TWC stockholders, excluding Liberty Broadband Corporation ("Liberty Broadband") and Liberty Interactive Corporation ("Liberty Interactive") pursuant to the terms of the Liberty contribution agreement, will have the right to elect to receive either \$100 in cash and shares of New Charter Class A common stock equivalent to 0.5409 shares of Charter Class A common stock for each share of TWC common stock outstanding (the "Option A Election") or \$115 in cash and shares of New Charter Class A common stock equivalent to 0.4562 shares of Charter Class A common stock (the "Option B Election"). The unaudited pro forma financial statements provided herein assume all of the TWC stockholders elect the Option A Election. Liberty Broadband and Liberty Interactive will not receive cash as part of the TWC transactions, but will have the right to receive shares of New Charter Class A common stock equivalent to 1.106 shares of Charter Class A common stock for each share of TWC common stock owned by them. For purposes of these unaudited pro forma financial statements, the TWC preliminary purchase price is assumed to be \$60.0 billion. Based on a per share price of \$201.00, the closing share price of Charter Class A common stock on March 18, 2016, and approximately 283.3 million shares of TWC common stock outstanding as of January 29, 2016, Charter expects to issue shares of New Charter Class A common stock equivalent to 157.6 million shares of Charter Class A common stock valued at approximately \$31.7 billion. Additionally, Charter expects to pay \$27.6 billion in cash to TWC stockholders, which is expected to be financed with new indebtedness of New Charter, the issuance of equity to Liberty Broadband pursuant to the Liberty transactions and cash on hand from TWC. The preliminary purchase price also includes New Charter replacement equity awards with an estimated pre-combination vesting period fair value of \$695 million that will be issued in respect of equity awards held by employees of TWC and \$83 million that will be paid in cash to TWC former employees and non-employee directors who hold equity awards, whether vested or not vested. The fair value of the equity portion of the TWC transactions consideration for accounting purposes will be based on the fair value of Charter Class A common stock at the date of close of the mergers and will be different from the assumed value presented in these unaudited pro forma financial statements. A 5% change in the per share price of Charter Class A common stock will result in a \$1.6 billion change in the fair value of the equity issued and total consideration for accounting purposes. In addition, the amount of equity and cash consideration will vary based on the number of TWC stockholders that elect the Option B Election. A 5% decrease in the number of shares held by TWC stockholders electing the Option A Election, who instead elect the Option B Election, will result in a \$235 million reduction in the fair value of equity issued and a \$207 million increase in the cash consideration paid which will be financed by additional debt.

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

BHN Transactions

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

In the BHN transactions, A/N will receive approximately 34.3 million Charter Holdings common units, Charter Holdings convertible preferred units convertible into approximately 10.3 million Charter Holdings common units, both subject to application of the Parent Merger Exchange Ratio, and approximately \$2.0 billion in cash. For purposes of these unaudited pro forma financial statements, the Bright House preliminary purchase price is assumed to be \$11.4 billion. Based on a per share price of \$201.00, the closing share price of Charter Class A common stock on March 18, 2016, the Charter Holdings common units are valued at approximately \$6.9 billion. The issuance of Charter Holdings convertible preferred units are valued for pro forma purposes based on their \$2.5 billion aggregate liquidation preference. The approximately \$2.0 billion cash portion of the BHN transactions will be financed with new indebtedness of New Charter. The BHN transactions exclude certain assets and liabilities such as cash, marketable securities and pension-related assets and liabilities, among others. The fair value of the BHN transactions for accounting purposes will be based on the fair value of the Charter Holdings common units and the Charter Holdings convertible preferred units at the date of close and will be different from the assumed value presented in these unaudited pro forma financial statements. A 5% change in the fair value of the Charter Holdings common units and convertible preferred units will result in a \$469 million change in the fair value of the total consideration for accounting purposes.

Liberty Transactions and Committed Financing

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

Charter expects to finance the remaining cash portion of the purchase price of the Transactions with additional indebtedness and cash on the companies' balance sheets. In 2015, Charter issued \$15.5 billion CCO Safari II, LLC senior secured notes, \$3.8 billion CCO Safari III, LLC senior secured bank loans and \$2.5 billion CCOH Safari, LLC senior unsecured notes. Charter has remaining commitments of approximately \$2.7 billion from banks to provide incremental senior secured term loan facilities and senior unsecured notes, as well as an incremental \$1.7 billion revolving facility. In addition, the bank commitments provide for a \$4.3 billion bridge facility if all TWC stockholders (other than the Liberty Parties) elect the Option B Election. For purposes of these unaudited pro forma financial statements, Charter has assumed issuing bank debt at current market rates to finance the remaining portion of the Transactions. The indebtedness assumptions used herein are for illustrative purposes only and may not reflect the actual financing when completed.

Basis of Presentation

The unaudited pro forma financial statements are based on (i) the audited consolidated financial statements of Charter Communications, Inc. and its subsidiaries as of and for the year ended December 31, 2015 contained in Charter's Annual Report on Form 10-K filed with the SEC on February 10, 2016, (ii) the audited consolidated financial statements of Time Warner Cable Inc. as of and for the year ended December 31, 2015 contained in TWC's Annual Report on Form 10-K filed with the SEC on February 12, 2016, and (iii) the consolidated audited financial statements of Bright House Networks, LLC and its subsidiaries as of and for the year ended December 31, 2015 contained in this Current Report on Form 8-K.

The Transactions will be accounted for using the acquisition method of accounting with Charter as the accounting acquirer. The unaudited pro forma financial statements reflect the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. The fair values assigned in the unaudited pro forma financial statements are preliminary and represent Charter's current best estimate of fair values and are subject to revision. The detailed valuation studies necessary to arrive at the required estimates of the fair values for the assets acquired and liabilities assumed are not finalized. Significant assets

and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include property, plant and equipment and identifiable intangible assets, including franchises and customer relationships. Changes to the fair values of these assets and liabilities will also result in changes to goodwill and deferred tax liabilities.

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

Items Not Adjusted in the Unaudited Pro Forma Financial Information

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

The unaudited pro forma financial statements do not include any adjustment for liabilities or related costs that may result from integration activities, since management has not completed the process of making these assessments. Significant liabilities and related costs may ultimately be recorded for employee severance or relocation, costs of vacating some facilities and costs associated with other exit and integration activities. The unaudited pro forma statements of operations do not include any revenue or expense synergies or dis-synergies resulting from the Transactions, including programming costs or shared functions and other administrative and overhead allocations, as these adjustments are not factually supportable. The unaudited pro forma statements of operations also do not include an estimated \$584 million and \$30 million of non-recurring costs to be incurred directly attributable to the TWC transactions and the BHN transactions, respectively, such as escrow interest, investment banking fees and legal fees.

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

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

The unaudited pro forma financial statements do not reflect adjustments related to the impact of the termination of the transactions Charter entered into with Comcast Corporation in April 2014 as such adjustments are not directly related to the Transactions or Liberty transactions. The transactions Charter entered into with Comcast were terminated in April 2015 and the CCOH Safari, LLC notes and CCO Safari, LLC Term G Loans were subsequently repaid in April 2015. The unaudited pro forma consolidated statements of operations are not adjusted to eliminate approximately \$112 million of interest expense associated with the escrowed debt for the year ended December 31, 2015. The unaudited pro forma consolidated statements of operations are also not adjusted to eliminate approximately \$16 million of transaction costs incurred by Charter and \$37 million of transaction costs incurred by TWC directly related to the transactions with Comcast for the year ended December 31, 2015.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2015
(IN MILLIONS)

