

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

or

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

For the Transition Period From to

Commission File Number: 001-37789  
333-112593-01

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

Delaware

86-1067239

Delaware

20-0257904

(State or other jurisdiction of incorporation or organization)

(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)

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

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

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

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

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

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

All of the issued and outstanding shares of capital stock of CCO Holdings Capital Corp. are held by CCO Holdings, LLC. All of the limited liability company membership interests of CCO Holdings, LLC are held by CCH I Holdings, LLC (a subsidiary of Charter Communications, Inc., a reporting company under the Exchange Act). There is no public trading market for any of the aforementioned limited liability company membership interests or shares of capital stock.

CCO Holdings, LLC and CCO Holdings Capital Corp. meet the conditions set forth in General Instruction I(1)(a) and (b) to Form 10-K and are therefore filing with the reduced disclosure format.

Number of shares of common stock of CCO Holdings Capital Corporation outstanding as of June 30, 2017: 1

CCO HOLDINGS, LLC  
CCO HOLDINGS CAPITAL CORP.  
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2017

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This quarterly report on Form 10-Q is for the three and six months ended June 30, 2017. The United States Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "CCO Holdings," "we," "us" and "our" refer to CCO Holdings, LLC and its subsidiaries.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**CCO HOLDINGS, LLC AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(dollars in millions)**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 521	\$ 1,324
Accounts receivable, less allowance for doubtful accounts of \$121 and \$124, respectively	1,416	1,387
Prepaid expenses and other current assets	319	300
<b>Total current assets</b>	<b>2,256</b>	<b>3,011</b>
<b>INVESTMENT IN CABLE PROPERTIES:</b>		
Property, plant and equipment, net of accumulated depreciation of \$14,668 and \$11,085, respectively	32,711	32,718
Customer relationships, net	13,231	14,608
Franchises	67,316	67,316
Goodwill	29,554	29,509
<b>Total investment in cable properties, net</b>	<b>142,812</b>	<b>144,151</b>
<b>OTHER NONCURRENT ASSETS</b>	<b>1,132</b>	<b>1,157</b>
<b>Total assets</b>	<b>\$ 146,200</b>	<b>\$ 148,319</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 7,327	\$ 6,897
Payables to related party	566	621
Current portion of long-term debt	—	2,028
<b>Total current liabilities</b>	<b>7,893</b>	<b>9,546</b>
<b>LONG-TERM DEBT</b>	<b>63,248</b>	<b>59,719</b>
<b>LOANS PAYABLE - RELATED PARTY</b>	<b>833</b>	<b>640</b>
<b>DEFERRED INCOME TAXES</b>	<b>39</b>	<b>25</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>2,320</b>	<b>2,526</b>
<b>MEMBER'S EQUITY:</b>		
Member's equity	71,847	75,845
Accumulated other comprehensive loss	(4)	(7)
<b>Total CCO Holdings member's equity</b>	<b>71,843</b>	<b>75,838</b>
<b>Noncontrolling interests</b>	<b>24</b>	<b>25</b>
<b>Total member's equity</b>	<b>71,867</b>	<b>75,863</b>
<b>Total liabilities and member's equity</b>	<b>\$ 146,200</b>	<b>\$ 148,319</b>

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

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(dollars in millions)  
**Unaudited**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUES	\$ 10,357	\$ 6,161	\$ 20,521	\$ 8,691
<b>COSTS AND EXPENSES:</b>				
Operating costs and expenses (exclusive of items shown separately below)	6,582	4,012	13,166	5,683
Depreciation and amortization	2,592	1,435	5,140	1,974
Other operating expenses, net	135	289	229	307
	<u>9,309</u>	<u>5,736</u>	<u>18,535</u>	<u>7,964</u>
Income from operations	<u>1,048</u>	<u>425</u>	<u>1,986</u>	<u>727</u>
<b>OTHER EXPENSES:</b>				
Interest expense, net	(754)	(462)	(1,473)	(662)
Loss on extinguishment of debt	(1)	(110)	(35)	(110)
Loss on financial instruments, net	(70)	(50)	(32)	(55)
Other pension benefits	13	520	26	520
	<u>(812)</u>	<u>(102)</u>	<u>(1,514)</u>	<u>(307)</u>
Income before income taxes	236	323	472	420
Income tax expense	(10)	(7)	(29)	(7)
Consolidated net income	<u>226</u>	<u>316</u>	<u>443</u>	<u>413</u>
Less: Net income attributable to noncontrolling interests	(1)	—	(1)	—
Net income attributable to CCO Holdings member	<u>\$ 225</u>	<u>\$ 316</u>	<u>\$ 442</u>	<u>\$ 413</u>

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

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(dollars in millions)  
**Unaudited**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Consolidated net income	\$ 226	\$ 316	\$ 443	\$ 413
Net impact of interest rate derivative instruments	2	2	3	4
Consolidated comprehensive income	228	318	446	417
Less: Comprehensive income attributable to noncontrolling interests	(1)	—	(1)	—
Comprehensive income attributable to CCO Holdings member	\$ 227	\$ 318	\$ 445	\$ 417

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

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(dollars in millions)  
**Unaudited**

	Six Months Ended June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Consolidated net income	\$ 443	\$ 413
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	5,140	1,974
Stock compensation expense	134	87
Accelerated vesting of equity awards	37	145
Noncash interest income, net	(196)	(41)
Other pension benefits	(26)	(520)
Loss on extinguishment of debt	35	110
Loss on financial instruments, net	32	55
Deferred income taxes	16	—
Other, net	(3)	(5)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	79	(96)
Prepaid expenses and other assets	16	39
Accounts payable, accrued liabilities and other	(56)	560
Receivables from and payables to related party, including deferred management fees	(23)	27
Net cash flows from operating activities	<u>5,628</u>	<u>2,748</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(3,703)	(1,689)
Change in accrued expenses related to capital expenditures	197	138
Purchases of cable systems, net of cash acquired	—	(8)
Other, net	(49)	(6)
Net cash flows from investing activities	<u>(3,555)</u>	<u>(1,565)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings of long-term debt	7,146	5,997
Repayments of long-term debt	(5,529)	(4,070)
Borrowings (repayments) loans payable - related parties	178	(253)
Payments for debt issuance costs	(42)	(283)
Contributions from parent	—	478
Distributions to parent	(4,622)	(2,719)
Proceeds from termination of interest rate derivatives	—	88
Other, net	(7)	(1)
Net cash flows from financing activities	<u>(2,876)</u>	<u>(763)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(803)</b>	<b>420</b>
CASH AND CASH EQUIVALENTS, beginning of period	1,324	5
CASH AND CASH EQUIVALENTS, end of period	<u>\$ 521</u>	<u>\$ 425</u>
<b>CASH PAID FOR INTEREST</b>	<b>\$ 1,653</b>	<b>\$ 527</b>
<b>CASH PAID FOR TAXES</b>	<b>\$ 20</b>	<b>\$ 2</b>

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

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in millions except where indicated)**

## **1. Organization and Basis of Presentation**

### **Organization**

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

CCO Holdings is a holding company whose principal assets are the equity interests in its operating subsidiaries. CCO Holdings is a direct subsidiary of CCH I Holdings, LLC (“CCH I”), which is an indirect subsidiary of Charter Communications, Inc. (“Charter”), Charter Communications Holdings, LLC (“Charter Holdings”) and Spectrum Management Holding Company, LLC (“Spectrum Management”). The consolidated financial statements include the accounts of CCO Holdings and all of its subsidiaries where the underlying operations reside, which are collectively referred to herein as the “Company.” All significant intercompany accounts and transactions among consolidated entities have been eliminated. Charter, Charter Holdings and Spectrum Management have performed financing, cash management, treasury and other services for CCO Holdings on a centralized basis. Changes in member’s equity in the consolidated balance sheets related to these activities have been considered cash receipts (contributions) and payments (distributions) for purposes of the consolidated statements of cash flows and are reflected in financing activities.

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

### **Basis of Presentation**

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; purchase accounting valuations of assets and liabilities including, but not limited to, property, plant and equipment, intangibles and goodwill; pension benefits; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform with the 2017 presentation.

## **2. Mergers and Acquisitions**

### **The Transactions**

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



**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in millions except where indicated)**

Transactions, the total value of the TWC Transaction was approximately \$85 billion, including cash, equity and Legacy TWC assumed debt.

Also, on May 18, 2016, Legacy Charter and Advance/Newhouse Partnership (“A/N”), the former parent of Bright House Networks, LLC (“Bright House”), completed their previously announced transaction, pursuant to a definitive Contribution Agreement (the “Contribution Agreement”), under which Charter acquired Bright House (the “Bright House Transaction”) for approximately \$12.2 billion consisting of cash, convertible preferred units of Charter Holdings and common units of Charter Holdings. Pursuant to the Bright House Transaction, Charter became the owner of the membership interests in Bright House and the other assets primarily related to Bright House (other than certain excluded assets and liabilities and non-operating cash).

In connection with the TWC Transaction, Liberty Broadband purchased shares of Charter Class A common stock to partially finance the cash portion of the TWC Transaction consideration, and in connection with the Bright House Transaction, Liberty Broadband purchased shares of Charter Class A common stock (the “Liberty Transactions”).

**Acquisition Accounting**

Charter applied acquisition accounting to the Transactions. The total purchase price was allocated to the identifiable tangible and intangible assets acquired and the liabilities assumed based on their estimated fair values. The fair values were primarily based on third-party valuations using assumptions developed by management and other information compiled by management including, but not limited to, future expected cash flows. The excess of the purchase price over those fair values was recorded as goodwill.

The tables below present the final allocation of the purchase price to the assets acquired and liabilities assumed in the Transactions.

***TWC Allocation of Purchase Price***

Cash and cash equivalents	\$ 1,058
Current assets	1,417
Property, plant and equipment	21,413
Customer relationships	13,460
Franchises	54,085
Goodwill	28,337
Other noncurrent assets	1,040
Accounts payable and accrued liabilities	(4,107)
Debt	(24,900)
Deferred income taxes	(28,120)
Other long-term liabilities	(3,162)
Noncontrolling interests	(4)
	\$ 60,517

Charter made measurement period adjustments to the fair value of certain assets acquired and liabilities assumed in the TWC Transaction during the three months ended June 30, 2017, including a decrease to working capital of \$46 million and a decrease of \$18 million to deferred income tax liabilities, resulting in a net increase of \$28 million to goodwill. The measurement period adjustments for the TWC Transaction during the six months ended June 30, 2017 included a decrease to working capital of \$73 million and a decrease of \$28 million to deferred income tax liabilities, resulting in a net increase of \$45 million to goodwill.

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in millions except where indicated)**

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

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

No measurement period adjustments were made to the fair value of assets acquired and liabilities assumed in the Bright House Transaction during the six months ended June 30, 2017.

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

**Selected Pro Forma Financial Information**

The following unaudited pro forma financial information of the Company is based on the historical consolidated financial statements of Legacy Charter, Legacy TWC and Legacy Bright House and is intended to provide information about how the Transactions and related financing may have affected the Company's historical consolidated financial statements if they had closed as of January 1, 2015. The pro forma financial information below is based on available information and assumptions that the Company believes are reasonable. The pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what the Company's financial condition or results of operations would have been had the transactions described above occurred on the date indicated. The pro forma financial information also should not be considered representative of the Company's future financial condition or results of operations.

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2016</b>		<b>2016</b>	
Revenues	\$	9,969	\$	19,711
Net income attributable to CCO Holdings member	\$	474	\$	847

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
(dollars in millions except where indicated)

**3. Franchises, Goodwill and Other Intangible Assets**

Indefinite-lived and finite-lived intangible assets consist of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>Indefinite-lived intangible assets:</b>						
Franchises	\$ 67,316	\$ —	\$ 67,316	\$ 67,316	\$ —	\$ 67,316
Goodwill	29,554	—	29,554	29,509	—	29,509
Other intangible assets	—	—	—	4	—	4
	<u>\$ 96,870</u>	<u>\$ —</u>	<u>\$ 96,870</u>	<u>\$ 96,829</u>	<u>\$ —</u>	<u>\$ 96,829</u>
<b>Finite-lived intangible assets:</b>						
Customer relationships	\$ 18,227	\$ (4,996)	\$ 13,231	\$ 18,226	\$ (3,618)	\$ 14,608
Other intangible assets	664	(162)	502	615	(128)	487
	<u>\$ 18,891</u>	<u>\$ (5,158)</u>	<u>\$ 13,733</u>	<u>\$ 18,841</u>	<u>\$ (3,746)</u>	<u>\$ 15,095</u>

Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2017 was \$695 million and \$1.4 billion, respectively, and was \$403 million and \$464 million for the three and six months ended June 30, 2016, respectively.

