CHARTER COMMUNICATIONS, INC. /MO/
Form 10-Q
April 28, 2016

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

_____

FORM 10-Q

_____

(Mark One)

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

For the quarterly period ended March 31, 2016
or

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

For the Transition Period From to
Commission File Number: 001-33664
Charter Communications, Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware | 43-1857213 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| 400 Atlantic Street<br>Stamford, Connecticut 06901 | (203) 905-7801 |
| (Address of principal executive offices including zip code) | (Registrant's telephone number, including area code) |

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

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 x No o

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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

Number of shares of Class A common stock outstanding as of March 31, 2016: 112,468,096

CHARTER COMMUNICATIONS, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2016

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This quarterly report on Form 10-Q is for the three months ended March 31, 2016. 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, "we," "us" and "our" refer to Charter Communications, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS:

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the “Results of Operations” and “Liquidity and Capital Resources” sections under Part I, Item 2. “Management's Discussion and Analysis of Financial Condition and Results of Operations” in this quarterly report. Although we believe that our plans, intentions and expectations 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 II, Item 1A and 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,” “a “target,” “opportunity,” “tentative,” “positioning,” “designed,” “create,” “predict,” “project,” “seek,” “would,” “could,” “contir “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, 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:

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

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

- operating costs and business disruption that may be greater than expected; and
- the ability to retain and hire key personnel and maintain relationships with providers or other business partners pending completion of the Transactions.

Risks Related to Our Business

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

- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite operators, wireless broadband and telephone providers, digital subscriber line ("DSL") providers, video provided over the Internet and providers of advertising over the Internet;

- 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);

- the development and deployment of new products and technologies including our cloud-based user interface, Spectrum Guide®, and downloadable security for set-top boxes;

- the effects of governmental regulation on our business or potential business combination transactions;

- any events that disrupt our networks, information systems or properties and impair our operating activities and negatively impact our reputation;

- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and

- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

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

| | March 31, 2016 (unaudited) | December 31, 2015 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 1,278 | $ 5 |
| Accounts receivable, less allowance for doubtful accounts of $17 and $21, respectively | 253 | 279 |
| Prepaid expenses and other current assets | 81 | 61 |
| Total current assets | 1,612 | 345 |
| RESTRICTED CASH AND CASH EQUIVALENTS | 22,313 | 22,264 |
| INVESTMENT IN CABLE PROPERTIES: | | |
| Property, plant and equipment, net of accumulated depreciation of $6,928 and $6,518, respectively | 8,294 | 8,345 |
| Franchises | 6,006 | 6,006 |
| Customer relationships, net | 800 | 856 |
| Goodwill | 1,168 | 1,168 |
| Total investment in cable properties, net | 16,268 | 16,375 |
| OTHER NONCURRENT ASSETS | 331 | 332 |
| Total assets | $ 40,524 | $ 39,316 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | $ 1,925 | $ 1,972 |
| Total current liabilities | 1,925 | 1,972 |
| LONG-TERM DEBT | 37,124 | 35,723 |
| DEFERRED INCOME TAXES | 1,618 | 1,590 |
| OTHER LONG-TERM LIABILITIES | 76 | 77 |
| SHAREHOLDERS' DEFICIT: | | |
| Class A common stock; $.001 par value; 900 million shares authorized; 112,581,405 and 112,438,828 shares issued, respectively | — | — |
| Class B common stock; $.001 par value; 25 million shares authorized; no shares issued and outstanding | — | — |
| Preferred stock; $.001 par value; 250 million shares authorized; no shares issued and outstanding | — | — |
| Additional paid-in capital | 2,057 | 2,028 |
| Accumulated deficit | (2,249) | (2,061) |

| | | |
|---|---|---|
| Treasury stock at cost; 113,309 and no shares, respectively | (16) | — |
| Accumulated other comprehensive loss | (11) | (13) |
| Total shareholders' deficit | (219) | (46) |
| Total liabilities and shareholders' deficit | $ 40,524 | $ 39,316 |

The accompanying notes are an integral part of these condensed consolidated financial statements.
1

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| REVENUES | $2,530 | $ 2,362 |
| COSTS AND EXPENSES: | | |
| Operating costs and expenses (exclusive of items shown separately below) | 1,671 | 1,581 |
| Depreciation and amortization | 539 | 514 |
| Other operating expenses, net | 18 | 18 |
| | 2,228 | 2,113 |
| Income from operations | 302 | 249 |
| OTHER EXPENSES: | | |
| Interest expense, net | (454) | (289) |
| Loss on derivative instruments, net | (5) | (6) |
| Other expense, net | (3) | — |
| | (462) | (295) |
| Loss before income taxes | (160) | (46) |
| Income tax expense | (28) | (35) |
| Net loss | $(188) | $ (81) |
| LOSS PER COMMON SHARE, BASIC AND DILUTED: | $(1.68) | $ (0.73) |
| Weighted average common shares outstanding, basic and diluted | 112,311,539 | 111,655,617 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net loss | $(188) | $(81) |
| Net impact of interest rate derivative instruments, net of tax | 2 | 3 |
| Comprehensive loss | $(186) | $(78) |