	Charter Historical	TWC	TWC Pro Forma Adjustments	Charter Pro Forma	Bright House	Bright House Pro Forma Adjustments	Charter Pro Forma As Adjusted
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 5	\$ 1,170	\$ (1,170) ^{1a}	\$ 5	\$ 73	\$ (73) ^{2a}	\$ 5
Accounts receivable, net	279	916	—	1,195	167	—	1,362
Prepaid expenses and other current assets	61	373	(2) ^{1a}	432	41	—	473
Total current assets	345	2,459	(1,172)	1,632	281	(73)	1,840
RESTRICTED CASH AND CASH EQUIVALENTS	22,264	—	(22,264) ^{1e}	—	—	—	—
INVESTMENT IN CABLE PROPERTIES:							
Property, plant and equipment, net	8,345	16,945	4,236 ^{1b}	29,526	2,186	547 ^{2b}	32,259
Franchises	6,006	26,014	23,500 ^{1b}	55,520	802	4,200 ^{2b}	60,522
Customer relationships, net	856	244	17,800 ^{1b}	18,900	—	1,800 ^{2b}	20,700
Goodwill	1,168	3,139	24,179 ^{1b}	28,486	13	1,967 ^{2b}	30,466
Total investment in cable properties, net	16,375	46,342	69,715	132,432	3,001	8,514	143,947
OTHER NONCURRENT ASSETS	332	476	446 ^{1c}	1,254	81	34 ^{2c}	1,369
Total assets	\$ 39,316	\$ 49,277	\$ 46,725	\$ 135,318	\$ 3,363	\$ 8,475	\$ 147,156
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)							
CURRENT LIABILITIES:							
Accounts payable and accrued liabilities	\$ 1,972	\$ 3,944	\$ (19) ^{1d}	\$ 5,897	\$ 420	\$ (17) ^{2d}	\$ 6,300
Current portion of long-term debt	—	5	(5) ^{1d}	—	343	(343) ^{2d}	—
Total current liabilities	1,972	3,949	(24)	5,897	763	(360)	6,300
LONG-TERM DEBT	35,723	22,497	2,384 ^{1e}	60,604	129	1,223 ^{2e}	61,956
DEFERRED INCOME TAXES	1,590	12,830	14,129 ^{1f}	28,549	—	— ^{2f}	28,549
OTHER LONG-TERM LIABILITIES	77	1,002	(234) ^{1g}	845	447	(424) ^{2g}	868
SHAREHOLDERS' EQUITY (DEFICIT)							
Noncontrolling interest	—	4	(2) ^{1h}	2	—	9,390 ^{2h}	9,392
Controlling interest	(46)	8,995	30,472 ¹ⁱ	39,421	2,024	(1,354) ²ⁱ	40,091
Total shareholders' equity (deficit)	(46)	8,999	30,470	39,423	2,024	8,036	49,483
Total liabilities and shareholders' equity (deficit)	\$ 39,316	\$ 49,277	\$ 46,725	\$ 135,318	\$ 3,363	\$ 8,475	\$ 147,156

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2015
(DOLLARS IN MILLIONS, EXCEPT SHARE DATA)

	Charter Historical	TWC	TWC Pro Forma Adjustments	Charter Pro Forma	Bright House	Bright House Pro Forma Adjustments	Charter Pro Forma As Adjusted
REVENUES:							
Video	\$ 4,587	\$ 9,907	\$ —	\$ 14,494	\$ 1,645	\$ —	\$ 16,139
Internet	3,003	7,029	—	10,032	1,254	—	11,286
Voice	539	1,931	—	2,470	376	—	2,846
Commercial	1,127	3,284	(20) ^{3a}	4,391	466	(14) ^{4a}	4,843
Advertising sales	309	1,028	(23) ^{3a}	1,314	168	—	1,482
Other	189	518	195 ^{3a}	902	14	(96) ^{4a}	820
Total revenues	<u>9,754</u>	<u>23,697</u>	<u>152</u>	<u>33,603</u>	<u>3,923</u>	<u>(110)</u>	<u>37,416</u>
COSTS AND EXPENSES:							
Operating costs and expenses (exclusive of items shown separately below)	6,426	15,559	256 ^{3a}	22,241	2,655	(305) ^{4a}	24,591
Depreciation and amortization	2,125	3,696	3,443 ^{3b}	9,264	459	357 ^{4b}	10,080
Other operating (income) expenses, net	89	203	(149) ^{3c}	143	(25)	(11)	107
	<u>8,640</u>	<u>19,458</u>	<u>3,550</u>	<u>31,648</u>	<u>3,089</u>	<u>41</u>	<u>34,778</u>
Income from operations	<u>1,114</u>	<u>4,239</u>	<u>(3,398)</u>	<u>1,955</u>	<u>834</u>	<u>(151)</u>	<u>2,638</u>
OTHER INCOME (EXPENSES):							
Interest expense, net	(1,306)	(1,401)	(397) ^{3d}	(3,104)	(33)	(4) ^{4d}	(3,141)
Loss on extinguishment of debt	(128)	—	—	(128)	—	—	(128)
Loss on derivatives instruments, net	(4)	—	—	(4)	—	—	(4)
Other income, net	(7)	150	—	143	1	—	144
	<u>(1,445)</u>	<u>(1,251)</u>	<u>(397)</u>	<u>(3,093)</u>	<u>(32)</u>	<u>(4)</u>	<u>(3,129)</u>
Income (loss) before taxes	<u>(331)</u>	<u>2,988</u>	<u>(3,795)</u>	<u>(1,138)</u>	<u>802</u>	<u>(155)</u>	<u>(491)</u>
Income tax benefit (expense)	60	(1,144)	1,528 ^{3e}	444	—	(219) ^{4e}	225
Consolidated net income (loss)	<u>(271)</u>	<u>1,844</u>	<u>(2,267)</u>	<u>(694)</u>	<u>802</u>	<u>(374)</u>	<u>(266)</u>
Less: Noncontrolling interest	—	—	—	—	—	(86) ^{4f}	(86)
Net income (loss) before non-recurring charges directly attributable to the Transactions	<u>\$ (271)</u>	<u>\$ 1,844</u>	<u>\$ (2,267)</u>	<u>\$ (694)</u>	<u>\$ 802</u>	<u>\$ (460)</u>	<u>\$ (352)</u>
LOSS PER COMMON SHARE, BASIC AND DILUTED	<u>\$ (2.43)</u>			<u>\$ (2.61)</u>			<u>\$ (1.31)</u>
Weighted average common shares outstanding, basic and diluted	<u>111,869,771</u>		<u>153,742,783</u> ^{3f}	<u>265,612,554</u>		<u>3,658,691</u> ^{4g}	<u>269,271,245</u>

Notes to Unaudited Pro Forma Financial Statements

Note 1. TWC Transactions Pro Forma Balance Sheet Adjustments

The unaudited pro forma consolidated balance sheet has been adjusted to reflect the estimated fair values of the identifiable assets acquired and liabilities assumed in the TWC transactions. The preliminary purchase price is estimated to be approximately \$60.0 billion for purposes of the unaudited pro forma financial statements. The fair value of the equity portion of the TWC transactions consideration for accounting purposes will be based on the fair value of Charter Class A common stock at the date of closing and will be different from the assumed value presented in the unaudited pro forma financial statements. The table below presents the preliminary purchase price for pro forma purposes based on the January 29, 2016 outstanding shares of TWC common stock and equity awards and March 18, 2016 Charter Class A common stock closing price. For purposes of these notes, Liberty means Liberty Broadband and Liberty Interactive.

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

Outstanding shares of TWC common stock (excluding Liberty)	275.5
Share exchange ratio	0.5409
Equivalent shares of Charter Class A common stock to be issued (excluding Liberty)	149.0
Charter Class A common stock closing price per share	\$ 201.00
Estimated fair value of Charter Class A common stock to be issued (excluding Liberty)	\$ 29,957
Outstanding shares of TWC common stock held by Liberty	7.7
Share exchange ratio	1.1060
Equivalent shares of Charter Class A common stock to be issued to Liberty	8.5
Charter Class A common stock closing price per share	\$ 201.00
Estimated fair value of Charter Class A common stock to be issued to Liberty	\$ 1,717
Total estimated fair value of Charter Class A common stock to be issued	\$ 31,674
Outstanding shares of TWC common stock (excluding Liberty)	275.5
\$100 cash portion per share	\$ 100.00
Cash paid to TWC stockholders (excluding Liberty)	\$ 27,554
Pre-combination vesting period fair value of New Charter replacement equity awards issued to TWC employees in exchange for TWC equity awards	\$ 695
Cash paid for TWC non-employee equity awards	\$ 83
Total preliminary purchase price	\$ 60,006

The table below presents a preliminary allocation of purchase price to the assets acquired and liabilities assumed as if the TWC transactions had closed on December 31, 2015.

Preliminary Allocation of Purchase Price (in millions)

Current assets	\$ 2,457
Property, plant and equipment, net	21,181
Franchises	49,514
Customer relationships, net	18,044
Goodwill	27,318
Other noncurrent assets	907
Current liabilities	(3,925)
Long-term debt assumed	(24,379)
Deferred income taxes	(30,341)
Other long-term liabilities	(768)
Noncontrolling interest	(2)
	\$ 60,006

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

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

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

- (a) Adjustment of \$1.2 billion to cash and cash equivalents represents the use of TWC's cash and cash equivalents to reduce the amount of debt issued to fund the TWC transactions. No fair value adjustments are reflected in accounts receivable, net as it is estimated to be at fair value. The adjustment of \$2 million to prepaid expenses and other current assets represents the elimination of TWC's current deferred financing fees related to its revolver.
- (b) For purposes of the preliminary purchase price allocation, Charter assumed a 25% increase to the net book value of TWC's property, plant and equipment. This assumption is based on increases to net book values reflected in valuations previously performed on Charter assets and taking into consideration the recent capital expenditure history of TWC relative to Charter and the status of its all-digital rollout among other factors. The fair values of TWC's franchises and customer relationships were based on previous valuations of Charter assets performed for general business purposes that were allocated to the TWC cable systems by applying a relative percentage of purchase price allocated to the intangible assets. The valuations previously performed on Charter assets represent valuations performed in 2013 for general business purposes and for a significant business combination. Pro forma valuation metrics derived from previous valuations of Charter assets were used as a basis for determining fair value of TWC assets as such metrics take into consideration market participant assumptions and Charter management's historical valuation methods. Goodwill represents the residual of the purchase price over the fair values of the identified assets acquired and liabilities assumed.