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

Six months ended December 31, 2017	\$ 1,327
2018	2,468
2019	2,185
2020	1,894
2021	1,609
Thereafter	4,250
	<u>\$ 13,733</u>

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

**4. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017	December 31, 2016
Accounts payable – trade	\$ 538	\$ 416
Deferred revenue	364	352
<b>Accrued liabilities:</b>		
Programming costs	1,985	1,783
Labor	699	953
Capital expenditures	1,308	1,107
Interest	984	958
Taxes and regulatory fees	532	529
Other	917	799
	<u>\$ 7,327</u>	<u>\$ 6,897</u>

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**(dollars in millions except where indicated)**

**5. Long-Term Debt**

Long-term debt consists of the following as of June 30, 2017 and December 31, 2016:

	June 30, 2017		December 31, 2016	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
<b>CCO Holdings, LLC:</b>				
5.250% senior notes due March 15, 2021	\$ 500	\$ 497	\$ 500	\$ 496
6.625% senior notes due January 31, 2022	—	—	750	741
5.250% senior notes due September 30, 2022	1,250	1,233	1,250	1,232
5.125% senior notes due February 15, 2023	1,000	992	1,000	992
5.125% senior notes due May 1, 2023	1,150	1,142	1,150	1,141
5.750% senior notes due September 1, 2023	500	496	500	496
5.750% senior notes due January 15, 2024	1,000	992	1,000	991
5.875% senior notes due April 1, 2024	1,700	1,686	1,700	1,685
5.375% senior notes due May 1, 2025	750	745	750	744
5.750% senior notes due February 15, 2026	2,500	2,462	2,500	2,460
5.500% senior notes due May 1, 2026	1,500	1,488	1,500	1,487
5.875% senior notes due May 1, 2027	800	794	800	794
5.125% senior notes due May 1, 2027	3,250	3,214	—	—
<b>Charter Communications Operating, LLC:</b>				
3.579% senior notes due July 23, 2020	2,000	1,985	2,000	1,983
4.464% senior notes due July 23, 2022	3,000	2,975	3,000	2,973
4.908% senior notes due July 23, 2025	4,500	4,460	4,500	4,458
6.384% senior notes due October 23, 2035	2,000	1,981	2,000	1,980
6.484% senior notes due October 23, 2045	3,500	3,466	3,500	3,466
5.375% senior notes due May 1, 2047	1,250	1,241	—	—
6.834% senior notes due October 23, 2055	500	495	500	495
Credit facilities	8,817	8,725	8,916	8,814
<b>Time Warner Cable, LLC:</b>				
5.850% senior notes due May 1, 2017	—	—	2,000	2,028
6.750% senior notes due July 1, 2018	2,000	2,090	2,000	2,135
8.750% senior notes due February 14, 2019	1,250	1,374	1,250	1,412
8.250% senior notes due April 1, 2019	2,000	2,206	2,000	2,264
5.000% senior notes due February 1, 2020	1,500	1,597	1,500	1,615
4.125% senior notes due February 15, 2021	700	735	700	739
4.000% senior notes due September 1, 2021	1,000	1,050	1,000	1,056
5.750% sterling senior notes due June 2, 2031 <sup>(a)</sup>	814	880	770	834
6.550% senior debentures due May 1, 2037	1,500	1,689	1,500	1,691
7.300% senior debentures due July 1, 2038	1,500	1,792	1,500	1,795
6.750% senior debentures due June 15, 2039	1,500	1,727	1,500	1,730
5.875% senior debentures due November 15, 2040	1,200	1,258	1,200	1,259
5.500% senior debentures due September 1, 2041	1,250	1,258	1,250	1,258
5.250% sterling senior notes due July 15, 2042 <sup>(b)</sup>	847	816	800	771
4.500% senior debentures due September 15, 2042	1,250	1,136	1,250	1,135
<b>Time Warner Cable Enterprises LLC:</b>				

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8.375% senior debentures due March 15, 2023	1,000	1,253	1,000	1,273
8.375% senior debentures due July 15, 2033	1,000	1,318	1,000	1,324
<b>Total debt</b>	<b>61,778</b>	<b>63,248</b>	<b>60,036</b>	<b>61,747</b>
Less current portion:				
5.850% senior notes due May 1, 2017	—	—	(2,000)	(2,028)
<b>Long-term debt</b>	<b>\$ 61,778</b>	<b>\$ 63,248</b>	<b>\$ 58,036</b>	<b>\$ 59,719</b>

- (a) Principal amount includes £625 million valued at \$814 million and \$770 million as of June 30, 2017 and December 31, 2016, respectively, using the exchange rate at the respective dates.
- (b) Principal amount includes £650 million valued at \$847 million and \$800 million as of June 30, 2017 and December 31, 2016, respectively, using the exchange rate at the respective dates.

The accreted values presented in the table above represent the principal amount of the debt less the original issue discount at the time of sale, deferred financing costs, and, in regards to the Legacy TWC debt assumed, fair value premium adjustments as a result of applying acquisition accounting plus the accretion of those amounts to the balance sheet date. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. In regards to the fixed-rate British pound sterling denominated notes (the "Sterling Notes"), the principal amount of the debt and any premium or discount into US dollars is remeasured as of each balance sheet date. See Note 7. The Company has availability under the Charter Operating credit facilities of approximately \$2.8 billion as of June 30, 2017.

### CCO Holdings

In February 2016, CCO Holdings and CCO Holdings Capital Corp. ("CCO Holdings Capital") jointly issued \$1.7 billion aggregate principal amount of 5.875% senior notes due 2024 and, in April 2016, they issued \$1.5 billion aggregate principal amount of 5.500% senior notes due 2026 at a price of 100.075% of the aggregate principal amount. The net proceeds from both issuances were used to repurchase all of CCO Holdings' 7.000% senior notes due 2019, 7.375% senior notes due 2020 and 6.500% senior notes due 2021 and to pay related fees and expenses and for general corporate purposes. These debt repurchases resulted in a loss on extinguishment of debt of \$110 million for the three and six months ended June 30, 2016.

In February 2017, CCO Holdings and CCO Holdings Capital jointly issued \$1.0 billion aggregate principal amount of 5.125% senior notes due May 1, 2027. The net proceeds were used to redeem CCO Holdings' 6.625% senior notes due 2022, pay related fees and expenses and for general corporate purposes. The Company recorded a loss on extinguishment of debt of \$33 million for the six months ended June 30, 2017 related to these transactions.

In March 2017, CCO Holdings and CCO Holdings Capital jointly issued an additional \$1.0 billion aggregate principal amount of 5.125% senior notes due May 1, 2027 at a price of 99.0% of the aggregate principal amount. The net proceeds, as well as cash on hand, were used in April 2017 to redeem Time Warner Cable, LLC's 5.850% senior notes due 2017, pay related fees and expenses and for general corporate purposes. The Company recorded a loss on extinguishment of debt of \$1 million for the three and six months ended June 30, 2017 related to these transactions.

In April 2017, CCO Holdings and CCO Holdings Capital jointly issued an additional \$1.25 billion aggregate principal amount of 5.125% senior notes due May 1, 2027 (the "April CCOH Notes" and together with the notes issued in February and March 2017 described above, the "Notes") at a price of 100.5% of the aggregate principal amount. The net proceeds, along with the net proceeds from the Charter Operating Notes described below, were used to pay related fees and expenses and for general corporate purposes, including to fund buybacks of Charter Class A common stock or Charter Holdings common units.

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

CCO Holdings may redeem some or all of the Notes at any time at a premium. Beginning in 2025, the optional redemption price declines to 100% of the principal amount, plus accrued and unpaid interest, if any.

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In addition, at any time prior to May 1, 2020, CCO Holdings may redeem up to 40% of the aggregate principal amount of the Notes at a premium plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more equity offerings (as defined in the indenture); provided that certain conditions are met. In the event of specified change of control events, CCO Holdings must offer to purchase the outstanding Notes from the holders at a purchase price equal to 101% of the total principal amount of the Notes, plus any accrued and unpaid interest.

### **Charter Operating**

In January 2017, Charter Operating entered into an amendment to its Amended and Restated Credit Agreement dated May 18, 2016 (the "Credit Agreement") decreasing the applicable LIBOR margin on both the term loan E and term loan F to 2.00% and eliminating the LIBOR floor. The Company recorded a loss on extinguishment of debt of \$1 million for the six months ended June 30, 2017 related to these transactions.

In April 2017, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.25 billion aggregate principal amount of 5.375% senior secured notes due May 1, 2047 at a price of 99.968% of the aggregate principal amount. The net proceeds, along with the net proceeds from the April CCOH Notes described above, were used to pay related fees and expenses and for general corporate purposes, including to fund buybacks of Charter Class A common stock or Charter Holdings common units.

In July 2017, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.0 billion aggregate principal amount of 3.750% senior notes due February 15, 2028 at a price of 99.166% of the aggregate principal amount and an additional \$500 million aggregate principal amount of 5.375% senior secured notes due May 1, 2047 at a price of 106.529% of the aggregate principal amount (collectively together with the notes issued in April 2017 described above, the "Charter Operating Notes"). The net proceeds will be used to pay related fees and expenses and for general corporate purposes, including to fund potential buybacks of Charter Class A common stock or Charter Holdings common units.

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

### **6. Loans Receivable (Payable) - Related Party**

Loans payable - related party as of June 30, 2017 and December 31, 2016 consists of loans from Charter Communications Holdings Company, LLC ("Charter Holdco") to the Company of \$655 million and \$640 million, respectively. Loans payable - related party as of June 30, 2017 also includes a loan from Charter to the Company of \$178 million. Interest accrues on loans payable - related party at LIBOR plus 1.75%.

### **7. Accounting for Derivative Instruments and Hedging Activities**

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

Interest rate derivative instruments are used to manage interest costs and to reduce the Company's exposure to increases in floating interest rates. The Company manages its exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt. Using interest rate derivative instruments, the Company agrees to exchange, at specified intervals through 2017, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts. As of June 30, 2017 and December 31, 2016, the Company had \$850 million in notional amounts of interest rate derivative instruments outstanding. The notional amounts of interest rate derivative instruments do not represent amounts exchanged by the parties and, thus, are not a measure of exposure to credit loss. The amounts exchanged were determined by reference to the notional amount and the other terms of the contracts.

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Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The Company is required to post collateral on the cross-currency derivative instruments when the derivative contracts are in a liability position. In May 2016, the Company entered into a collateral holiday agreement for 80% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years.

The effect of derivative instruments on the consolidated balance sheets is presented in the table below:

	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
<b>Interest Rate Derivatives</b>				
Accrued interest	\$	1	\$	5
Accumulated other comprehensive loss	\$	(2)	\$	(5)
<b>Cross-Currency Derivatives</b>				
Other long-term liabilities	\$	193	\$	251

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

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Loss on Financial Instruments, Net:</b>				
Change in fair value of interest rate derivative instruments	\$ 2	\$ 1	\$ 4	\$ (2)
Change in fair value of cross-currency derivative instruments	(7)	(185)	58	(185)
Foreign currency remeasurement of Sterling Notes to U.S. dollars	(63)	147	(91)	147
Loss on termination of interest rate derivative instruments	—	(11)	—	(11)
Loss reclassified from accumulated other comprehensive loss due to discontinuance of hedge accounting	(2)	(2)	(3)	(4)
	<u>\$ (70)</u>	<u>\$ (50)</u>	<u>\$ (32)</u>	<u>\$ (55)</u>

## 8. Fair Value Measurements

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

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

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**Financial Assets and Liabilities**

The Company has estimated the fair value of its financial instruments as of June 30, 2017 and December 31, 2016 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

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

A portion of the Company's cash and cash equivalents as of June 30, 2017 and December 31, 2016 were invested in money market funds. The money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange which approximates fair value. The money market funds potentially subject the Company to concentration of credit risk. The amount invested within any one financial instrument did not exceed \$150 million and \$250 million as of June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017 and December 31, 2016, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

Interest rate derivative instruments are valued using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's and counterparties' credit risk). The weighted average pay rate for the Company's currently effective interest rate derivative instruments was 1.59% at June 30, 2017 and December 31, 2016 (exclusive of applicable spreads). The cross-currency derivative instruments are valued using a present value calculation based on expected forward interest and exchange rates (adjusted for Charter Operating's and counterparties' credit risk).

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

	June 30, 2017		December 31, 2016	
	Level 1	Level 2	Level 1	Level 2
<b>Assets</b>				
Money market funds	\$ 1	\$ —	\$ 1,003	\$ —
<b>Liabilities</b>				
Interest rate derivative instruments	\$ —	\$ 1	\$ —	\$ 5
Cross-currency derivative instruments	\$ —	\$ 193	\$ —	\$ 251

A summary of the carrying value and fair value of debt as of June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes and debentures	\$ 54,523	\$ 58,470	\$ 52,933	\$ 55,203
Credit facilities	\$ 8,725	\$ 8,836	\$ 8,814	\$ 8,943

The estimated fair value of the Company's senior notes and debentures as of June 30, 2017 and December 31, 2016 is based on quoted market prices in active markets and is classified within Level 1 of the valuation hierarchy, while the estimated fair value of the Company's credit facilities is based on quoted market prices in inactive markets and is classified within Level 2.



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**Nonfinancial Assets and Liabilities**

The Company's nonfinancial assets such as equity-method investments, franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No material impairments were recorded during the three and six months ended June 30, 2017 and 2016. Upon closing of the Transactions, all of Legacy TWC and Legacy Bright House nonfinancial assets and liabilities were recorded at fair values. See Note 2.

**9. Operating Costs and Expenses**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Programming	\$ 2,649	\$ 1,541	\$ 5,253	\$ 2,244
Regulatory, connectivity and produced content	532	317	1,030	429
Costs to service customers	1,907	1,189	3,855	1,647
Marketing	601	382	1,183	547
Transition costs	30	25	81	46
Other	863	558	1,764	770
	\$ 6,582	\$ 4,012	\$ 13,166	\$ 5,683

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand, and pay-per-view programming. Regulatory, connectivity and produced content costs represent payments to franchise and regulatory authorities, costs directly related to providing video, Internet and voice services as well as payments for sports, local and news content produced by the Company. Included in regulatory, connectivity and produced content costs is content acquisition costs for the Los Angeles Lakers' basketball games and Los Angeles Dodgers' baseball games which are recorded as games are exhibited over the applicable season. Costs to service customers include costs related to field operations, network operations and customer care for the Company's residential and small and medium business customers, including internal and third-party labor for installations, service and repairs, maintenance, bad debt expense, billing and collection, occupancy and vehicle costs. Marketing costs represent the costs of marketing to current and potential commercial and residential customers including labor costs. Transition costs represent incremental costs incurred to integrate the TWC and Bright House operations and to increase the scale of the Company's business as a result of the Transactions. See Note 2. Other includes corporate overhead, advertising sales expenses, indirect costs associated with the Company's enterprise business customers and regional sports and news networks, property tax and insurance expense and stock compensation expense, among others.

**10. Other Operating Expenses, Net**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Merger and restructuring costs	\$ 131	\$ 294	\$ 226	\$ 308
Special charges, net	4	2	6	6
Gain on sale of assets, net	—	(7)	(3)	(7)
	\$ 135	\$ 289	\$ 229	\$ 307

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**Merger and restructuring costs**

Merger and restructuring costs represent costs incurred in connection with merger and acquisition transactions and related restructuring, such as advisory, legal and accounting fees, employee retention costs, employee termination costs related to the Transactions and other exit costs. The Company expects to incur additional merger and restructuring costs in connection with the Transactions. Changes in accruals for merger and restructuring costs from December 31, 2016 through June 30, 2017 are presented below:

	Employee Retention Costs	Employee Termination Costs	Transaction and Advisory Costs	Other Costs	Total
Liability, December 31, 2015	\$ —	\$ —	\$ 33	\$ —	\$ 33
Liability assumed in the Transactions	80	9	3	—	92
Costs incurred	26	337	318	41	722
Cash paid	(99)	(102)	(329)	(41)	(571)
Remaining liability, December 31, 2016	7	244	25	—	276
Costs incurred	3	150	3	33	189
Cash paid	(9)	(194)	(5)	(33)	(241)
Remaining liability, June 30, 2017	\$ 1	\$ 200	\$ 23	\$ —	\$ 224

In addition to the costs incurred indicated above, the Company recorded \$20 million and \$37 million of expense related to accelerated vesting of equity awards of terminated employees during the three and six months ended June 30, 2017, respectively, and \$145 million during each of the three and six months ended June 30, 2016.

**Special charges, net**

Special charges, net primarily includes employee termination costs not related to the Transactions and net amounts of litigation settlements.

**Gain on sale of assets, net**

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

**11. Income Taxes**

CCO Holdings is a single member limited liability company not subject to income tax. CCO Holdings holds all operations through indirect subsidiaries. The majority of these indirect subsidiaries are limited liability companies that are not subject to income tax. Certain indirect subsidiaries that are required to file separate returns are subject to federal and state tax. CCO Holdings' tax provision reflects the tax provision of the entities required to file separate returns.

Generally, the taxable income, gains, losses, deductions and credits of CCO Holdings are passed through to its indirect members, Charter and A/N. Charter is responsible for its share of taxable income or loss of CCO Holdings allocated to it in accordance with the Charter Holdings Limited Liability Company Agreement ("LLC Agreement") and partnership tax rules and regulations. Charter also records financial statement deferred tax assets and liabilities related to its investment, and its underlying net assets, in CCO Holdings.

For the three and six months ended June 30, 2017, the Company recorded income tax expense of \$10 million and \$29 million, respectively, and \$7 million for each of the three and six months ended June 30, 2016. Income tax expense is generally recognized through increases in deferred tax liabilities as well as through current federal and state income tax expense.

In determining the Company's tax provision for financial reporting purposes, the Company establishes a reserve for uncertain tax positions unless such positions are determined to be "more likely than not" of being sustained upon examination, based on their

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technical merits. There is considerable judgment involved in making such a determination. The Company has recorded unrecognized tax benefits totaling approximately \$157 million and \$159 million, excluding interest and penalties, as of June 30, 2017 and December 31, 2016, respectively. The Company does not currently anticipate that its reserve for uncertain tax positions will significantly increase or decrease during 2017; however, various events could cause the Company's current expectations to change in the future. These uncertain tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statements of operations as part of the income tax provision.

No tax years for Charter, Charter Holdings, or Charter Holdco, the Company's indirect parent companies, for income tax purposes, are currently under examination by the IRS. Legacy Charter's tax years ending 2013 through the short period return dated May 17, 2016 remain subject to examination and assessment. Years prior to 2013 remain open solely for purposes of examination of Legacy Charter's loss and credit carryforwards. The IRS is currently examining Legacy TWC's income tax returns for 2011 through 2014. Legacy TWC's tax year 2015 remains subject to examination and assessment. Prior to Legacy TWC's separation from Time Warner Inc. ("Time Warner") in March 2009 (the "Separation"), Legacy TWC was included in the consolidated U.S. federal and certain state income tax returns of Time Warner. The IRS is currently examining Time Warner's 2008 through 2010 income tax returns. Time Warner's income tax returns for 2005 to 2007, which are periods prior to the Separation, were settled with the exception of an immaterial item that has been referred to the IRS Appeals Division. The Company does not anticipate that these examinations will have a material impact on the Company's consolidated financial position or results of operations. In addition, the Company is also subject to ongoing examinations of the Company's tax returns by state and local tax authorities for various periods. Activity related to these state and local examinations did not have a material impact on the Company's consolidated financial position or results of operations during the three and six months ended June 30, 2017, nor does the Company anticipate a material impact in the future.

## **12. Related Party Transactions**

On May 23, 2015, in connection with the execution of the Merger Agreement and the amendment of the Contribution Agreement, Charter entered into the Amended and Restated Stockholders Agreement with Liberty Broadband, A/N and Legacy Charter (the "Stockholders Agreement") and the LLC Agreement with Liberty Broadband and A/N. As of the closing of the Merger Agreement and the Contribution Agreement on May 18, 2016, the Stockholders Agreement replaced Legacy Charter's existing stockholders agreement with Liberty Broadband, dated September 29, 2014, and superseded the amended and restated stockholders agreement among Legacy Charter, Charter, Liberty Broadband and A/N, dated March 31, 2015.

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

In December 2016, Charter and A/N entered into a letter agreement (the "Letter Agreement") that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis once Charter or Charter Holdings have repurchased shares of Class A common stock or Charter Holdings common units from A/N and its affiliates for an aggregate purchase price of \$537 million which threshold has been reached.

The Company is aware that Dr. John Malone may be deemed to have a 37.9% voting interest in Liberty Interactive and is Chairman of the board of directors, an executive officer position, of Liberty Interactive. Liberty Interactive owns 38.2% of the common

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stock of HSN, Inc. (“HSN”) and has the right to elect 20% of the board members of HSN. Liberty Interactive wholly owns QVC, Inc. (“QVC”). The Company has programming relationships with HSN and QVC which pre-date the transaction with Liberty Media Corporation. For the three and six months ended June 30, 2017, the Company recorded payments in aggregate of approximately \$16 million and \$33 million, respectively, and for the three and six months ended June 30, 2016, the Company recorded payments in aggregate of approximately \$11 million and \$15 million, respectively, from HSN and QVC as part of channel carriage fees and revenue sharing arrangements for home shopping sales made to customers in the Company’s footprint.

Dr. Malone and Mr. Steven Miron, each a member of Charter’s board of directors, also serve on the board of directors of Discovery Communications, Inc., (“Discovery”) and the Company is aware that Dr. Malone owns 5.1% in the aggregate of the common stock of Discovery and has a 28.2% voting interest in Discovery for the election of directors. The Company is aware that Advance/Newhouse Programming Partnership (“A/N PP”), an affiliate of A/N and in which Mr. Miron is the CEO, owns 100% of the Series A preferred stock of Discovery and 100% of the Series C preferred stock of Discovery, representing approximately 34.6% of the outstanding equity of Discovery’s stock, on an as-converted basis. A/N PP has the right to appoint three directors out of a total of eleven directors to Discovery’s board to be elected by the holders of Discovery’s Series A preferred stock. In addition, Dr. Malone is a member of the board of directors of Lions Gate Entertainment Corp. (“Lions Gate”, parent company of Starz, Inc.) and owns approximately 5.9% in the aggregate of the common stock of Lions Gate and has 8.1% of the voting power, pursuant to his ownership of Lions Gate Class A voting shares. The Company purchases programming from both Discovery and Lions Gate pursuant to agreements entered into prior to Dr. Malone and Mr. Miron joining Charter’s board of directors. Based on publicly available information, the Company does not believe that either Discovery or Lions Gate would currently be considered related parties. The amounts paid in the aggregate to Discovery and Lions Gate represent less than 3% of total operating costs and expenses for the three and six months ended June 30, 2017 and 2016.

The Company and its parent companies have agreements with certain equity-method investees pursuant to which the Company has made or received related party transaction payments. The Company and its parent companies recorded payments to equity-method investees totaling \$78 million and \$146 million during the three and six months ended June 30, 2017, respectively, and \$37 million and \$41 million during the three and six months ended June 30, 2016, respectively. The Company recorded advertising revenues from transactions with equity-method investees totaling \$3 million and \$5 million during the three and six months ended June 30, 2017, respectively, and \$1 million during each of the three and six months ended June 30, 2016.

### **13. Contingencies**

In August 2015, a purported stockholder of Charter, Matthew Sciabacucchi, filed a lawsuit in the Delaware Court of Chancery, on behalf of a putative class of Charter stockholders, challenging the transactions between Charter, TWC, A/N, and Liberty Broadband announced by Charter on May 26, 2015. The lawsuit names as defendants Liberty Broadband, Charter, the board of directors of Charter, and New Charter. Plaintiff alleged that the Liberty Transactions improperly benefit Liberty Broadband at the expense of other Charter shareholders, and that Charter issued a false and misleading proxy statement in connection with the Transactions and the Liberty Transactions. Plaintiff requested, among other things, that the Delaware Court of Chancery enjoin the September 21, 2015 special meeting of Charter stockholders at which Charter stockholders were asked to vote on the Transactions and the Liberty Transactions until the defendants disclosed certain information relating to Charter, the Transactions and the Liberty Transactions. The disclosures demanded by the plaintiff included (i) certain unlevered free cash flow projections for Charter and (ii) a Form of Proxy and Right of First Refusal Agreement (“Proxy”) by and among Liberty Broadband, A/N, Charter and New Charter, which was referenced in the description of the Second Amended and Restated Stockholders Agreement, dated May 23, 2015, among Charter, New Charter, Liberty Broadband and A/N. On September 9, 2015, Charter issued supplemental disclosures containing unlevered free cash flow projections for Charter. In return, the plaintiff agreed its disclosure claims were moot and withdrew its application to enjoin the Charter stockholder vote on the Transactions and the Liberty Transactions. Charter filed a motion to dismiss this litigation and on May 31, 2017, the court issued an opinion, concluding a number of issues but reserving ruling on Charter’s motion until further briefing can be done regarding whether plaintiff’s claims are direct or derivative. The parties are presently providing the additional briefing that the court seeks. Charter denies any liability, believes that it has substantial defenses, and intends to vigorously defend this suit. Although Charter is unable to predict the outcome of this lawsuit, it does not expect the outcome will have a material effect on its operations, financial condition or cash flows.

The California Attorney General and the Alameda County, California District Attorney are investigating whether certain of Legacy Charter’s waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. That investigation was commenced in January 2014. A similar investigation involving Legacy TWC was initiated in February 2012. Charter is cooperating with these investigations. While the Company is unable to

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predict the outcome of these investigations, it does not expect that the outcome will have a material effect on its operations, financial condition, or cash flows.