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

Adjust TWC's equity investments to estimated fair value	\$ 434
Deferred financing fees associated with increase in revolver capacity	15
Elimination of Charter's cost investment in a TWC subsidiary	(2)
Elimination of TWC's noncurrent deferred financing fees related to its revolver	(1)
	<u>\$ 446</u>

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

- (d) Adjustment of \$19 million to accounts payable and accrued liabilities represents the elimination of \$25 million of current deferred revenue as it is assumed to have no fair value as there are no associated payment obligations or substantive performance obligations offset by \$6 million which represents the reclassification of \$5 million of TWC's capital leases from current portion of long-term debt to accounts payable and accrued liabilities to conform to Charter's classification and \$1 million to adjust short-term capital leases to fair value.
- (e) The TWC debt assumed was adjusted to fair value using quoted market values as of March 18, 2016. This adjustment resulted in an increase in long-term debt of \$2.0 billion. The fair value adjustment to long-term debt is a result of quoted market values of TWC's debt being higher than the face amount of the related debt. The quoted market value of a debt instrument is higher than the face amount of the debt when the market interest rates are lower than the stated interest rate of the debt. In acquisition accounting, this results in an increase in debt and a reduction in interest expense to reflect the lower market interest rate.

Long-term debt was also adjusted to reflect new debt raised to fund the TWC transactions that is not already funded in escrow as restricted cash and cash equivalents as of December 31, 2015 offset by \$71 million which represents the reclassification of TWC's capital leases from long-term debt to other long-term liabilities to conform to Charter's classification.

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

Pro Forma Cash Sources and Uses (in millions)

Sources:

Restricted cash and cash equivalents	\$ 22,264
Proceeds from issuance of long-term debt	761
Proceeds from issuance of Charter Class A common stock to Liberty	4,300
TWC cash and cash equivalents assumed	1,170
	<u>\$ 28,495</u>

Uses:

Cash portion of purchase price	\$ 27,637
Advisor fees and other expenses directly related to the TWC transactions	584
Deferred financing fees	274
	<u>\$ 28,495</u>

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

Deferred tax liabilities from TWC acquisition accounting adjustments	\$ 17,511
Reduction in valuation allowance on Charter's preexisting deferred tax assets	(3,146)
Other deferred taxes recorded directly to equity	(236)
	<u>\$ 14,129</u>

The TWC transactions are assumed to be a non-taxable business combination for pro forma purposes. A pro forma adjustment was recorded for the deferred tax impact of acquisition accounting adjustments primarily related to property, plant and equipment, franchises, customer relationships and assumed TWC long-term debt. The incremental deferred tax liabilities of \$17.5 billion were calculated based on the tax effect of an approximate \$44.9 billion step-up in book basis of net assets of TWC excluding the amount attributable to goodwill. This deferred tax pro forma adjustment was determined by applying an estimated tax rate of 39%.

In contemplation of the TWC transactions, Charter has performed a preliminary analysis of the valuation allowance recorded on Charter's preexisting deferred tax assets. Based on this analysis, certain of the deferred tax liabilities recognized in connection with the TWC transactions are expected to reverse and provide a source of future taxable income, resulting in a \$3.1 billion reduction of substantially all of Charter's preexisting valuation allowance associated with its deferred tax assets. Such reduction in Charter's valuation allowance is reflected as a reduction to deferred tax liabilities in the pro forma balance sheet as a result of the TWC transactions and was determined by applying an estimated tax rate of 39%. The impact of the reduction in the valuation allowance is not reflected in the unaudited pro forma consolidated statements of operations as it is non-recurring.

Other deferred taxes recorded directly to equity include \$180 million of estimated tax benefit on advisor fees and other transaction expenses, \$32 million of excess tax benefit relating to cash paid for TWC non-employee equity awards and \$24 million of tax benefit upon remeasuring Charter's legacy deferred taxes at a 39.0% New Charter estimated tax rate compared to a 39.4% legacy Charter tax rate due to estimated changes in apportionment factors related to state income taxes. The adjustment to legacy Charter's deferred taxes as a result of the tax rate remeasurement is not reflected in the unaudited pro forma consolidated statements of operations as it is non-recurring.

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

- (g) Adjustment of \$234 million to other long-term liabilities represents the elimination of \$320 million of deferred liabilities assumed to have no fair value as there are no associated payment obligations or substantive performance obligations offset by \$86 million which represents the reclassification of \$71 million of TWC's capital leases from long-term debt to other long-term liabilities to conform to Charter's classification and \$15 million to adjust long-term capital leases to fair value.
- (h) Represents the elimination of Charter's noncontrolling interest in a TWC subsidiary.
- (i) Pro forma adjustments to controlling interest of shareholders' equity reflects the following (in millions).

Elimination of TWC's historical shareholders' equity and accumulated other comprehensive loss	\$ (8,995)
Exchange of New Charter Class A common stock to TWC stockholders (including Liberty)	31,674
Issuance of New Charter Class A common stock to Liberty	4,300
Reduction in valuation allowance on Charter's existing deferred tax assets (see Note 1(f))	3,146
Advisor fees and other expenses directly related to the TWC transactions	(584)
Pre-combination vesting period fair value of New Charter replacement equity awards issued to TWC employees in exchange for TWC equity awards	695
Other deferred taxes recorded directly to equity (see Note 1(f))	236
	<u>\$ 30,472</u>

Advisor fees and other expenses directly related to the TWC transactions of \$584 million are not reflected in the unaudited pro forma statements of operations and consist primarily of escrow interest, investment banking fees and legal fees.

At closing, TWC employee equity awards will be converted into replacement equity awards with respect to New Charter Class A common stock with an estimated pre-combination vesting period fair value of \$695 million. The estimated fair value of the post-combination portion of the awards totaling \$572 million will be amortized to stock compensation expense over the remaining vesting period of the awards.

Note 2. BHN Transactions Pro Forma Balance Sheet Adjustments

The unaudited pro forma consolidated balance sheet has been adjusted to reflect the estimated fair values of the identifiable assets acquired and liabilities assumed in the BHN transactions. The preliminary purchase price of Bright House is assumed to be approximately \$11.4 billion for purposes of the unaudited pro forma financial statements. The BHN transactions exclude certain assets and liabilities such as cash, marketable securities, pension-related assets and liabilities, and debt, among others. The fair value of the BHN transactions for accounting purposes will be based on the fair value of the Charter Holdings common units and the Charter Holdings convertible preferred units at the date of close and will be different from the assumed value presented in these unaudited pro forma financial statements. The table below presents the preliminary purchase price for pro forma purposes based on the March 18, 2016 Charter Class A common stock closing share price.

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

Charter Holdings common units issued to A/N (before the Parent Merger Exchange Ratio)	34.3
Charter Class A common stock closing price per share	\$ 201.00
Estimated fair value of Charter Holdings common units issued to A/N based on Charter share price	\$ 6,890
Estimated fair value of convertible preferred units based on \$2.5 billion aggregate liquidation preference	\$ 2,500
Cash paid to A/N	\$ 2,022
Total preliminary purchase price	<u>\$ 11,412</u>

The table below presents the preliminary allocation of purchase price to the assets acquired and liabilities assumed for the Bright House cable systems as if the BHN transactions had closed on December 31, 2015.

Preliminary Allocation of Purchase Price (in millions)

Current assets	\$ 208
Property, plant and equipment, net	2,733
Franchises	5,002
Customer relationships, net	1,800
Goodwill	1,980
Other noncurrent assets	115
Current liabilities	(403)
Other long-term liabilities	(23)
	<u>\$ 11,412</u>

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

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

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

- (a) Adjustment to current assets represents the elimination of cash and cash equivalents not assumed in the BHN transactions of \$73 million. No fair value adjustments are reflected in accounts receivable, net or prepaid expenses and other current assets as carrying value is estimated to approximate fair value.
- (b) For purposes of the preliminary purchase price allocation, Charter assumed a 25% increase to the net book value of Bright House's property, plant and equipment. This assumption is based on increases to net book values reflected in valuations previously performed on Charter assets and taking into consideration differences in capitalization policies, recent capital expenditure history of Bright House relative to Charter and the status of its all-digital rollout, among other factors. The fair values of Bright House's franchises and customer relationships were based on previous valuations of Charter assets that were allocated to the Bright House cable systems by applying a relative percentage of the purchase price allocated to the intangible assets. The valuations previously performed on Charter assets represent valuations performed in 2013 for general business purposes and for a significant business combination. Pro forma valuation metrics derived from previous valuations of Charter assets were used as a basis for determining the fair value of Bright House assets as such metrics take into consideration market participant assumptions and Charter management's historical valuation methods. Goodwill represents the residual of the purchase price over the fair values of the identified assets acquired and liabilities assumed.
- (c) Adjustment to other noncurrent assets represents an increase of \$35 million to adjust Bright House's equity investments to fair value partially offset by the elimination of BHN deferred financing fees of \$1 million.
- (d) Adjustment to total current liabilities represents the elimination of liabilities not assumed in the BHN transactions consisting of \$3 million of current pension obligation, \$14 million of accrued interest and \$343 million of current portion of long-term debt.
- (e) Adjustment to long-term debt represents the elimination of Bright House's long-term debt not assumed in the BHN transactions and the issuance of new debt to partially fund the BHN transactions. The table below represents the following pro forma cash sources and uses as a result of the BHN transactions.