On December 19, 2011, Sprint Communications Company L.P. (“Sprint”) filed a complaint in the U.S. District Court for the District of Kansas alleging that Legacy TWC infringed 12 U.S. patents purportedly relating to Voice over Internet Protocol (“VoIP”) services. Over the course of the litigation Sprint dismissed its claims relating to five of the asserted patents, and shortly before trial Sprint dropped its claims with respect to two additional patents. A trial on the remaining five patents began on February 13, 2017. On March 3, 2017 the jury returned a verdict of \$140 million against Legacy TWC and further concluded that Legacy TWC had willfully infringed Sprint’s patents. The court subsequently declined to enhance the damage award as a result of the purported willful infringement. On May 30, 2017, the court awarded Sprint an additional \$6 million, representing pre-judgment interest on the damages award. On June 28, 2017, the Company filed its notice of appeal with the United States Court of Appeals for the Federal Circuit. In addition to its appeal, the Company will continue to pursue indemnity from one of its vendors. The impact of the verdict was reflected in the adjustment to net current liabilities as described in Note 2. The Company does not expect that the outcome of this litigation will have a material adverse effect on its operations or financial condition. The ultimate outcome of this litigation or the pursuit of indemnity against the Company’s vendor cannot be predicted.

On October 23, 2015, the New York Office of the Attorney General (the “NY AG”) began an investigation of Legacy TWC’s advertised Internet speeds and other Internet product advertising. On February 1, 2017, the NY AG filed suit in the Supreme Court for the State of New York alleging that Legacy TWC’s advertising of Internet speeds was false and misleading. The suit seeks restitution and injunctive relief. On May 26, 2017, the Company moved to dismiss the NY AG’s complaint. The Company intends to defend itself vigorously. However, no assurances can be made that such defenses would ultimately be successful. At this time, the Company does not expect that the outcome of this litigation will have a material adverse effect on its operations, financial condition or cash flows.

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

The Company and its parent companies are party to lawsuits, claims and regulatory inquiries that arise in the ordinary course of conducting their business, including lawsuits claiming violation of wage and hour laws and breach of contract by vendors, including by one of its programmers. The ultimate outcome of these other legal matters pending against the Company cannot be predicted, and although such lawsuits and claims are not expected individually to have a material adverse effect on the Company’s consolidated financial condition, results of operations or liquidity, such lawsuits could have, in the aggregate, a material adverse effect on the Company’s consolidated financial condition, results of operations or liquidity. Whether or not the Company ultimately prevails in any particular lawsuit or claim, litigation can be time consuming and costly and injure the Company’s reputation.

#### **14. Stock Compensation Plans**

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

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Charter granted the following equity awards for the periods presented after applying the parent company merger ratio as a result of the Transactions, as applicable.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Stock options	42,600	4,800,200	1,145,200	5,679,700
Restricted stock	9,500	10,000	9,500	10,000
Restricted stock units	9,500	597,300	277,700	845,600

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

As of June 30, 2017, total unrecognized compensation remaining to be recognized in future periods totaled \$273 million for stock options, \$3 million for restricted stock and \$247 million for restricted stock units and the weighted average period over which they are expected to be recognized is three years for stock options, one year for restricted stock and two years for restricted stock units.

The Company recorded \$65 million and \$134 million of stock compensation expense for the three and six months ended June 30, 2017, respectively and \$63 million and \$87 million for the three and six months ended June 30, 2016, respectively, which is included in operating costs and expenses. The Company also recorded \$20 million and \$37 million of expense for the three and six months ended June 30, 2017, respectively, and \$145 million for each of the three and six months ended June 30, 2016 related to accelerated vesting of equity awards of terminated employees which is recorded in merger and restructuring costs.

**15. Employee Benefit Plans**

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

Pension benefits are based on formulas that reflect the employees' years of service and compensation during their employment period. Actuarial gains or losses are changes in the amount of either the benefit obligation or the fair value of plan assets resulting from experience different from that assumed or from changes in assumptions. The Company has elected to follow a mark-to-market pension accounting policy for recording the actuarial gains or losses annually during the fourth quarter, or earlier if a remeasurement event occurs during an interim period.

The components of net periodic pension benefit for the three and six months ended June 30, 2017 and 2016 consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Service cost	\$ —	\$ 35	\$ —	\$ 35
Interest cost	34	21	68	21
Expected return on plan assets	(47)	(23)	(94)	(23)
Pension curtailment gain	—	(675)	—	(675)
Remeasurement loss, net	—	157	—	157
Net periodic pension benefit	\$ (13)	\$ (485)	\$ (26)	\$ (485)

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The service cost component of net periodic pension benefit is recorded in operating costs and expenses in the consolidated statements of operations while the remaining components of net periodic pension benefit are recorded in other pension benefits. The \$675 million pension curtailment gain and \$157 million net remeasurement loss resulted from an amendment to the plans made subsequent to the TWC Transaction. During the second quarter of 2016, the Company amended the pension plans to freeze future benefit accruals to current active plan participants, driving the recognition of the pension curtailment gain, as no future compensation increases or future service will be credited to participants of the pension plans. Upon announcement and approval of the plan amendment, the assumptions underlying the pension liability and pension asset values were reassessed utilizing remeasurement date assumptions in accordance with the Company's mark-to-market pension accounting policy to record gains and losses in the period in which a remeasurement event occurs, resulting in the net remeasurement loss.

The Company made no cash contributions to the qualified pension plans during the three and six months ended June 30, 2017 and 2016; however, the Company may make discretionary cash contributions to the qualified pension plans in the future. Such contributions will be dependent on a variety of factors, including current and expected interest rates, asset performance, the funded status of the qualified pension plans and management's judgment. For the nonqualified unfunded pension plan, the Company will continue to make contributions during 2017 to the extent benefits are paid.

**16. Consolidating Schedules**

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

The "Charter Operating and Restricted Subsidiaries" column is presented to comply with the terms of the Credit Agreement.

Condensed consolidating financial statements as of June 30, 2017 and December 31, 2016 and for the six months ended June 30, 2017 and 2016 follow.

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
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**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Balance Sheets**  
**As of June 30, 2017**

	Guarantor Subsidiaries		Eliminations	CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries		
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ —	\$ 521	\$ —	\$ 521
Accounts receivable, net	—	1,416	—	1,416
Receivables from related party	51	—	(51)	—
Prepaid expenses and other current assets	—	319	—	319
Total current assets	<u>51</u>	<u>2,256</u>	<u>(51)</u>	<u>2,256</u>
<b>INVESTMENT IN CABLE PROPERTIES:</b>				
Property, plant and equipment, net	—	32,711	—	32,711
Customer relationships, net	—	13,231	—	13,231
Franchises	—	67,316	—	67,316
Goodwill	—	29,554	—	29,554
Total investment in cable properties, net	<u>—</u>	<u>142,812</u>	<u>—</u>	<u>142,812</u>
INVESTMENT IN SUBSIDIARIES	<u>87,289</u>	<u>—</u>	<u>(87,289)</u>	<u>—</u>
LOANS RECEIVABLE – RELATED PARTY	<u>511</u>	<u>—</u>	<u>(511)</u>	<u>—</u>
OTHER NONCURRENT ASSETS	<u>—</u>	<u>1,132</u>	<u>—</u>	<u>1,132</u>
Total assets	<u>\$ 87,851</u>	<u>\$ 146,200</u>	<u>\$ (87,851)</u>	<u>\$ 146,200</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 267	\$ 7,060	\$ —	\$ 7,327
Payables to related party	—	617	(51)	566
Total current liabilities	<u>267</u>	<u>7,677</u>	<u>(51)</u>	<u>7,893</u>
LONG-TERM DEBT	<u>15,741</u>	<u>47,507</u>	<u>—</u>	<u>63,248</u>
LOANS PAYABLE – RELATED PARTY	<u>—</u>	<u>1,344</u>	<u>(511)</u>	<u>833</u>
DEFERRED INCOME TAXES	<u>—</u>	<u>39</u>	<u>—</u>	<u>39</u>
OTHER LONG-TERM LIABILITIES	<u>—</u>	<u>2,320</u>	<u>—</u>	<u>2,320</u>
<b>MEMBER'S EQUITY</b>				
Controlling interest	71,843	87,289	(87,289)	71,843
Noncontrolling interests	—	24	—	24
Total member's equity	<u>71,843</u>	<u>87,313</u>	<u>(87,289)</u>	<u>71,867</u>
Total liabilities and member's equity	<u>\$ 87,851</u>	<u>\$ 146,200</u>	<u>\$ (87,851)</u>	<u>\$ 146,200</u>



**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
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**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Balance Sheets**  
**As of December 31, 2016**

	Guarantor Subsidiaries		Eliminations	CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries		
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	\$ —	\$ 1,324	\$ —	\$ 1,324
Accounts receivable, net	—	1,387	—	1,387
Receivables from related party	62	—	(62)	—
Prepaid expenses and other current assets	—	300	—	300
Total current assets	<u>62</u>	<u>3,011</u>	<u>(62)</u>	<u>3,011</u>
<b>INVESTMENT IN CABLE PROPERTIES:</b>				
Property, plant and equipment, net	—	32,718	—	32,718
Customer relationships, net	—	14,608	—	14,608
Franchises	—	67,316	—	67,316
Goodwill	—	29,509	—	29,509
Total investment in cable properties, net	<u>—</u>	<u>144,151</u>	<u>—</u>	<u>144,151</u>
INVESTMENT IN SUBSIDIARIES	88,760	—	(88,760)	—
LOANS RECEIVABLE – RELATED PARTY	494	—	(494)	—
OTHER NONCURRENT ASSETS	—	1,157	—	1,157
Total assets	<u>\$ 89,316</u>	<u>\$ 148,319</u>	<u>\$ (89,316)</u>	<u>\$ 148,319</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 219	\$ 6,678	\$ —	\$ 6,897
Payables to related party	—	683	(62)	621
Current portion of long-term debt	—	2,028	—	2,028
Total current liabilities	<u>219</u>	<u>9,389</u>	<u>(62)</u>	<u>9,546</u>
LONG-TERM DEBT	13,259	46,460	—	59,719
LOANS PAYABLE – RELATED PARTY	—	1,134	(494)	640
DEFERRED INCOME TAXES	—	25	—	25
OTHER LONG-TERM LIABILITIES	—	2,526	—	2,526
<b>MEMBER'S EQUITY</b>				
Controlling interest	75,838	88,760	(88,760)	75,838
Noncontrolling interests	—	25	—	25
Total member's equity	<u>75,838</u>	<u>88,785</u>	<u>(88,760)</u>	<u>75,863</u>
Total liabilities and member's equity	<u>\$ 89,316</u>	<u>\$ 148,319</u>	<u>\$ (89,316)</u>	<u>\$ 148,319</u>

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
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**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Statements of Operations**  
**For the six months ended June 30, 2017**

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
REVENUES	\$ —	\$ 20,521	\$ —	\$ 20,521
<b>COSTS AND EXPENSES:</b>				
Operating costs and expenses (exclusive of items shown separately below)	—	13,166	—	13,166
Depreciation and amortization	—	5,140	—	5,140
Other operating expenses, net	—	229	—	229
	—	18,535	—	18,535
Income from operations	—	1,986	—	1,986
<b>OTHER INCOME (EXPENSES):</b>				
Interest expense, net	(404)	(1,069)	—	(1,473)
Loss on extinguishment of debt	(33)	(2)	—	(35)
Loss on financial instruments, net	—	(32)	—	(32)
Other pension benefits	—	26	—	26
Equity in income of subsidiaries	879	—	(879)	—
	442	(1,077)	(879)	(1,514)
Income before income taxes	442	909	(879)	472
INCOME TAX EXPENSE	—	(29)	—	(29)
Consolidated net income	442	880	(879)	443
Less: Net income attributable to noncontrolling interests	—	(1)	—	(1)
Net income	\$ 442	\$ 879	\$ (879)	\$ 442

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Statements of Operations**  
**For the six months ended June 30, 2016**

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
REVENUES	\$ —	\$ 8,691	\$ —	\$ 8,691
<b>COSTS AND EXPENSES:</b>				
Operating costs and expenses (exclusive of items shown separately below)	—	5,683	—	5,683
Depreciation and amortization	—	1,974	—	1,974
Other operating expenses, net	—	307	—	307
	—	7,964	—	7,964
Income (loss) from operations	—	727	—	727
<b>OTHER INCOME (EXPENSES):</b>				
Interest expense, net	(350)	(312)	—	(662)
Loss on extinguishment of debt	(110)	—	—	(110)
Loss on financial instruments, net	—	(55)	—	(55)
Other pension benefits	—	520	—	520
Equity in income of subsidiaries	873	—	(873)	—
	413	153	(873)	(307)
Income before income taxes	413	880	(873)	420
INCOME TAX EXPENSE	—	(7)	—	(7)
Consolidated net income	\$ 413	\$ 873	\$ (873)	\$ 413

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Statements of Comprehensive Income**  
**For the six months ended June 30, 2017**

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
Consolidated net income	\$ 442	\$ 880	\$ (879)	\$ 443
Net impact of interest rate derivative instruments	3	3	(3)	3
Consolidated comprehensive income	445	883	(882)	446
Less: Comprehensive income attributable to noncontrolling interests	—	(1)	—	(1)
Comprehensive income	<u>\$ 445</u>	<u>\$ 882</u>	<u>\$ (882)</u>	<u>\$ 445</u>

**CCO Holdings, LLC and Subsidiaries**  
**Condensed Consolidating Statements of Comprehensive Income**  
**For the six months ended June 30, 2016**