Pro Forma Cash Sources and Uses (in millions)

Sources:

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

Uses:

Cash portion of purchase price paid to A/N	\$ 2,022
Repayment of Charter Operating revolving credit facility	630
Advisor fees and other expenses directly related to the BHN transactions	30
Deferred financing fees	18
	<u>\$ 2,700</u>

- (f) The BHN transaction is assumed to be a non-taxable business combination for pro forma purposes. No pro forma adjustment was recorded to net deferred tax liabilities directly attributable to the BHN transactions in the unaudited pro forma consolidated balance sheet. New Charter's difference between book and tax basis in its investment in the Charter Holdings partnership, and underlying net assets, is not anticipated to change following A/N's contribution of the Bright House assets and liabilities. New Charter will record net deferred tax liabilities related to its investment, and its underlying net assets, in Charter Holdings following the BHN transactions based on future differences that arise between book and tax.
- (g) Represents the elimination of \$395 million of pension and other benefits related to long-term liabilities not assumed and the elimination of \$29 million of other long-term deferred liabilities assumed to have no fair value as there are no associated payment obligations or substantive performance obligations.

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

Issuance of Charter Holdings common units to A/N	\$ 6,890
Issuance of Charter Holdings convertible preferred units to A/N	2,500
	<u>\$ 9,390</u>

Charter Holdings will issue approximately 34.3 million common units, subject to application of the Parent Merger Exchange Ratio, that are exchangeable into New Charter Class A common stock on a one-for-one basis, which are valued at approximately \$6.9 billion for pro forma purposes, based on Charter Class A common stock closing stock price on March 18, 2016 of \$201.00. These units are recorded in noncontrolling interest as permanent equity on the unaudited pro forma consolidated balance sheet. The actual value of the Charter Holdings common units for accounting purposes will be based on the closing price of Charter Class A common stock on the date of closing of the BHN transactions and will be different from the assumed value presented in the unaudited pro forma financial statements.

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

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

Elimination of Bright House's historical shareholders' equity and accumulated other comprehensive loss	\$ (2,024)
Issuance of New Charter Class A common stock to Liberty	700
Advisor fees and other expenses directly related to the BHN transactions	(30)
	<u>\$ (1,354)</u>

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

Note 3. TWC Transactions Pro Forma Statement of Operations Adjustments

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

	Year Ended December 31, 2015
Reclassification to conform to Charter's financial statement classification for processing fees revenue	\$ 219
Elimination of revenue/expense between Charter and TWC	(67)
Adjustment to both revenues and operating costs and expenses	152
Incremental replacement stock award compensation expense	145
Elimination of amortization of actuarial gains (losses) and prior service credits for TWC's pension plans	(41)
Total adjustment to operating costs and expenses	<u>\$ 256</u>

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

Incremental replacement stock award compensation expense represents additional expense related to converted TWC equity awards associated with the post-combination vesting period. Compensation expense, following the closing of the TWC transactions, will reflect the \$572 million fair value of the awards as of the closing date and will be recognized over the remaining vesting period. At closing, TWC employee equity awards will be converted into equity awards with respect to New Charter Class A common stock, after giving effect to the Stock Award Exchange Ratio (as defined under “The Merger Agreement—Treatment of TWC Equity Awards” in CCHI, LLC’s prospectus filed with the SEC on August 20, 2015).

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

- (b) Charter increased depreciation and amortization by \$3.4 billion for the year ended December 31, 2015 as follows (in millions).

	Year Ended December 31, 2015		
	Depreciation	Amortization	Total
TWC pro forma expense based on fair value	\$ 3,530	\$ 3,609	\$ 7,139
TWC historical expense			(3,696)
Total pro forma depreciation and amortization adjustment			\$ 3,443

The increase was estimated using a preliminary average useful life of 6 years for property, plant and equipment and 9 years for customer relationships. Customer relationships are amortized using an accelerated method (sum of the years’ digits) to reflect the period over which the relationships are expected to generate cash flows. Following the acquisition, TWC’s pro forma customer relationships of \$18.0 billion would result in amortization expense under the accelerated method of \$3.6 billion for year 1, \$3.2 billion for year 2, \$2.8 billion for year 3, \$2.4 billion for year 4, \$2.0 billion for year 5 and \$4.0 billion thereafter. The effect of a one-year decrease in the weighted average useful lives of property, plant and equipment and customer relationships would be an increase to depreciation and amortization expense of approximately \$1.1 billion for the year ended December 31, 2015, while the effect of a one-year increase would result in a decrease of approximately \$832 million for the year ended December 31, 2015. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized and final determination of useful lives are made.

- (c) For the year ended December 31, 2015, other operating (income) expenses, net decreased by \$149 million as follows (in millions).

	Year Ended December 31, 2015
Elimination of TWC stock compensation expense classified by TWC as merger-related in other operating expense (see Note 3(a))	\$ (47)
Elimination of Charter transaction costs directly related to the TWC transactions	(40)
Elimination of TWC transaction costs directly related to the TWC transactions	(62)
	\$ (149)

- (d) For the year ended December 31, 2015, interest expense, net increased by \$397 million as follows (in millions).

	Year Ended December 31, 2015
Additional interest expense on new debt issued	\$ (707)
Amortization of deferred financing fees and original issue discount	(26)
Amortization of net premium as a result of adjusting assumed TWC long-term debt to fair value	318
Elimination of amortization related to TWC’s previously deferred financing fees and debt discounts	18
	\$ (397)

In 2015, Charter issued \$15.5 billion CCO Safari II, LLC senior secured notes, \$3.8 billion CCO Safari III, LLC senior secured bank loans and \$2.5 billion CCOH Safari, LLC senior unsecured notes. Although the nature of the remaining debt financing may be secured through various combinations of bank debt, unsecured notes and secured notes, for pro forma purposes, Charter has assumed borrowings under the Charter Operating revolving credit facility to fund the remaining \$761 million cash portion of the TWC transactions.

As noted in Note 1(e) above, TWC long-term debt was adjusted to fair value. The difference between the fair value and the face amount of each borrowing is amortized as an offset to interest expense over the remaining term of each borrowing based on its maturity date. This adjustment results in interest expense that effectively reflects current market interest rates rather than the stated interest rates.

- (e) As discussed in Note 1(f) above, Charter determined that TWC's reversing deferred tax liabilities provide a source of future taxable income in the combined entity, resulting in a reduction of substantially all of Charter's preexisting valuation allowance. The pro forma adjustment to income taxes includes the incremental pro forma tax benefit relating to the legacy Charter operations under the assumption the Charter tax calculation no longer reflects the effects of the preexisting valuation allowance. Thus, the income tax benefit impact of the pro forma adjustments was determined by applying an estimated New Charter tax rate of 39% to the pro forma loss before taxes of New Charter following the TWC transactions, resulting in a \$444 million income tax benefit in the unaudited pro forma consolidated statements of operations for the year ended December 31, 2015. The pro forma income tax benefit does not reflect the effects of any special partnership tax allocations as these effects are currently not estimable.
- (f) Completion of the TWC transactions includes a conversion of all of Charter's existing Class A common stock into 0.9042 shares of New Charter Class A common stock. This Parent Merger Exchange Ratio is applied to all legacy Charter Class A common stock and to stock issued to TWC stockholders and Liberty. This will result in the following adjustment to weighted average common shares outstanding.

	Year Ended December 31, 2015
Equivalent Charter shares issued to TWC stockholders	157,583,786
Equivalent Charter shares purchased by Liberty	24,300,650
	181,884,436
Parent Merger Exchange Ratio	0.9042
New Charter shares issued in TWC transactions	164,459,907
Reduction of legacy Charter shares outstanding upon conversion from Charter Class A common stock to New Charter Class A common stock	10,717,124
	<u>153,742,783</u>

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

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

Note 4. BHN Transactions Pro Forma Statement of Operations Adjustments

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

	Year Ended December 31, 2015	
Reclassification to conform to Charter's financial statement classification for processing fees revenue	\$	58
Elimination of TWC management fee incurred by Bright House		(147)
Elimination of revenue/expense between TWC and Bright House		(21)
Adjustment to both revenues and operating costs and expenses		(110)
Adjustment to capitalize residential installation labor and other labor costs to conform to Charter's capitalization accounting policy		(102)
Elimination of pension plans and costs related to parent company obligations not assumed by Charter in the BHN transactions		(90)
Reclassification to conform to Charter's financial statement classification for other operating expense		(3)
Total adjustment to operating costs and expenses	\$	(305)

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

(b) Charter increased depreciation and amortization by \$357 million for the year ended December 31, 2015 as follows (in millions).

	Year Ended December 31, 2015		
	Depreciation	Amortization	Total
Bright House pro forma expense based on fair value	\$ 456	\$ 360	\$ 816
Bright House historical expense			(459)
Total pro forma depreciation and amortization adjustment			\$ 357

The increase was estimated using a preliminary average useful life of 6 years for property, plant and equipment and 9 years for customer relationships. Customer relationships are amortized using an accelerated method (sum of the years' digits) to reflect the period over which the relationships are expected to generate cash flows. Following the acquisition, Bright House's pro forma customer relationships of \$1.8 billion would result in amortization expense under the accelerated method of \$360 million for year 1, \$320 million for year 2, \$280 million for year 3, \$240 million for year 4, \$200 million for year 5 and \$400 million thereafter. The effect of a one-year decrease in the weighted average useful lives of property, plant and equipment and customer relationships would be an increase to depreciation and amortization expense of approximately \$131 million for the year ended December 31, 2015, while the effect of a one-year increase would result in a decrease of approximately \$98 million for the year ended December 31, 2015. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized and final determination of useful lives are made.

- (c) For the year ended December 31, 2015, other operating (income) expenses, net decreased by \$11 million as follows (in millions).

	Year Ended December 31, 2015
Elimination of Charter transaction costs directly related to the BHN transactions	\$ (14)
Reclassification to conform to Charter's financial statement classification for other operating expense	3
	<u>\$ (11)</u>

- (d) For the year ended December 31, 2015, interest expense, net, increased by \$4 million representing the expected change in interest expense on new debt to be incurred to fund the BHN transactions and related amortization of deferred financing fees offset by the elimination of historical interest expense incurred by Bright House as debt is not assumed in the BHN transactions and repayment of Charter Operating's revolving credit facility. For pro forma purposes the \$2.0 billion of debt issued for the BHN transactions was assumed to be based on current market interest rates on bank debt. A 0.125% change in interest rates would increase (decrease) interest expense by \$3 million for the year ended December 31, 2015.
- (e) The \$219 million adjustment to income tax benefit for the year ended December 31, 2015 was determined by applying an estimated New Charter tax rate of 39% to pro forma loss before income taxes of New Charter following the TWC transactions and BHN transactions, less the impact on the tax rate as a result of the noncontrolling interest allocation of the Charter Holdings partnership which is treated as a permanent item for tax purposes in the combined entities' pro forma tax benefit calculation. The resulting income tax benefit of \$225 million is reflected in the unaudited consolidated statements of operations for the year ended December 31, 2015. The resulting effective tax rate of 46% for the year ended December 31, 2015 is a result of the permanent treatment of the noncontrolling interest expense. The pro forma income tax benefit does not reflect the effects of any special partnership tax allocations as these effects are currently not estimable.
- (f) Reflects the following noncontrolling interest adjustment for the year ended December 31, 2015 as follows (dollars in millions).

	Year Ended December 31, 2015
Charter Holdings pro forma net loss for the TWC transactions and BHN transactions	\$ (491)
Charter Holdings 6% cash dividend to preferred unit holders	(150)
Charter Holdings pro forma net loss available for allocation to common unit holders	(641)
A/N pro forma noncontrolling interest in Charter Holdings excluding preferred units	10%
Noncontrolling interest - Charter Holdings common units	\$ (64)
Noncontrolling interest - Charter Holdings convertible preferred units	150
	<u>\$ 86</u>

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

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

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

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

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(With Independent Auditors' Report Thereon)

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

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Independent Auditors' Report

The Member
Bright House Networks, LLC:

We have audited the accompanying consolidated financial statements of Bright House Networks, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in member's equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Bright House Networks, LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

New York, New York
March 4, 2016

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 73,297	653,714
Short-term marketable securities (note 4)	—	112,397
Accounts receivable-trade, net of allowances of \$20,908 and \$19,250 as of December 31, 2015 and 2014, respectively	167,220	179,383
Other current assets	41,080	55,564
Total current assets	<u>281,597</u>	<u>1,001,058</u>
Property, plant and equipment, net (note 3)	2,186,222	2,130,642
Long-term marketable securities (note 4)	—	362,940
Investments (note 5)	10,420	12,006
Goodwill (note 6)	12,746	12,746
Intangible assets, net (note 6)	860,894	851,484
Other assets	11,292	50,241
Total assets	<u>\$ 3,363,171</u>	<u>4,421,117</u>
Liabilities and Member's Equity		
Accounts payable and other current liabilities (note 7)	\$ 352,448	348,342
Current maturities of long-term debt (note 8)	342,857	42,857
Deferred revenue	67,955	62,946
Total current liabilities	<u>763,260</u>	<u>454,145</u>
Long-term debt (note 8)	128,571	471,429
Other liabilities (note 9)	447,063	479,722
Total liabilities	<u>1,338,894</u>	<u>1,405,296</u>
Commitments and contingencies (note 13)		
Member's equity	2,024,277	3,015,821
Total liabilities and member's equity	<u>\$ 3,363,171</u>	<u>4,421,117</u>

See accompanying notes to consolidated financial statements.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Statements of Income
Years ended December 31, 2015, 2014 and 2013
(In thousands of dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Subscriber	\$ 3,727,034	3,504,839	3,335,582
Advertising and other	195,554	199,548	172,886
Total revenues	<u>3,922,588</u>	<u>3,704,387</u>	<u>3,508,468</u>
Costs and expenses:			
Operating expenses	2,654,864	2,503,534	2,392,049
Depreciation and amortization	458,880	416,223	386,063
Gain from disposal of assets, net and other income	(25,203)	(4,497)	(29,483)
Income from equity investments	(1,242)	(122)	(1,862)
Interest, net	33,534	37,724	42,371
Total costs and expenses	<u>3,120,833</u>	<u>2,952,862</u>	<u>2,789,138</u>
Net income	<u>\$ 801,755</u>	<u>751,525</u>	<u>719,330</u>

See accompanying notes to consolidated financial statements.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2015, 2014 and 2013

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net income	\$ 801,755	751,525	719,330
Change in unrecognized amounts included in pension and postretirement obligations (note 11)	40,508	(132,713)	84,655
Comprehensive income	<u>\$ 842,263</u>	<u>618,812</u>	<u>803,985</u>

See accompanying notes to consolidated financial statements.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Statements of Changes in Member's Equity

Years ended December 31, 2015, 2014 and 2013

(In thousands of dollars)

	Member's equity	Accumulated other comprehensive loss	Total
Balance, December 31, 2012	\$ 2,650,062	(175,860)	2,474,202
Net income	719,330	—	719,330
Change in unrecognized amounts included in pension and postretirement obligations (note 11)	—	84,655	84,655
Distributions	(319,650)	—	(319,650)
Balance, December 31, 2013	3,049,742	(91,205)	2,958,537
Net income	751,525	—	751,525
Change in unrecognized amounts included in pension and postretirement obligations (note 11)	(170,128)	(132,713)	(302,841)
Distributions	(391,400)	—	(391,400)
Balance, December 31, 2014	3,239,739	(223,918)	3,015,821
Net income	801,755	—	801,755
Change in unrecognized amounts included in pension and postretirement obligations (note 11)	—	40,508	40,508
Distributions	(1,833,807)	—	(1,833,807)
Balance, December 31, 2015	<u>\$ 2,207,687</u>	<u>(183,410)</u>	<u>2,024,277</u>