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
Consolidated net income	\$ 413	\$ 873	\$ (873)	\$ 413
Net impact of interest rate derivative instruments	4	4	(4)	4
Comprehensive income	<u>\$ 417</u>	<u>\$ 877</u>	<u>\$ (877)</u>	<u>\$ 417</u>

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
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CCO Holdings, LLC and Subsidiaries  
Condensed Consolidating Statements of Cash Flows  
For the six months ended June 30, 2017

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (353)	\$ 5,981	\$ —	\$ 5,628
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	—	(3,703)	—	(3,703)
Change in accrued expenses related to capital expenditures	—	197	—	197
Contributions to subsidiaries	(693)	—	693	—
Distributions from subsidiaries	3,228	—	(3,228)	—
Other, net	—	(49)	—	(49)
Net cash flows from investing activities	2,535	(3,555)	(2,535)	(3,555)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt	3,246	3,900	—	7,146
Repayments of long-term debt	(775)	(4,754)	—	(5,529)
Borrowings loans payable - related parties	—	178	—	178
Payments for debt issuance costs	(31)	(11)	—	(42)
Contributions from parent	—	693	(693)	—
Distributions to parent	(4,622)	(3,228)	3,228	(4,622)
Other, net	—	(7)	—	(7)
Net cash flows from financing activities	(2,182)	(3,229)	2,535	(2,876)
NET DECREASE IN CASH AND CASH EQUIVALENTS	—	(803)	—	(803)
CASH AND CASH EQUIVALENTS, beginning of period	—	1,324	—	1,324
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ 521	\$ —	\$ 521

**CCO HOLDINGS, LLC AND SUBSIDIARIES**  
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CCO Holdings, LLC and Subsidiaries  
Condensed Consolidating Statements of Cash Flows  
For the six months ended June 30, 2016

	Guarantor Subsidiaries			CCO Holdings Consolidated
	CCO Holdings	Charter Operating and Restricted Subsidiaries	Eliminations	
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (321)	\$ 3,069	\$ —	\$ 2,748
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment	—	(1,689)	—	(1,689)
Change in accrued expenses related to capital expenditures	—	138	—	138
Purchases of cable systems, net of cash acquired	—	(8)	—	(8)
Contribution to subsidiary	(437)	—	437	—
Distributions from subsidiaries	2,878	—	(2,878)	—
Other, net	—	(6)	—	(6)
Net cash flows from investing activities	2,441	(1,565)	(2,441)	(1,565)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Borrowings of long-term debt	3,201	2,796	—	5,997
Repayments of long-term debt	(2,937)	(1,133)	—	(4,070)
Payments loans payable - related parties	(71)	(182)	—	(253)
Payments for debt issuance costs	(73)	(210)	—	(283)
Proceeds from termination of interest rate derivatives	—	88	—	88
Contributions from parent	478	437	(437)	478
Distributions to parent	(2,719)	(2,878)	2,878	(2,719)
Other, net	1	(2)	—	(1)
Net cash flows from financing activities	(2,120)	(1,084)	2,441	(763)
NET INCREASE IN CASH AND CASH EQUIVALENTS	—	420	—	420
CASH AND CASH EQUIVALENTS, beginning of period	—	5	—	5
CASH AND CASH EQUIVALENTS, end of period	\$ —	\$ 425	\$ —	\$ 425

## 17. Recently Issued Accounting Standards

### Accounting Standards Adopted January 1, 2017

In March 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. The new standard (1) requires all excess tax benefits and deficiencies to be recognized as income tax expense or benefit in the income statement in the period in which they occur regardless of whether the benefit reduces taxes payable in the current period, (2) requires classification of excess tax benefits as an operating activity on the statements of cash flows, (3) allows an entity to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur and (4) causes the threshold under which employee share-based awards partially settled in cash can qualify for equity classification to increase to the maximum statutory tax rates in the applicable jurisdiction. ASU 2016-09 will be effective for interim and annual periods after December 15, 2016 (January 1, 2017 for the Company). The new standard generally requires a modified retrospective transition through a cumulative-effect adjustment as of the beginning of the period of adoption, with certain provisions requiring either a prospective or retrospective transition. The Company adopted ASU 2016-09 on January 1, 2017. On January 1, 2017, the Company also established an accounting policy election to assume zero forfeitures for stock award grants and account for forfeitures when they occur which prospectively impacts stock compensation expense. Other aspects of adoption ASU 2016-09 did not have a material impact to the Company’s consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU 2017-07”), which requires employers to report the service cost component of net periodic pension cost in the same line item as other compensation costs arising from services rendered during the period. The standard also requires the other components of net periodic cost be presented in the income statement separately from the service cost component

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and outside of a subtotal of income from operations. ASU 2017-07 will be effective for annual periods beginning after December 15, 2017, and early adoption is permitted. The new standard requires retrospective application and allows a practical expedient that permits an employer to use the amounts disclosed in its pension plan footnote for the prior comparative periods as the estimation basis for applying the retrospective presentation. The Company early adopted ASU 2017-07 on January 1, 2017 and utilized the practical expedient to estimate the impact on the prior comparative period information presented in interim and annual financial statements. The Company previously recorded service cost with other compensation costs in operating costs and expenses in the consolidated statements of operations, and recorded other pension costs (benefits), in other operating expenses, net. Adoption of the standard results in the reclassification of other pension costs (benefits) to other expenses, net (non-operating). Adopting the standard will reduce 2016 income from operations presented for comparative purposes in the 2017 annual financial statements by \$899 million with a corresponding decrease to other expenses of \$899 million, with no impact to net income. For both the three and six months ended June 30, 2016, the adoption of the standard resulted in reduction of income from operations by \$520 million with a corresponding decrease to other expenses of \$520 million, with no impact to net income. ASU 2017-07 does not impact the consolidated balance sheets or statements of cash flows.

**Accounting Standards Not Yet Adopted**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (“ASU 2014-09”), which is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The new standard provides a single principles-based, five-step model to be applied to all contracts with customers, which steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. ASU 2014-09 will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Companies can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is currently in the process of evaluating which method of transition will be utilized. The Company is continuing to assess all potential impacts that the adoption of ASU 2014-09 will have on its consolidated financial statements, however the adoption is not anticipated to have a material impact on the Company's financial position or results of operations. The adoption is anticipated to result in the deferral of residential installation revenues and enterprise commission expenses over a period of time instead of recognized immediately. The adoption is also anticipated to result in the reclassification to operating costs and expenses the amortization of up-front fees paid to market and serve customers who reside in residential multiple dwelling units (“MDUs”) instead of amortized as an intangible to depreciation and amortization expense.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”), which requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. Lessees are allowed to account for short-term leases (i.e., leases with a term of 12 months or less) off-balance sheet, consistent with current operating lease accounting. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Classification will be based on criteria that are largely similar to those applied in current lease accounting, but without explicit bright lines. ASU 2016-02 will be effective for interim and annual periods beginning after December 15, 2018 (January 1, 2019 for the Company). The new standard requires a modified retrospective transition through a cumulative-effect adjustment as of the beginning of the earliest period presented in the financial statements. The Company is currently in the process of evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements including identifying the population of leases, evaluating technology solutions and collecting lease data.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which clarifies how entities should classify cash receipts and cash payments related to eight specific cash flow matters on the statement of cash flows, with the objective of reducing existing diversity in practice. ASU 2016-15 will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU 2016-15 will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which eliminates step two from the goodwill impairment test. Under the new standard, to the extent the carrying amount of a reporting unit exceeds the fair value, the Company will record an impairment charge equal to the difference. The impairment charge recognized should not exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 will be effective for interim and annual periods beginning after December 15, 2019 (January 1, 2020 for the Company). Early adoption is permitted for interim or

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annual goodwill impairment tests performed after January 1, 2017. The Company is currently in the process of evaluating the impact that the adoption of ASU 2017-04 will have on its consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Scope of Modification Accounting* ("ASU 2017-09"), which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. ASU 2017-09 will be applied prospectively to awards modified on or after the effective date. ASU 2017-09 will be effective for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU 2017-09 will have on its consolidated financial statements.



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

### **General**

CCO Holdings, LLC ("CCO Holdings") is a holding company whose principal assets are the equity interests in its operating subsidiaries. CCO Holdings is a direct subsidiary of CCH I Holdings, LLC ("CCH I"), which is an indirect subsidiary of Charter Communications, Inc. ("Charter"), Charter Communications Holdings, LLC ("Charter Holdings") and Spectrum Management Holding Company, LLC ("Spectrum Holdings"). The consolidated financial statements include the accounts of CCO Holdings and all of its subsidiaries where the underlying operations reside. All significant intercompany accounts and transactions among consolidated entities have been eliminated.

We are the second largest cable operator in the United States and a leading broadband communications services company providing video, Internet and voice services to approximately 26.8 million residential and business customers at June 30, 2017. In addition, we sell video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology ("IT") solutions to larger enterprise customers. We also own and operate regional sports networks and local sports, news and community channels and sell security and home management services to the residential marketplace.

### **The Transactions**

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

Also, on May 18, 2016, Legacy Charter and Advance/Newhouse Partnership ("A/N"), the former parent of Bright House Networks, LLC ("Bright House"), completed their previously announced transaction, pursuant to a definitive Contribution Agreement (the "Contribution Agreement"), under which Charter acquired Bright House (the "Bright House Transaction"). Pursuant to the Bright House Transaction, Charter became the owner of the membership interests in Bright House and the other assets primarily related to Bright House (other than certain excluded assets and liabilities and non-operating cash).

In connection with the TWC Transaction, Legacy Charter and Liberty Broadband completed their previously announced transactions pursuant to their investment agreement, in which Liberty Broadband purchased shares of Charter Class A common stock to partially finance the cash portion of the TWC Transaction consideration, and in connection with the Bright House Transaction, Liberty Broadband purchased shares of Charter Class A common stock (the "Liberty Transactions").

### **Recent Events**

In May 2017, Charter announced an agreement with Comcast Corporation ("Comcast") to, for one year, explore potential opportunities for operational cooperation in our respective wireless businesses to accelerate and enhance each company's ability to participate in the national wireless marketplace. Charter and Comcast have each separately activated a mobile virtual network operator ("MVNO") reseller agreement with Verizon Wireless, and have each agreed to explore working together in a number of potential operational areas in the wireless space, including: creating common operating platforms; technical standards development and harmonization; device forward and reverse logistics; and emerging wireless technology platforms. The efficiencies created are expected to provide more choice, innovative products and competitive prices for customers in each of our respective footprints. Additionally, the companies have agreed to work only together with respect to national mobile network operators, through potential commercial arrangements, including MVNOs and other material transactions in the wireless industry, for a period of one year. We intend to consider and pursue opportunities in the wireless space which may include entering into joint ventures or partnerships with wireless or cable providers which may require significant investment in our wireless business. There is no assurance we will enter into such arrangements or that if we do, that they will be successful.

### **Overview**

Since 2012, Legacy Charter has actively invested in its network and operations and has improved the quality and value of the products and packages that it offers. Through the roll-out of Spectrum pricing and packaging ("SPP") across Legacy Charter, we have simplified our offers and improved our packaging of products, delivering more value to new and existing customers. Further,

through the transition of our Legacy Charter markets to our all-digital platform, we increased our offerings to more than 200 HD channels in most of the Legacy Charter markets and offered Internet speeds of at least 60 or 100 Mbps, among other benefits. We believe that this product set combined with improved customer service, as we insource our workforce in our call centers and in our field operations, has led to lower customer churn and longer customer lifetimes.

As a result of the Transactions, quarterly revenues increased by \$3.9 billion year over year. We also saw an increase in expenses related to our increased scale. In September 2016, we began launching SPP to Legacy TWC and Legacy Bright House markets and as of June 30, 2017, we offer SPP in nearly all Legacy TWC and Legacy Bright House markets. In the second half of 2017, we intend to begin converting the remaining Legacy TWC and Legacy Bright House analog markets to an all-digital platform. Our corporate organization, as well as our marketing, sales and product development departments, are now centralized. Field operations are managed through eleven regional areas, each designed to represent a combination of designated marketing areas and managed with largely the same set of field employees that were with the three legacy companies prior to completion of the Transactions. Over a multi-year period, Legacy TWC and Legacy Bright House customer care centers will migrate to Legacy Charter's model of using segmented, virtualized, U.S.-based in-house call centers. We are focused on deploying superior products and service with minimal service disruptions as we integrate our information technology and network operations. We expect customer and financial results to trend similarly to Legacy Charter following the implementation of Legacy Charter's operating strategies across the Legacy TWC and Legacy Bright House markets. As a result of implementing our operating strategy across Legacy TWC and Legacy Bright House, we cannot be certain that we will be able to grow revenues or maintain our margins at recent historical rates.