See accompanying notes to consolidated financial statements.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years ended December 31, 2015, 2014 and 2013
(In thousands of dollars)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:			
Net income	\$ 801,755	751,525	719,330
Adjustments to reconcile net income to cash flows from operating activities:			
Depreciation and amortization	458,880	416,223	386,063
Income from equity investments	(1,242)	(122)	(1,862)
Gain on disposal of assets, net	(4,762)	(4,497)	(29,483)
Change in operating assets and liabilities:			
Accounts receivable	12,163	(13,747)	(5,957)
Other current assets	12,022	(6,863)	(23,125)
Other assets	9,611	3,860	(778)
Accounts payable and other liabilities	11,956	(26,718)	22,987
Deferred revenue	5,009	2,296	8,290
Net cash provided by operating activities	<u>1,305,392</u>	<u>1,121,957</u>	<u>1,075,465</u>
Cash flows from investing activities:			
Capital expenditures	(505,008)	(530,590)	(397,882)
Franchise expenditures	(19,587)	(10,274)	(9,598)
Purchases of marketable securities	(205,932)	(608,178)	(9,995)
Proceeds from sale and maturities of marketable securities	192,005	140,597	39,981
Acquisitions of investments and other assets	(636)	(530)	(1,831)
Transfer from (to) restricted cash	35,807	(31,282)	—
Proceeds from SpectrumCo's sale of spectrum licenses	—	—	1,161
Proceeds from sale of investment	—	—	42,373
Proceeds from sale of other assets	4,762	4,497	5,810
Net cash used in investing activities	<u>(498,589)</u>	<u>(1,035,760)</u>	<u>(329,981)</u>
Cash flows from financing activities:			
Member distributions	(1,344,363)	(391,400)	(319,650)
Repayment of senior note	(42,857)	(42,857)	(42,857)
Net cash used in financing activities	<u>(1,387,220)</u>	<u>(434,257)</u>	<u>(362,507)</u>
Net (decrease) increase in cash and cash equivalents	(580,417)	(348,060)	382,977
Cash and cash equivalents at beginning of period	653,714	1,001,774	618,797
Cash and cash equivalents at end of period	<u>\$ 73,297</u>	<u>653,714</u>	<u>1,001,774</u>
Interest paid	\$ 37,821	41,036	44,250
Noncash financing activities:			
Member distributions of marketable securities	\$ 489,444	—	—

See accompanying notes to condensed consolidated financial statements.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

(a) *Description of Business*

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

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

(b) *Basis of Consolidation*

The accompanying consolidated financial statements include all of the accounts and all entities that are majority-owned by the Company and are required to be consolidated in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company has eliminated intercompany accounts and transactions among consolidated entities.

(c) *Revenues and Costs*

Subscriptions are recorded as revenue in the period that the service is provided. Advertising revenues are recognized in the period that the advertisements are exhibited. Recognition of revenue from subscribers billed in advance is deferred until the services are rendered.

The Company pays for programming provided to its subscribers under joint contracts with Time Warner Cable Inc. (TWC). The programming costs are expensed as the related services are made available to subscribers. Amounts paid to TWC for programming and other services were \$1,040.2 million, \$976.5 million and \$944.1 million in 2015, 2014 and 2013, respectively. At December 31, 2015 and 2014, unpaid balances due to TWC were \$160.3 million and \$154.4 million, respectively. Such amounts are included in accounts payable and other current liabilities in the accompanying consolidated balance sheets.

Launch fees received from programming vendors are deferred and recognized as a reduction of expense over the life of the related programming agreement. Reimbursement of marketing costs from programming vendors are recognized as a reduction in marketing expense.

Advertising costs are expensed upon the first exhibition of related advertisements. Marketing expense (including advertising), net of certain reimbursements from programmers, was \$96.2 million, \$93.0 million and \$83.7 million in 2015, 2014 and 2013, respectively.

Cable subscriber installation costs for single-family residences are expensed when incurred.

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

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

subscribers are recorded as revenues. The amount of such fees included as a component of revenues was \$93.5 million, \$90.4 million and \$89.1 million in 2015, 2014 and 2013, respectively.

The Company recorded income of \$20.4 million in the year ended December 31, 2015, for minimum payments received under its agreement with Verizon, which is included in Gain from disposal of assets, net and other income in the consolidated statements of income for the year ended December 31, 2015.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and liquid investments with an original maturity of less than three months.

(e) *Marketable Securities*

The Company had investments in marketable debt securities which were accounted for as available-for-sale securities and stated at fair value. The Company determined the appropriate classification of the investments at the date of purchase and reevaluated the classification at the balance sheet date. Marketable debt securities with maturities of 12 months or less were classified as short-term. Marketable debt securities with maturities greater than 12 months were classified as long-term. Changes in the fair value of available-for-sale securities were not material.

(f) *Fair Value Disclosures*

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

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

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

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

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

The Company's marketable securities, which included U.S. Treasury securities, corporate debt securities, U.S. government agency securities, municipal securities, certificates of deposit and commercial paper, were recorded at fair value (see note 4). The Company classified these investments as Level 2 since the fair value estimates were based on market observable inputs for investments with similar terms and maturities.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(g) *Accounts Receivable*

Accounts receivable are recorded at net realizable value. The Company maintains an allowance for doubtful accounts, which is determined after considering past collection experience, aging of accounts receivable, general economic factors, and other considerations.

(h) *Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost. Additions to the Company's distribution systems include material, labor, and overhead. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	10 - 45 years
Distribution systems	3 - 16 years
Vehicles and other equipment	3 - 10 years

Gains and losses on dispositions of property are reported as disposal of assets, net, in the accompanying consolidated statements of income.

(i) *Investments*

Investments in which the Company has significant influence, but less than controlling voting interest, are accounted for under the equity method. Investments in which the Company does not have significant influence are accounted for under the cost method.

The Company writes down an investment to fair value if it is determined that the investment has incurred an other-than-temporary decline in value. The Company evaluates available financial information and quoted market prices, where available, to determine fair value (note 5).

(j) *Goodwill*

The excess of purchase price over the fair value of net tangible and identifiable intangible assets acquired is included in goodwill on the date of acquisition. Goodwill is not amortized.

(k) *Intangible Assets*

Intangible assets include cable television franchises acquired in business combinations. These assets are deemed to have an indefinite useful life and are not amortized.

Intangible assets also include costs incurred in negotiating and renewing cable franchise agreements and other contractual rights, such as deferred right-of-way costs. These assets have a finite useful life and are amortized on a straight-line basis over their respective contract terms as follows:

Renewal of cable franchise rights	15 - 25 years
Deferred right-of-way costs	5 - 25 years
Trade names and subscriber lists	5 years
Other	2 - 20 years

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(l) *Impairment of Long-Lived, Indefinite-Lived Assets and Goodwill*

The Company reviews its long-lived assets (property, plant, and equipment, and intangible assets subject to amortization that arose from acquisitions accounted for under the purchase method) for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value.

We evaluate goodwill and other indefinite-lived intangible assets for impairment at least annually and whenever other facts and circumstances indicate that the carrying amounts of goodwill and other indefinite-lived assets may not be recoverable. For purposes of the goodwill evaluation, we make a qualitative assessment to determine if goodwill may be impaired. If it is more likely than not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. If the carrying value of a reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. Any excess of the carrying value over the fair value of indefinite-lived intangibles assets other than goodwill is also charged to operations as an impairment loss.

(m) *Income Taxes*

The Company is not subject to federal or state income taxes, and therefore, no income taxes are recorded in the accompanying consolidated financial statements.

(n) *Use of Estimates*

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

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

(2) **Charter Agreement**

On March 31, 2015, A/N entered into an agreement (the Agreement) with Charter Communications, Inc. (Charter) whereby Charter will acquire the BHN business (with the exception of certain excluded assets and liabilities). On May 26, 2015, Charter and TWC announced that they had entered into an agreement to merge, following which Charter and A/N amended their Agreement. Following the closing of the merger between Charter and TWC and the acquisition of BHN by Charter (which transactions are expected to close contemporaneously), A/N is expected to own between 14% and 13% of the combined Charter-TWC-BHN business (depending on final elections of cash versus stock available to shareholders of TWC), on an as-converted, as-exchanged basis.

The Agreement, as amended, between Charter and A/N is subject to several conditions, including, the completion of the merger between Charter and TWC and regulatory approvals.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(3) Property, Plant, and Equipment, Net

Property, plant, and equipment and related accumulated depreciation consist of the following at December 31:

	2015	2014
	<u>(In thousands)</u>	
Land	\$ 32,914	32,733
Buildings and improvements	273,751	262,871
Distribution system	4,712,594	4,531,328
Vehicles, other equipment, furniture, and fixtures	351,848	359,937
Construction in progress	37,379	38,457
	<hr/>	<hr/>
Total cost	\$ 5,408,486	5,225,326
Less accumulated depreciation	(3,222,264)	(3,094,684)
	<hr/>	<hr/>
Total property, plant, and equipment, net	\$ 2,186,222	2,130,642
	<hr/>	<hr/>

Depreciation expense was \$448.7 million, \$406.4 million and \$376.4 million for 2015, 2014 and 2013, respectively.

(4) Marketable Securities

Our marketable debt securities consisted of the following at December 31:

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

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

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(5) Investments

Investments consist of the following at December 31:

	2015	2014
	(In thousands)	
Equity method investments	\$ 10,420	12,006
Total investments	\$ 10,420	12,006

In July 2013, in connection with Sprint Communications, Inc.'s (Sprint) acquisition of Clearwire Corporation (Clearwire), Sprint acquired the Company's cost method investment of 8.5 million Class A shares of Clearwire for \$42.4 million. As a result, the Company recognized a gain of \$25.9 million, which is included in Gain from disposal of assets, net and other income in the consolidated statement of income in 2013.

(6) Intangible Assets and Goodwill

Intangible assets and related accumulated amortization consist of the following at December 31:

	2015			2014		
	Gross Carrying Amount	Accumulated Amortization	Total	Gross Carrying Amount	Accumulated Amortization	Total
	(In thousands)					
Indefinite-lived cable franchise rights	\$ 801,760	—	801,760	801,760	—	801,760
Finite-lived intangible assets:						
Renewal of cable franchise rights	48,706	(35,899)	12,807	85,246	(82,177)	3,069
Deferred right-of-way costs	93,071	(49,241)	43,830	84,297	(40,923)	43,374
Trade names and subscriber lists	1,564	(938)	626	1,564	(625)	939
Other	5,530	(3,659)	1,871	5,530	(3,188)	2,342
	148,871	(89,737)	59,134	176,637	(126,913)	49,724
Total intangible assets, net	\$ 950,631	(89,737)	860,894	978,397	(126,913)	851,484

Amortization expense was \$10.2 million, \$9.9 million and \$9.7 million in 2015, 2014 and 2013, respectively. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense is expected to be \$11.0 million in 2016, \$10.1 million in 2017, \$8.4 million in 2018, \$7.0 million in 2019, and \$5.7 million in 2020.

There were no changes in the carrying value of the Company's goodwill from January 1 through December 31, 2015 and 2014, respectively. There were no goodwill impairment charges for the years ended December 31, 2015, 2014 and 2013.

BRIGHT HOUSE NETWORKS, LLC AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015, 2014 and 2013

(7) Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities consist of the following at December 31:

	2015	2014
	(In thousands)	
Accounts payable	\$ 81,455	77,638
Amount owed to TWC	160,345	154,367
Other	110,648	116,337
	<hr/>	<hr/>
Total other liabilities	\$ 352,448	348,342
	<hr/> <hr/>	<hr/> <hr/>

(8) Long-Term Debt

The following table summarizes the Company's debt arrangements at December 31:

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

The senior notes are guaranteed by A/N and the Company's subsidiaries.

- (a) Interest on senior notes is payable semi annually at a fixed annual interest rate of 7.25%. The principal is payable in full at maturity. \$200 million of principal was due and repaid in full on January 25, 2016 and \$100 million of principal was due and repaid in full on February 17, 2016.
- (b) Interest on senior notes is payable semi annually at a fixed annual interest rate of 7.50%. The principal is payable in annual payments of \$42.9 million.
- (c) The Company pays interest rates equal to LIBOR plus 1.125% on its revolver loans and a commitment fee of 0.125% per annum on the unused portion of the facility. Of the \$500 million total facility, up to \$466.3 million remained available at December 31, 2015. The reduction in borrowing capacity relates to \$33.7 million in letters of credit at December 31, 2015 (note 13). The revolving credit facility terminates on July 29, 2018.

The Company's debt had an estimated fair value of \$491.6 million and \$564.0 million as of December 31, 2015 and December 31, 2014, respectively. The estimated fair value of the Company's privately held debt was based

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on available interest rates for debt issuances with similar terms and remaining maturities. Unrealized gains or losses on debt do not result in the realization or expenditure of cash and are not recognized for financial reporting purposes unless the debt is retired prior to its maturity.

The Company is required to maintain certain financial covenants and is in compliance with those covenants as of December 31, 2015. In the event of a change in control, the Company is required to give written notice to each holder containing an offer to prepay the senior notes at a price of 100% of the principal amount of the senior notes plus accrued and unpaid interest, accrued to such date of prepayment, plus a make-whole amount.

Interest expense for the instruments above, including amortization of deferred financing fees and other fees of \$1.6 million, \$1.5 million and \$2.3 million, was \$38.0 million, \$41.2 million and \$45.2 million in 2015, 2014 and 2013, respectively.

(9) Other Liabilities

Other liabilities consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
	(In thousands)	
Accrued pension benefits (note 11)	\$ 394,670	420,648
Other	52,393	59,074
	<u>447,063</u>	<u>479,722</u>
Total other liabilities	\$ 447,063	479,722

(10) Accumulated Other Comprehensive Loss

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
	(In thousands)		
Cumulative net unrecognized loss on pension and other postretirement employee benefits	\$ (183,410)	(223,918)	(91,205)

(11) Pension and Other Postretirement Benefits

Employee benefit plans

The Company sponsors a funded pension plan, the Bright House Networks Pension Plan (the Plan). The Plan provides employees with retirement benefits in accordance with benefit provision formulas based on years of service and compensation. Funding is based on an evaluation and review of the assets and liabilities of the Plan. The assets are held in a master trust managed by the Advance Publications, Inc. Master Trust Pension Committee. The projected benefit obligation is determined using the census data specific to the Company's employees. The Company's share of the master trust assets consists of Company specific contributions, net of benefit payments, and its proportionate share of the actual return on total assets. The Company's Plan was historically an annex to the Advance Pension Plan. On July 31, 2014, the Plan was spun off into its own separate pension plan. In

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connection with the spin-off, approximately \$170 million of plan assets previously attributed to the Plan were transferred to the Advance Publications Pension Plan and is reflected within member's equity.

The Company sponsors unfunded supplemental pension benefit plans for a select group of management and highly compensated employees. These plans are based on employees' years of service and compensation.

The Company provides postretirement healthcare to retirees and eligible dependents. These benefits are paid from the general assets of the Company.

Changes in the Company's projected benefit obligation, fair value of plan assets and funded status from January 1 through December 31 are presented below:

	2015	2014
	<u>(In thousands)</u>	
Projected benefit obligation, beginning of year	\$ 700,768	509,185
Service cost	43,432	33,554
Interest cost	30,472	25,251
Plan amendments	314	—
Actuarial (gain) loss	(60,286)	141,378
Benefits paid	<u>(8,877)</u>	<u>(8,600)</u>
 Projected benefit obligation, end of year	 <u>\$ 705,823</u>	 <u>700,768</u>
 Accumulated benefit obligation	 <u>\$ 568,332</u>	 <u>548,395</u>
 Fair value of plan assets, beginning of year	 277,138	365,359
Actual return on plan assets	(10,513)	32,927
Employer contributions	50,501	57,580
Benefits paid	(8,877)	(8,600)
Transfer out due to plan spinoff	<u>—</u>	<u>(170,128)</u>
 Fair value of plan assets, end of year	 <u>\$ 308,249</u>	 <u>277,138</u>
 Funded status	 <u>\$ (397,574)</u>	 <u>(423,630)</u>

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The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plan, the supplemental pension plan and other postretirement plans as of December 31, 2015 and 2014 consisted of the following:

	Pension Plan		Supplemental Pension Plan		Other Postretirement Plans	
	December 31, 2015	2014	2015	2014	2015	2014
	(In thousands)					
Projected benefit obligation	\$ 659,960	649,781	45,767	50,850	96	137
Accumulated benefit obligation	522,565	498,013	45,767	50,382	—	—
Fair value of plan assets	308,249	277,138	—	—	—	—

Pretax amounts recognized in the consolidated balance sheet as of December 31, 2015 and 2014 consisted of the following:

	2015	2014
	(In thousands)	
Current liability	\$ (2,904)	(2,982)
Noncurrent liability	(394,670)	(420,648)
Total amount recognized in liabilities	\$ (397,574)	(423,630)
Accumulated other comprehensive loss, net:		
Actuarial loss	\$ (183,019)	(223,836)
Prior service cost	(391)	(82)
Total amount recognized in member's equity	\$ (183,410)	(223,918)

The components of net periodic benefit costs for the years ended December 31, 2015, 2014 and 2013 consisted of the following:

	2015	2014	2013
	(In thousands)		
Service cost	\$ 43,432	33,554	38,324
Interest cost	30,472	25,251	22,483
Expected return on plan assets	(21,672)	(27,990)	(23,404)
Recognized actuarial loss	12,716	3,722	10,688
Amortization of prior service cost	5	5	5
Net periodic pension cost	\$ 64,953	34,542	48,096

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The estimated amounts that are expected to be amortized from accumulated other comprehensive loss, net, into net periodic benefit costs in 2016 include:

Amortization of actuarial loss	\$	7,763
Amortization of prior service cost		<u>89</u>
	\$	<u><u>7,852</u></u>

The weighted average assumptions used to determine projected benefit obligations and net periodic cost were:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate used to determine projected benefit obligation – pension plan	4.75%	4.40%	5.00%
Discount rate used to determine projected benefit obligation – supplemental pension plan and other postretirement plans	4.50	4.10	5.00
Discount rate used to determine net periodic cost – pension plan	4.40	5.00	4.25
Discount rate used to determine net periodic cost – supplemental pension plan and other postretirement plans	4.10	5.00	4.25
Expected long-term return on plan assets	7.50	7.50	7.50
Rate of compensation increase used to determine projected benefit obligation	4.00	4.00	4.00
Rate of compensation increase used to determine net periodic pension cost	4.00	4.00	4.00
Healthcare cost trend rate assumed for next year	7.00	7.20	7.20
Rate to which the cost is assumed to decline (ultimate trend rate)	4.50	4.50	4.50

The mortality tables used to determine benefit obligations as of December 31, 2015, 2014 and 2013 consisted of the following: RP 2014 generational mortality table with MP - 2015 and MP- 2014 projection scale and no collar adjustment for 2015 and 2014, respectively, and the PPA Separate static annuitant and non-annuitant tables for 2013.