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

	Three Months Ended June 30,					
	2017			2016		
	2017	2016	% Change	2016	% Change	
	Actual			Pro forma		
Revenues	\$ 10,357	\$ 6,161	68.1%	\$ 9,969		3.9%
Adjusted EBITDA	\$ 3,840	\$ 2,212	73.6%	\$ 3,531		8.8%
Income from operations	\$ 1,048	\$ 425	146.6%	\$ 834		25.7%

  

	Six Months Ended June 30,					
	2017			2016		
	2017	2016	% Change	2016	% Change	
	Actual			Pro forma		
Revenues	\$ 20,521	\$ 8,691	136.1%	\$ 19,711		4.1%
Adjusted EBITDA	\$ 7,489	\$ 3,095	142.0%	\$ 6,968		7.5%
Income from operations	\$ 1,986	\$ 727	173.2%	\$ 1,899		4.6%

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

Growth in total revenue, Adjusted EBITDA and income from operations was primarily due to the Transactions. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, total revenue growth was primarily due to growth in our Internet and commercial businesses. For the six months ended June 30, 2017 compared to the corresponding prior period, the growth was offset by an early contract termination benefit at Legacy TWC and Legacy Bright House in 2016 and lower advertising sales revenue due to a decrease in political and local advertising. In addition to the items noted above, Adjusted EBITDA growth on a pro forma basis was affected by increases in programming costs and transition costs offset by decreases in all other operating expense categories. Income from operations on a pro forma basis was additionally affected by an increase in depreciation and amortization offset by a decrease in merger and restructuring costs.

On a pro forma basis, income from operations for the three and six months ended June 30, 2016 has been reduced from what was previously reported by \$526 million and \$536 million, respectively, to reflect the adoption of Accounting Standards Update No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (“ASU 2017-07”).

For more information, see Note 17 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

We incurred the following transition costs in connection with the Transactions (in millions).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating expenses	\$ 30	\$ 25	\$ 81	\$ 46
Other operating expenses	\$ 131	\$ 294	\$ 226	\$ 308
Capital expenditures	\$ 86	\$ 111	\$ 162	\$ 164

Amounts included in transition operating expenses and transition capital expenditures represent incremental costs incurred to integrate the Legacy TWC and Legacy Bright House operations and to bring the three companies’ systems and processes into a uniform operating structure. Costs are incremental and would not be incurred absent the integration. Other operating expenses associated with the Transactions represent merger and restructuring costs and include advisory, legal and accounting fees, employee retention costs, employee termination costs and other exit costs.

All customer statistics as of June 30, 2017 include the operations of Legacy TWC, Legacy Bright House and Legacy Charter, each of which is based on individual legacy company reporting methodology. These methodologies differ and their differences may be material. Statistical reporting will be conformed over time to a single reporting methodology. The following table summarizes our customer statistics for video, Internet and voice as of June 30, 2017 and 2016 (in thousands except per customer data and footnotes).

	Approximate as of June 30,	
	2017 (a)	2016 (a)(b)
<b>Customer Relationships (c)</b>		
Residential	25,298	24,306
Small and Medium Business	1,483	1,333
<b>Total Customer Relationships</b>	<b>26,781</b>	<b>25,639</b>
<b>Residential Primary Service Units (“PSU”)</b>		
Video	16,646	16,934
Internet	22,033	20,667
Voice	10,378	10,255
	<b>49,057</b>	<b>47,856</b>
Monthly Residential Revenue per Residential Customer (d)	\$ 109.46	\$ 109.99
<b>Small and Medium Business PSUs</b>		
Video	425	378
Internet	1,285	1,148
Voice	847	725
	<b>2,557</b>	<b>2,251</b>
Monthly Small and Medium Business Revenue per Customer (e)	\$ 210.64	\$ 236.68
<b>Enterprise PSUs (f)</b>	<b>103</b>	<b>90</b>

(a) We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, as of June 30, 2017 and 2016, customers include approximately 209,500 and 208,600 customers, respectively, whose accounts were over 60 days past due, approximately 14,800 and 14,000 customers, respectively, whose accounts were over 90 days past due, and approximately 8,700 and 8,000 customers, respectively, whose accounts were over 120 days past due.

- (b) In the second quarter of 2017, we conformed the seasonal customer program in the Legacy Bright House footprint to our program. Prior to the plan change, Legacy Bright House customers enrolling in the seasonal plan were charged a one-time fee and counted as customer disconnects, and as new connects, when moving off the seasonal plan. Under our seasonal plan, residential customers pay a reduced monthly fee while the seasonal plan is active and remain reported as customers. Excluding the impact of customer disconnect activity related to the previous seasonal plan, Legacy Bright House residential customer relationships at June 30, 2016, would have been higher by approximately 58,000, and video, Internet and voice PSUs for the second quarter of 2016, would have been higher by 52,000, 72,000 and 49,000 respectively.
- (c) Customer relationships include the number of customers that receive one or more levels of service, encompassing video, Internet and voice services, without regard to which service(s) such customers receive. Customers who reside in residential multiple dwelling units (“MDUs”) and that are billed under bulk contracts are counted based on the number of billed units within each bulk MDU. Total customer relationships excludes enterprise customer relationships.
- (d) Monthly residential revenue per residential customer is calculated as total residential video, Internet and voice quarterly revenue divided by three divided by average residential customer relationships during the respective quarter.
- (e) Monthly small and medium business revenue per customer is calculated as total small and medium business quarterly revenue divided by three divided by average small and medium business customer relationships during the respective quarter.
- (f) Enterprise PSUs represent the aggregate number of fiber service offerings counting each separate service offering as an individual PSU.

### **Critical Accounting Policies and Estimates**

For a discussion of our critical accounting policies and the means by which we develop estimates therefore, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2016 Annual Report on Form 10-K. There have been no material changes from the critical accounting policies described in our Form 10-K.

### **Results of Operations**

We completed the Transactions on May 18, 2016 and have included the Legacy TWC and Legacy Bright House operating results since that date. In accordance with U.S. generally accepted accounting principles (“GAAP”), operating results from Legacy TWC and Legacy Bright House prior to the closing of the Transactions have been excluded. For purposes of management’s discussion and analysis, we have given explanations of increases and decreases in our results of operations on an actual basis, as well as on a pro forma basis assuming the Transactions occurred as of January 1, 2015. Due to the size of the Transactions, we believe that providing a discussion of our results of operations on a pro forma basis provides management and investors a more meaningful perspective on our financial and operational performance and trends. The results of operations data on a pro forma basis are provided for illustrative purposes only and are based on available information and assumptions that we believe are reasonable and do not purport to represent what our actual consolidated results of operations would have been had the Transactions occurred as of January 1, 2015, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

See Exhibit 99.1 in CCO Holdings' Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2016 filed with the SEC on November 10, 2016 for pro forma financial information for each quarter of 2015 and the first and second quarter of 2016.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$ 10,357	\$ 6,161	\$ 20,521	\$ 8,691
Costs and Expenses:				
Operating costs and expenses (exclusive of items shown separately below)	6,582	4,012	13,166	5,683
Depreciation and amortization	2,592	1,435	5,140	1,974
Other operating expenses, net	135	289	229	307
	9,309	5,736	18,535	7,964
Income from operations	1,048	425	1,986	727
Other Expenses:				
Interest expense, net	(754)	(462)	(1,473)	(662)
Loss on extinguishment of debt	(1)	(110)	(35)	(110)
Loss on financial instruments, net	(70)	(50)	(32)	(55)
Other pension benefits	13	520	26	520
	(812)	(102)	(1,514)	(307)
Income before income taxes	236	323	472	420
Income tax expense	(10)	(7)	(29)	(7)
Consolidated net income	226	316	443	413
Less: Net income attributable to noncontrolling interests	(1)	—	(1)	—
Net income attributable to CCO Holdings member	\$ 225	\$ 316	\$ 442	\$ 413

**Revenues.** Total revenues grew \$4.2 billion or 68.1% for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016, and grew \$11.8 billion or 136.1% for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Revenue growth primarily reflects the Transactions and increases in the number of residential Internet and triple play customers and in commercial business customers, growth in rates driven by rate increases offset by a decrease in basic video customers. The Transactions increased revenues for three and six months ended June 30, 2017 as compared to the three and six months June 30, 2016 by approximately \$3.9 billion and \$11.4 billion, respectively. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, total revenue growth was 3.9% and 4.1% for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016, respectively.

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

	<b>Three Months Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>% Change</b>	<b>2016</b>	<b>% Change</b>
	<b>Actual</b>			<b>Pro forma</b>	
Video	\$ 4,124	\$ 2,605	58.3%	\$ 4,125	— %
Internet	3,513	1,950	80.2%	3,133	12.1 %
Voice	650	423	53.4%	729	(10.9)%
Residential revenue	8,287	4,978	66.4%	7,987	3.8 %
Small and medium business	924	520	77.7%	843	9.7 %
Enterprise	548	296	85.1%	501	9.3 %
Commercial revenue	1,472	816	80.4%	1,344	9.5 %
Advertising sales	381	237	61.3%	405	(5.8)%
Other	217	130	67.0%	233	(6.8)%
	<u>\$ 10,357</u>	<u>\$ 6,161</u>	68.1%	<u>\$ 9,969</u>	3.9 %

	<b>Six Months Ended June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>% Change</b>	<b>2016</b>	<b>% Change</b>
	<b>Actual</b>			<b>Pro forma</b>	
Video	\$ 8,203	\$ 3,775	117.3%	\$ 8,198	0.1 %
Internet	6,911	2,754	151.0%	6,170	12.0 %
Voice	1,344	558	140.6%	1,458	(7.9)%
Residential revenue	16,458	7,087	132.2%	15,826	4.0 %
Small and medium business	1,824	722	152.5%	1,651	10.5 %
Enterprise	1,087	395	175.1%	991	9.7 %
Commercial revenue	2,911	1,117	160.5%	2,642	10.2 %
Advertising sales	718	309	132.9%	770	(6.7)%
Other	434	178	143.8%	473	(8.3)%
	<u>\$ 20,521</u>	<u>\$ 8,691</u>	136.1%	<u>\$ 19,711</u>	4.1 %

Video revenues consist primarily of revenues from basic and digital video services provided to our residential customers, as well as franchise fees, equipment rental and video installation revenue. Residential video customers decreased by 288,000 from June 30, 2016 to June 30, 2017.

The increase in video revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Decrease in average basic video customers	\$ (34)	\$ (26)
Bundle revenue allocation and price adjustments	30	19
TWC Transaction	1,310	3,806
Bright House Transaction	213	629
	<u>\$ 1,519</u>	<u>\$ 4,428</u>

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, the change in video revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Bundle revenue allocation and price adjustments	\$ 75	\$ 150
Decrease in average basic video customers	(76)	(145)
	<u>\$ (1)</u>	<u>\$ 5</u>

Residential Internet customers grew by 1,366,000 customers from June 30, 2016 to June 30, 2017. The increase in Internet revenues from our residential customers is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in average residential Internet customers	\$ 136	\$ 205
Price adjustments, bundle revenue allocation and service level changes	98	113
TWC Transaction	1,134	3,268
Bright House Transaction	195	571
	<u>\$ 1,563</u>	<u>\$ 4,157</u>

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, the increase in Internet revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in average residential Internet customers	\$ 209	\$ 424
Price adjustments, bundle revenue allocation and service level changes	171	317
	<u>\$ 380</u>	<u>\$ 741</u>

Residential voice customers grew by 123,000 customers from June 30, 2016 to June 30, 2017. The increase in voice revenues from our residential customers is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in average residential voice customers	\$ 7	\$ 11
Bundle revenue allocation and price adjustments	(51)	(54)
TWC Transaction	231	707
Bright House Transaction	40	122
	<u>\$ 227</u>	<u>\$ 786</u>

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, the decrease in voice revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in average residential voice customers	\$ 11	\$ 31
Bundle revenue allocation and price adjustments	(90)	(145)
	<u>\$ (79)</u>	<u>\$ (114)</u>

Small and medium business PSUs grew by 306,000 from June 30, 2016 to June 30, 2017. The increase in small and medium business commercial revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in small and medium business customers	\$ 64	\$ 95
Price adjustments	(15)	(22)
TWC Transaction	307	890
Bright House Transaction	48	139
	<u>\$ 404</u>	<u>\$ 1,102</u>

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, the increase in small and medium business commercial revenues is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in small and medium business customers	\$ 102	\$ 199
Price adjustments	(21)	(26)
	<u>\$ 81</u>	<u>\$ 173</u>

Enterprise PSUs increased 13,000 from June 30, 2016 to June 30, 2017. The Transactions increased enterprise commercial revenues for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016 by \$224 million and \$655 million, respectively. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, enterprise commercial revenues increased \$47 million and \$96 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily due to growth in customers.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors, as well as local cable and advertising on regional sports and news channels. Advertising sales revenues increased \$144 million and \$409 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily due to the Transactions. The Transactions increased advertising sales revenues for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016 by \$160 million and \$425 million, respectively. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, advertising sales revenues decreased \$24 million and \$52 million



during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily due to a decrease in political and local advertising.

Other revenues consist of revenue from regional sports and news channels (excluding intercompany charges or advertising sales on those channels), home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues increased \$87 million and \$256 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily as a result of the Transactions. The Transactions increased other revenues for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016 by \$86 million and \$255 million, respectively. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, other revenues decreased by \$16 million and \$39 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily due to a settlement incurred in 2016 related to an early contract termination at Legacy TWC and Legacy Bright House.