The discount rate used by the Company in calculating the net periodic benefit cost for the Pension Plan and the Supplemental Pension Plan was determined using the Mercer Pension Discount Yield Curve - Above Mean Yield. The Above Mean Curve is constructed from the bonds in the Mercer Yield Curve universe that have a yield higher than the Regression Mean Yield Curve.

In developing the expected long-term rate of return on assets, the Plan evaluates input from investment consultants, actuaries, and investment management firms based on their long term investment outlook and computation of historical returns. Expectations of returns for each asset class are the most significant of the assumptions used in developing the expected long-term return on assets. The Company then utilizes a forward-looking building block approach based on the asset class allocations.

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The Plan's investment policy for its funded pension plan is to maximize the total rate of return on plan assets within an acceptable level of risk to minimize the cost of providing pension benefits while maintaining adequate funding levels.

The Plan's asset allocations and targets are as follows:

	Asset allocation		Target allocation	
	2015	2014	2015	2014
Equity securities	37%	33%	27 - 47%	27 - 47%
Global asset allocation funds	13	13	10 - 20	10 - 20
Fixed income, cash and annuity contracts	38	42	25 - 45	25 - 45
Alternatives	12	12	0 - 20	0 - 20
Total	100%	100%		

The fair value of assets underlying the Plan held at December 31, 2015 and 2014 by asset category is as follows:

	2015			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Equity securities: (a)				
U.S. companies	\$ 117	56,369	—	56,486
Non-U.S. companies	—	57,464	—	57,464
Global asset allocation funds (b)	19,181	21,131	—	40,312
Fixed income, cash and annuity contracts (c)	—	116,968	—	116,968
Alternatives (d)	—	13,725	24,959	38,684
Total ⁽¹⁾	\$ 19,298	265,657	24,959	309,914

⁽¹⁾ Excludes accruals relating to trades that were not settled as of December 31, 2015.

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	2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Equity securities: (a)				
U.S. companies	\$ 396	39,992	—	40,388
Non-U.S. companies	—	50,800	—	50,800
Global asset allocation funds (b)	17,521	18,365	—	35,886
Fixed income, cash and annuity contracts (c)	13	117,097	—	117,110
Alternatives (d)	—	11,607	21,347	32,954
Total	\$ 17,930	237,861	21,347	277,138

The following details the assets measured at fair value, including the general classification of such assets pursuant to the fair value hierarchy (note 1):

(a) *Equity securities*

Most of the equity securities are held in common/collective trusts, which are public investment fund vehicles valued based on the quoted net asset value (NAV) and are generally classified within Level 2 of the fair value hierarchy. Other equity securities are valued at the closing price reported on the major stock exchange where the individual securities are traded and are generally classified within Level 1 of the fair value hierarchy.

(b) *Global asset allocation funds*

Global asset allocation assets generally consist of fixed income and equity securities and are held in registered investment companies and common/collective trusts, where the assets are valued at NAV, and classified as Level 1 and Level 2, respectively, of the fair value hierarchy.

(c) *Fixed income, cash, annuity contracts*

Fixed income securities and cash are generally held in common/collective trusts that are benchmarked off a comparable index. The underlying assets are valued at NAV and are classified as Level 2 of the fair value hierarchy. The value of annuity contracts are invested in asset pools consisting of equity and fixed income securities, which are classified as Level 2 of the fair value hierarchy.

(d) *Alternatives*

Alternatives primarily include limited partnership investments in hedge funds and private equity funds. Hedge funds are valued based on a quoted NAV and are classified within Levels 2 or 3 of the fair value hierarchy, depending on the level of liquidity and market activity for each investment. The valuation of private equity funds are based on different methodologies including discounted cash flow, direct capitalization, and market comparable analysis and are generally classified as Level 3 of the fair value hierarchy.

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The changes in Level 3 pension plan assets for the years ended December 31, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
	(In thousands)	
Balance at beginning of year	\$ 21,347	30,125
Purchases, issuances, and settlements, net	(308)	(110)
Transfer out due to plan spinoff	—	(9,698)
Actual return on Plan assets still held at December 31, 2015	<u>3,920</u>	<u>1,030</u>
Balance at end of year	<u>\$ 24,959</u>	<u>21,347</u>

The Company expects to contribute \$23.6 million to the Plan in 2016.

Total payments from the Company's benefit plans were \$8.9 million in 2015. The expected future payments from its benefit plans are as follows (in thousands):

2016	\$	11,272
2017		13,005
2018		14,660
2019		16,531
2020		19,042
2021-2025		<u>132,050</u>
	\$	<u>206,560</u>

(12) Related Party Transactions

During 2015 and 2014, the Company had transactions with Advance Publications, Inc. and its wholly owned subsidiaries (Advance). Advance is a related party to the Company due to its ownership of A/N (note 1). Amounts due from Advance that are included within other current assets in the accompanying consolidated balance sheets at December 31, 2015 and 2014 are summarized below:

	<u>2015</u>	<u>2014</u>
	(In thousands)	
Total due from Advance, net	\$ 12,842	24,247

The Company has a revolving credit agreement with Advance with a borrowing capacity of \$750.0 million. The revolving credit facility has a term of five years maturing on August 31, 2018, with interest on the outstanding balance equal to LIBOR plus 1.75% in addition to a commitment fee of 0.275% on the unused portion. The Company has subordinated its right to receive interest and repayments of principal to the rights of certain other creditors pursuant to a subordination agreement dated July 28, 2009. The outstanding balance of the revolving line of credit as of December 31, 2015 and 2014 was \$0. Total interest income recognized by the Company related to the revolving credit agreement was \$1.9 million, \$1.9 million and \$1.9 million for the years ended

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December 31, 2015, December 31, 2014 and December 31, 2013, respectively, which is recorded as a component of interest, net within the accompanying consolidated statements of income.

The accompanying consolidated statements of income include allocations from Advance for certain corporate administrative expenses. Total allocated corporate expense was \$60.2 million, \$47.9 million and \$49.7 million for the years ended December 31, 2015, December 31, 2014 and December 31, 2013, respectively, which is recorded by the Company as a component of operating expense within the accompanying consolidated statements of income.

(13) Commitments and Contingencies

- a. The Company has certain pending lawsuits, which, in the opinion of management, will not have a material adverse effect upon the financial condition of the Company.
- b. As of December 31, 2015, the Company is contingently liable for affiliated pension liabilities of \$576 million (affiliates' share of accumulated benefit obligation in excess of plan assets). As of December 31, 2015, the Company does not expect that any contributions will be made on behalf of any of the affiliates.
- c. The Company pays for programming provided to its subscribers under joint contracts with TWC. Contract rates are based on subscriber counts that include TWC's and the Company's subscribers. The Company's programming costs could increase if contract rates were negotiated based solely on the Company's subscriber counts.
- d. Many of the Company's franchise agreements and utility pole leases require the Company to remove its cable wires and other equipment upon termination of the respective agreements. The Company has concluded that the fair value of these asset retirement obligations cannot be reasonably estimated since the range of potential settlement dates is not determinable.
- e. Cash distributions by the Company for non-tax purposes are restricted by the existing note purchase agreement with third-party lenders (the Agreement). The Company may make cash distributions during any fiscal quarter so long as the Adjusted Consolidated Net Worth (as defined) as of such date less the amount of such cash distribution is not less than \$1 billion.
- f. The Company had \$33.7 million and \$34.4 million of letters of credit as of December 31, 2015 and December 31, 2014, respectively.
- g. The Company is liable under various operating leases for office space which expire on various dates through 2039. Certain lease agreements include escalation clauses. The Company also rents space on utility poles for its operations. The pole rental agreements are for varying terms and management anticipates renewals as they expire.

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Future minimum rental payments required under these leases (with initial or remaining terms in excess of one year), including pole rentals from January 1, 2016 through December 31, 2020 at rates now in force, are as follows (in thousands):

2016	\$	22,007
2017		21,770
2018		21,365
2019		18,474
2020		17,485
Thereafter		<u>7,161</u>
		108,262
Less sublease income		<u>(9,234)</u>
	\$	<u><u>99,028</u></u>

Total rent expense was \$24.7 million, \$20.4 million and \$26.5 million in 2015, 2014 and 2013, respectively.

(14) Subsequent Events

On January 25, 2016, and February 17, 2016 the Company received capital cash contributions of \$150 million and \$40 million, respectively, from A/N, which amounts were used to repay debt (see note 8).