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

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Programming	\$ 1,108	\$ 3,009
Regulatory, connectivity and produced content	215	601
Costs to service customers	718	2,208
Marketing	219	636
Transition costs	5	35
Other	305	994
	<b>\$ 2,570</b>	<b>\$ 7,483</b>

Programming costs were approximately \$2.6 billion and \$1.5 billion, representing 40% and 38% of total operating costs and expenses for the three months ended June 30, 2017 and 2016, respectively, and \$5.3 billion and \$2.2 billion, representing 40% and 39% of total operating costs and expenses for the six months ended June 30, 2017 and 2016, respectively. The increase in operating costs and expenses for the three and six months ended June 30, 2017 compared to the corresponding prior period was primarily due to the Transactions.

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

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Corporate costs	\$ 61	\$ 260
Enterprise	80	236
Advertising sales expense	84	233
Property tax and insurance	39	114
Stock compensation expense	2	47
Other	39	104
	<b>\$ 305</b>	<b>\$ 994</b>

The increase in other expense for the three and six months ended June 30, 2017 compared to the corresponding prior period was primarily due to the Transactions.

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, increases in our operating costs and expenses, exclusive of items shown separately in the consolidated statements of operations, are attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Programming	\$ 232	\$ 429
Regulatory, connectivity and produced content	(18)	(25)
Costs to service customers	(77)	(62)
Marketing	(15)	(25)
Transition costs	5	35
Other	(55)	(67)
	<u>\$ 72</u>	<u>\$ 285</u>

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, programming costs were approximately \$2.4 billion and \$4.8 billion, representing 37% and 37% of total operating costs and expenses for the three and six months ended June 30, 2016, respectively.

Programming costs consist primarily of costs paid to programmers for basic, digital, premium, video on demand, and pay-per-view programming. The increase in pro forma programming costs is primarily a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consents offset by synergies as a result of the Transactions. We expect pro forma programming expenses will continue to increase due to a variety of factors, including annual increases imposed by programmers with additional selling power as a result of media consolidation, increased demands by owners of broadcast stations for payment for retransmission consent or linking carriage of other services to retransmission consent, and additional programming, particularly new services. We have been unable to fully pass these increases on to our customers nor do we expect to be able to do so in the future without a potential loss of customers.

Costs to service customers decreased \$77 million and \$62 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 due to benefits from combining Legacy TWC and Legacy Bright House into Charter, including lower employee benefit costs, higher labor and material capitalization with increases in placement of new customer equipment and lower bad debt expenses.

On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, the increase in other expense is attributable to the following (dollars in millions):

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Corporate costs	\$ (64)	\$ (104)
Enterprise	6	17
Advertising sales expense	13	26
Property tax and insurance	(8)	(16)
Stock compensation expense	(7)	(4)
Other	5	14
	<u>\$ (55)</u>	<u>\$ (67)</u>

**Depreciation and amortization.** Depreciation and amortization expense increased by \$1.2 billion and \$3.2 billion during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily as a result of additional

depreciation and amortization related to the Transactions, inclusive of the incremental amounts as a result of the higher fair values recorded in acquisition accounting.

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

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Merger and restructuring costs	\$ (163)	\$ (82)
Special charges, net	2	—
(Gain) loss on sale of assets, net	7	4
	<u>\$ (154)</u>	<u>\$ (78)</u>

The decrease in merger and restructuring costs is primarily due to a decrease of approximately \$149 million and \$56 million of employee termination and retention costs incurred during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016. See Note 10 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

**Interest expense, net.** Net interest expense increased by \$292 million and \$811 million for the three and six months ended June 30, 2017 compared to the corresponding periods in 2016 primarily as a result of an increase of approximately \$129 million and \$369 million, respectively, of interest expense associated with debt incurred to fund the Transactions and approximately \$118 million and \$360 million, respectively, of interest expense associated with debt assumed from Legacy TWC and an increase in weighted average debt outstanding primarily due to the issuance of notes in April 2017.

**Loss on extinguishment of debt.** Loss on extinguishment of debt of \$1 million and \$35 million for the three and six months ended June 30, 2017, respectively, and \$110 million for each of the three and six months ended June 30, 2016 primarily represents losses recognized as a result of repurchases of CCO Holdings, LLC (“CCO Holdings”) notes. For more information, see Note 5 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

**Loss on financial instruments, net.** Interest rate derivative instruments are used to manage our interest costs and to reduce our exposure to increases in floating interest rates, and cross-currency derivative instruments are used to manage foreign exchange risk related to the foreign currency denominated debt assumed in the TWC Transaction. We recorded losses of \$70 million and \$32 million during the three and six months ended June 30, 2017, respectively and \$50 million and \$55 million during the three and six months ended June 30, 2016, respectively. Gains and losses on financial instruments are recognized due to changes in the fair value of our interest rate and our cross currency derivative instruments, and the foreign currency remeasurement of the fixed-rate British pound sterling denominated notes (the “Sterling Notes”) into U.S. dollars. For more information, see Note 7 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

**Other pension benefits.** Other pension benefits decreased by \$507 million and \$494 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016 primarily due to a \$675 million pension curtailment gain offset by an \$157 million net remeasurement loss recognized in 2016 that resulted from an amendment to the plans made subsequent to the TWC Transaction. For more information, see Note 15 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements.”

**Income tax expense.** We recognized income tax expense of \$10 million and \$29 million for the three and six months ended June 30, 2017, respectively, and \$7 million for each of the three and six months ended June 30, 2016. Income tax expense is recognized primarily through increases in deferred tax liabilities, as well as through current federal and state income tax expense.

**Net income attributable to noncontrolling interest.** Net income attributable to noncontrolling interest relates to our third-party interest in CV of Viera, LLP, a consolidated joint venture in a small cable system in Florida assumed in the Transactions.

**Net income attributable to CCO Holdings member.** Net income attributable to CCO Holdings member decreased from \$316 million for the three months ended June 30, 2016 to \$225 million for the three months ended June 30, 2017, and increased from \$413 million for the six months ended June 30, 2016 to \$442 million for the six months ended June 30, 2017 primarily as a result

of the factors described above. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, net income attributable to CCO Holdings member was \$474 million and \$847 million for the three and six months ended June 30, 2016, respectively.

### Use of Adjusted EBITDA and Free Cash Flow

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

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

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

Management and Charter's board of directors use Adjusted EBITDA and free cash flow to assess our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the Securities and Exchange Commission (the "SEC")). For the purpose of calculating compliance with leverage covenants, we use Adjusted EBITDA, as presented, excluding certain expenses paid by our operating subsidiaries to other Charter entities. Our debt covenants refer to these expenses as management fees, which were \$256 million and \$529 million for the three and six months ended June 30, 2017, respectively, and \$202 million and \$304 million for the three and six months ended June 30, 2016, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<b>Actual</b>			
Consolidated net income	\$ 226	\$ 316	\$ 443	\$ 413
Plus: Interest expense, net	754	462	1,473	662
Income tax expense	10	7	29	7
Depreciation and amortization	2,592	1,435	5,140	1,974
Stock compensation expense	65	63	134	87
Loss on extinguishment of debt	1	110	35	110
Loss on financial instruments, net	70	50	32	55
Other pension benefits	(13)	(520)	(26)	(520)
Other, net	135	289	229	307
Adjusted EBITDA	<u>\$ 3,840</u>	<u>\$ 2,212</u>	<u>\$ 7,489</u>	<u>\$ 3,095</u>
Net cash flows from operating activities	\$ 2,964	\$ 2,067	\$ 5,628	\$ 2,748
Less: Purchases of property, plant and equipment	(2,148)	(1,260)	(3,703)	(1,689)
Change in accrued expenses related to capital expenditures	347	194	197	138
Free cash flow	<u>\$ 1,163</u>	<u>\$ 1,001</u>	<u>\$ 2,122</u>	<u>\$ 1,197</u>

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
	Pro Forma	
Consolidated net income	\$ 474	\$ 847
Plus: Interest expense, net	723	1,431
Income tax expense	7	7
Depreciation and amortization	2,336	4,619
Stock compensation expense	72	138
Loss on extinguishment of debt	110	110
Loss on financial instruments, net	50	55
Other pension benefits	(526)	(536)
Other, net	285	297
Adjusted EBITDA	\$ 3,531	\$ 6,968

## Liquidity and Capital Resources

### Introduction

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

### Recent Events

In February 2017, CCO Holdings and CCO Holdings Capital jointly issued \$1.0 billion aggregate principal amount of 5.125% senior notes due May 1, 2027. The net proceeds were used to redeem CCO Holdings' 6.625% senior notes due 2022, pay related fees and expenses and for general corporate purposes.

In March 2017, CCO Holdings and CCO Holdings Capital jointly issued an additional \$1.0 billion aggregate principal amount of 5.125% senior notes due May 1, 2027 at a price of 99.0% of the aggregate principal amount. The net proceeds, as well as cash on hand, were used in April 2017 to redeem Time Warner Cable, LLC's 5.850% senior notes due 2017, pay related fees and expenses and for general corporate purposes.

In April 2017, CCO Holdings and CCO Holdings Capital jointly issued an additional \$1.25 billion aggregate principal amount of 5.125% senior notes due May 1, 2027 at a price of 100.5% of the aggregate principal amount. The net proceeds, along with the net proceeds from the Charter Operating notes described below, were used to pay related fees and expenses and for general corporate purposes, including to fund buybacks of Charter Class A common stock or Charter Holdings common units.

In April 2017, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.25 billion aggregate principal amount of 5.375% senior secured notes due May 1, 2047 at a price of 99.968% of the aggregate principal amount. The net proceeds, along with the net proceeds from the CCO Holdings notes issued in April 2017 described above, were used to pay related fees and expenses and for general corporate purposes, including to fund buybacks of Charter Class A common stock or Charter Holdings common units.

In July 2017, Charter Operating and Charter Communications Operating Capital Corp. jointly issued \$1.0 billion aggregate principal amount of 3.750% senior notes due February 15, 2028 at a price of 99.166% of the aggregate principal amount and an additional \$500 million aggregate principal amount of 5.375% senior secured notes due May 1, 2047 at a price of 106.529% of the aggregate principal amount (collectively together with the notes issued in April 2017 described above, the "Charter Operating Notes"). The net proceeds will be used to pay related fees and expenses and for general corporate purposes, including to fund potential buybacks of Charter Class A common stock or Charter Holdings common units.

### Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt. The principal amount of our debt as of June 30, 2017 was \$61.8 billion, consisting of \$8.8 billion of credit facility debt, \$37.1 billion of investment grade senior secured notes and \$15.9 billion of high-yield senior unsecured notes. Our business requires significant cash to fund principal and interest payments on our debt.

Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. Free cash flow was \$1.2 billion and \$2.1 billion for the three and six months ended June 30, 2017, respectively, and was \$1.0 billion and \$1.2 billion for the three and six months ended June 30, 2016, respectively. As of June 30, 2017, the amount available under our credit facilities was approximately \$2.8 billion and cash on hand was approximately \$521 million. We expect to utilize free cash flow, cash on hand and availability under our credit facilities as well as future refinancing transactions to further extend the maturities of our obligations. The timing and terms of any refinancing transactions will be subject to market conditions. Additionally, we may, from time to time, and depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings to retire our debt through open market purchases, privately negotiated purchases, tender offers or redemption provisions. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating's revolving credit facility as well as access to the capital markets to fund our projected cash needs.

We continue to evaluate the deployment of our cash on hand and anticipated future free cash flow including to invest in our business growth and other strategic opportunities, including mergers and acquisitions as well as distributions to our parent company for stock repurchases and dividends. Charter's target leverage remains at 4 to 4.5 times, and up to 3.5 times at the Charter Operating level. We may increase the total amount of our indebtedness to maintain leverage within Charter's target leverage range. During the three and six months ended June 30, 2017, Charter purchased approximately 10.0 million and 12.4 million shares, respectively, of Charter Class A common stock for approximately \$3.3 billion and \$4.1 billion, respectively. As of July 25, 2017, Charter had remaining board authority to purchase an additional \$3.0 billion of Charter's Class A common stock without taking into account shares or units that may be purchased from A/N. Charter is not obligated to acquire any particular amount of common stock, and the timing of any purchases that may occur cannot be predicted and will largely depend on market conditions and other potential uses of capital. Purchases may include open market purchases, tender offers or negotiated transactions. To the extent such purchases occur, CCO Holdings and its subsidiaries are the primary source for funding such purchases through distributions to their parent companies. As possible acquisitions, swaps or dispositions arise, we actively review them against our objectives including, among other considerations, improving the operational efficiency, clustering, product development or technology capabilities of our business and achieving appropriate return targets, and we may participate to the extent we believe these possibilities present attractive opportunities. However, there can be no assurance that we will actually complete any acquisitions, dispositions or system swaps, or that any such transactions will be material to our operations or results.

In December 2016, Charter and A/N entered into a letter agreement (the "Letter Agreement") that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis once Charter or Charter Holdings have repurchased shares of Class A common stock or Charter Holdings common units from A/N and its affiliates for an aggregate purchase price of \$537 million which threshold has been reached. Charter Holdings purchased from A/N 1.2 million Charter Holdings common units at an average price per unit of \$326.50, or \$402 million during the three months ended June 30, 2017, and 1.3 million Charter Holdings common units at an average price per unit of \$326.38, or \$429 million during the six months ended June 30, 2017.

## Free Cash Flow

Free cash flow increased \$162 million and \$925 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding prior periods in 2016 due to the following (dollars in millions).

	<b>Three months ended June 30, 2017 compared to three months ended June 30, 2016 Increase / (Decrease)</b>	<b>Six months ended June 30, 2017 compared to six months ended June 30, 2016 Increase / (Decrease)</b>
Increase in Adjusted EBITDA	\$ 1,628	\$ 4,394
Decrease (increase) in merger and restructuring costs	38	(26)
Increase in capital expenditures	(888)	(2,014)
Increase in cash paid for interest, net	(421)	(1,120)
Changes in working capital, excluding change in accrued interest	(172)	(288)
Other, net	(23)	(21)
	<u>\$ 162</u>	<u>\$ 925</u>

## Limitations on Distributions

Distributions by us and our subsidiaries to a parent company for payment of principal on parent company notes are restricted under indentures and credit facilities governing our indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable subsidiary's leverage ratio test is met at the time of such distribution. As of June 30, 2017, there was no default under any of these indentures or credit facilities, and each subsidiary met its applicable leverage ratio tests based on June 30, 2017 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at the time of the contemplated distribution. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company notes are further restricted by the covenants in its credit facilities.

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

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

## Historical Operating, Investing, and Financing Activities

**Cash and Cash Equivalents.** We held \$521 million and \$1.3 billion in cash and cash equivalents as of June 30, 2017 and December 31, 2016, respectively.

**Operating Activities.** Net cash provided by operating activities increased \$2.9 billion during the six months ended June 30, 2017 compared to the six months ended June 30, 2016, primarily due to an increase in Adjusted EBITDA of \$4.4 billion offset by an increase in cash paid for interest, net of \$1.1 billion as a result of the Transactions as well as changes in operating assets and liabilities, excluding the change in accrued interest, that provided \$288 million less cash during the six months ended June 30, 2017.

**Investing Activities.** Net cash used in investing activities was \$3.6 billion and \$1.6 billion for the six months ended June 30, 2017 and 2016, respectively. The increase in cash used was primarily due to an increase in capital expenditures as a result of the Transactions.

**Financing Activities.** Net cash used in financing activities was \$2.9 billion and \$763 million for the six months ended June 30, 2017 and 2016, respectively. The increase in cash used was primarily due to an increase in distributions.

## Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were \$2.1 billion and \$3.7 billion for the three and six months ended June 30, 2017, respectively, and \$1.3 billion and \$1.7 billion for the three and six months ended June 30, 2016, respectively. The increase was driven by the Transactions. On a pro forma basis, assuming the Transactions occurred as of January 1, 2015, capital expenditures increased \$73 million and decreased \$206 million during the three and six months ended June 30, 2017, respectively, compared to the corresponding periods in 2016. The decrease during the six months ended June 30, 2017 compared to 2016 was primarily due to lower scalable infrastructure costs and support primarily due to the timing of spend offset by higher spend on customer premise equipment. See the table below for more details.

The actual amount of our capital expenditures in 2017 will depend on a number of factors, including the pace of transition planning to service a larger customer base as a result of the Transactions, our all-digital transition in the Legacy TWC and Legacy Bright House markets and growth rates of both our residential and commercial businesses.

Our capital expenditures are funded primarily from cash flows from operating activities and borrowings on our credit facility. In addition, our accrued liabilities related to capital expenditures increased by \$197 million and \$138 million for the six months ended June 30, 2017 and 2016, respectively.

The following tables present our major capital expenditures categories on an actual and pro forma basis, assuming the Transactions occurred as of January 1, 2015, in accordance with National Cable and Telecommunications Association (“NCTA”) disclosure guidelines for the three and six months ended June 30, 2017 and 2016. The disclosure is intended to provide more consistency in the reporting of capital expenditures among peer companies in the cable industry. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	<b>Actual</b>			
Customer premise equipment (a)	\$ 1,017	\$ 378	\$ 1,724	\$ 515
Scalable infrastructure (b)	382	386	650	496
Line extensions (c)	297	171	545	218
Upgrade/rebuild (d)	145	110	252	151
Support capital (e)	307	215	532	309
<b>Total capital expenditures</b>	<b>\$ 2,148</b>	<b>\$ 1,260</b>	<b>\$ 3,703</b>	<b>\$ 1,689</b>

### Capital expenditures included in total related to:

Commercial services	\$ 334	\$ 196	\$ 602	\$ 260
Transition (f)	\$ 86	\$ 111	\$ 162	\$ 164

	Three Months Ended		Six Months Ended	
	June 30, 2016		June 30, 2016	
	<b>Pro Forma</b>			
Customer premise equipment (a)	\$	651	\$	1,412
Scalable infrastructure (b)		640		1,115
Line extensions (c)		277		502
Upgrade/rebuild (d)		171		305
Support capital (e)		336		575
<b>Total capital expenditures</b>	<b>\$</b>	<b>2,075</b>	<b>\$</b>	<b>3,909</b>

### Capital expenditures included in total related to:

Commercial services	\$	338	\$	625
Transition (f)	\$	111	\$	164



- (a) Customer premise equipment includes costs incurred at the customer residence to secure new customers and revenue generating units. It also includes customer installation costs and customer premise equipment (e.g., set-top boxes and cable modems).
- (b) Scalable infrastructure includes costs not related to customer premise equipment, to secure growth of new customers and revenue generating units, or provide service enhancements (e.g., headend equipment).
- (c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
- (d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
- (e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).
- (f) Transition represents incremental costs incurred to integrate the Legacy TWC and Legacy Bright House operations and to bring the three companies' systems and processes into a uniform operating structure.

### Recently Issued Accounting Standards

See Note 17 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements" for a discussion of recently issued accounting standards.

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

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

Interest rate derivative instruments are used to manage interest costs and to reduce our exposure to increases in floating interest rates. We manage our exposure to fluctuations in interest rates by maintaining a mix of fixed and variable-rate debt. Using interest rate derivative instruments, we agree to exchange, at specified intervals through 2017, the difference between fixed and variable interest amounts calculated by reference to agreed-upon notional principal amounts.

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency derivative instruments have maturities of June 2031 and July 2042. We are required to post collateral on the cross-currency derivative instruments when such instruments are in a liability position. In May 2016, we entered into a collateral holiday agreement for 80% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years. For more information, see Note 7 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

As of June 30, 2017 and December 31, 2016, the weighted average interest rate on the credit facility debt, including the effects of our interest rate swap agreements, was approximately 3.3% and 2.9%, respectively, and the weighted average interest rate on the senior notes was approximately 5.8% and 5.9%, respectively, resulting in a blended weighted average interest rate of 5.4% as of both time periods. The interest rate on approximately 87% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate swap agreements as of June 30, 2017 and December 31, 2016.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of June 30, 2017 (dollars in millions).

	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
<b>Debt:</b>								
Fixed-Rate	\$ —	\$ 2,000	\$ 3,250	\$ 3,500	\$ 2,200	\$ 42,011	\$ 52,961	\$ 58,470
Average Interest Rate	—%	6.75%	8.44%	4.19%	4.32%	5.76%	5.80%	
Variable Rate	\$ 98	\$ 197	\$ 296	\$ 1,716	\$ 2,928	\$ 3,582	\$ 8,817	\$ 8,836
Average Interest Rate	3.17%	3.63%	3.92%	4.28%	4.31%	4.83%	4.47%	
<b>Interest Rate Instruments:</b>								
Variable to Fixed-Rate	\$ 850	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 850	\$ 1
Average Pay Rate	3.84%	—%	—%	—%	—%	—%	3.84%	
Average Receive Rate	3.76%	—%	—%	—%	—%	—%	3.76%	

As of June 30, 2017, we had \$850 million in notional amounts of interest rate derivative instruments outstanding. The notional amounts of interest rate derivative instruments do not represent amounts exchanged by the parties and, thus, are not a measure of our exposure to credit loss. The amounts exchanged are determined by reference to the notional amount and the other terms of the contracts.

The estimated fair value of the interest rate derivative instruments is determined using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's and counterparties' credit risk). Interest rates on variable-rate debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at June 30, 2017 including applicable bank spread.

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

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

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

On May 18, 2016, we completed the Transactions and as a result, we have incorporated internal controls over significant processes specific to the Transactions and to activities post-Transactions that we believe to be appropriate and necessary in consideration of the related integration, including controls associated with the Transactions for the valuations of certain Legacy TWC and Legacy Bright House assets and liabilities assumed, as well as adoption of common financial reporting and internal control practices for the combined company. In January 2017, we consolidated our separate human resource platforms into one platform which resulted in significant changes to the nature and type of certain internal controls for the most recent fiscal quarter. As we further integrate Legacy TWC and Legacy Bright House, we will continue to validate the effectiveness and integration of internal controls.

Except as described above in the preceding paragraph, during the quarter ended June 30, 2017, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### **Item 1. *Legal Proceedings.***

Our Annual Report on Form 10-K for the year ended December 31, 2016 includes "Legal Proceedings" under Item 3 of Part I. Other than as described in Note 13 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements," there have been no material changes from the legal proceedings described in our Form 10-K.

### **Item 1A. *Risk Factors.***

Our Annual Report on Form 10-K for the year ended December 31, 2016 includes "Risk Factors" under Item 1A of Part I. There have been no material changes from the updated risk factors described in our Form 10-K.

### **Item 6. *Exhibits.***

See Exhibit Index.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, CCO Holdings, LLC and CCO Holdings Capital Corp. have duly caused this quarterly report to be signed on their behalf by the undersigned, thereunto duly authorized.

CCO HOLDINGS, LLC

Registrant

By: /s/ Kevin D. Howard

Kevin D. Howard

Senior Vice President - Finance, Controller and  
Chief Accounting Officer

Date: August 1, 2017

CCO HOLDINGS CAPITAL CORP.

Registrant

By: /s/ Kevin D. Howard

Kevin D. Howard

Senior Vice President - Finance, Controller and  
Chief Accounting Officer

Date: August 1, 2017

## Exhibit Index

Exhibit	Description
10.1	<a href="#"><u>Fifth Supplemental Indenture, dated as of April 20, 2017, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (incorporated by reference to Exhibit 4.3 to the current report on Form 8-K filed by Charter Communications, Inc. on April 26, 2017 (File No. 001-33664)).</u></a>
10.2	<a href="#"><u>Exchange and Registration Rights Agreement, dated April 20, 2017, relating to the 5.125% Senior Notes due 2027, among CCO Holdings, LLC, CCO Holdings Capital Corp. and Citigroup Global Markets Inc., as a representative of the several Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed by Charter Communications, Inc. on April 26, 2017 (File No. 001-33664)).</u></a>
10.3	<a href="#"><u>Exchange and Registration Rights Agreement, dated April 20, 2017, relating to the 5.375% Senior Notes due 2047, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., the guarantors party thereto and Citigroup Global Markets Inc., as representative of the several Purchasers (as defined therein) (incorporated by reference to Exhibit 10.2 to the current report on Form 8-K filed by Charter Communications, Inc. on April 26, 2017 (File No. 001-33664)).</u></a>
10.4	<a href="#"><u>Wireless Operational Cooperation Agreement dated as of May 5, 2017 between Charter Communications, Inc. and Comcast Corporation (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed by Charter Communications, Inc. on May 8, 2017 (File No. 001-33664)).</u></a>
31.1*	<a href="#"><u>Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the under the Securities Exchange Act of 1934.</u></a>
31.2*	<a href="#"><u>Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.</u></a>
32.1*	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).</u></a>
32.2*	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).</u></a>
101**	The following financial statements from CCO Holdings, LLC's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2017, filed with the Securities and Exchange Commission on August 1, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.

\* Filed herewith.

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

I, Thomas M. Rutledge, certify that:

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

Date: August 1, 2017

/s/ Thomas M. Rutledge

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Thomas M. Rutledge  
Chairman and Chief Executive Officer

I, Christopher L. Winfrey, certify that:

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

Date: August 1, 2017

/s/ Christopher L. Winfrey

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

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

I, Thomas M. Rutledge, the Chairman and Chief Executive Officer of CCO Holdings, LLC and CCO Holdings Capital Corp. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2017 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Thomas M. Rutledge

Thomas M. Rutledge  
Chairman and Chief Executive Officer  
August 1, 2017



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

I, Christopher L. Winfrey, the Chief Financial Officer of CCO Holdings, LLC and CCO Holdings Capital Corp. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2017 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Christopher L. Winfrey

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Christopher L. Winfrey  
Chief Financial Officer  
(Principal Financial Officer)  
August 1, 2017