The accompanying notes are an integral part of these condensed consolidated financial statements.
2

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $(188) | $(81) |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation and amortization | 539 | 514 |
| Noncash interest expense | 7 | 8 |
| Loss on derivative instruments, net | 5 | 6 |
| Deferred income taxes | 28 | 34 |
| Other, net | 27 | 22 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | 24 | 21 |
| Prepaid expenses and other assets | (21) | (26) |
| Accounts payable, accrued liabilities and other | 3 | 30 |
| Net cash flows from operating activities | 424 | 528 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (429) | (351) |
| Change in accrued expenses related to capital expenditures | (56) | (76) |
| Change in restricted cash and cash equivalents | (49) | (1) |
| Other, net | (2) | (13) |
| Net cash flows from investing activities | (536) | (441) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of long-term debt | 2,139 | 332 |
| Repayments of long-term debt | (727) | (392) |
| Payments for debt issuance costs | (17) | — |
| Purchase of treasury stock | (16) | (16) |
| Proceeds from exercise of options | 5 | 6 |
| Other, net | 1 | — |
| Net cash flows from financing activities | 1,385 | (70) |
| | | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,273 | 17 |
| CASH AND CASH EQUIVALENTS, beginning of period | 5 | 3 |
| CASH AND CASH EQUIVALENTS, end of period | $1,278 | $20 |
| | | |
| CASH PAID FOR INTEREST, NET | $448 | $255 |

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

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

1. Organization and Basis of Presentation

Organization

Charter Communications, Inc. (“Charter”) is a holding company whose principal asset is a 100% common equity interest in Charter Communications Holding Company, LLC (“Charter Holdco”). Charter owns cable systems through its subsidiaries, which are collectively, with Charter, referred to herein as the “Company.” All significant intercompany accounts and transactions among consolidated entities have been eliminated.

The Company is a cable operator providing services in the United States. The Company offers to residential and commercial customers traditional cable video programming, Internet services, and voice services, as well as advanced video services such as video on demand, high definition television, and digital video recorder (“DVR”) service. The Company sells its cable video programming, Internet, voice, and advanced video services primarily on a subscription basis. The Company also sells local advertising on cable networks and provides fiber connectivity to cellular towers and office buildings.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and footnote disclosures typically included in Charter's Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying condensed 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; valuations and impairments of property, plant and equipment, intangibles and goodwill; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

2. Mergers and Acquisitions

TWC Transaction

On May 23, 2015, the Company entered into an Agreement and Plan of Mergers (the “Merger Agreement”) with Time Warner Cable Inc. ("TWC"), CCH I, LLC (“New Charter”), a wholly owned subsidiary of the Company; Nina Corporation I, Inc., Nina Company II, LLC, a wholly owned subsidiary of New Charter; and Nina Company III, LLC, a wholly owned subsidiary of New Charter, pursuant to which the parties will engage in a series of transactions that will result in Charter and TWC becoming wholly owned subsidiaries of New Charter (the “TWC Transaction”), on the

terms and subject to the conditions set forth in the Merger Agreement. After giving effect to the TWC Transaction, New Charter will be the new public company parent that will hold the operations of the combined companies. Upon consummation of the TWC Transaction, each outstanding share of TWC common stock (other than TWC stock held by Liberty Broadband Corporation ("Liberty Broadband") and Liberty Interactive Corporation (collectively, the "Liberty Parties")), will be converted into the right to receive $100 in cash and shares of New Charter Class A common stock ("New Charter common stock") equivalent to 0.5409 shares of Charter Class A common stock. Each stockholder of TWC will also have the option to elect to receive for each outstanding share of TWC common stock (other than TWC stock held by the Liberty Parties) $115 in cash and shares of New Charter common stock equivalent to 0.4562 shares of Charter common stock. Upon consummation of the TWC Transaction, each share of TWC common stock held by the Liberty Parties will be converted into New Charter common stock. The total enterprise value of TWC based on the current estimated value of purchase price consideration is approximately $82 billion, including cash, equity and TWC debt to be assumed. The value of the consideration will fluctuate based on the number of shares outstanding and the market value of Charter's Class A common stock on the acquisition date, among other factors. In certain circumstances a termination fee may be payable by Charter upon termination of the TWC Transaction as more fully described in the Merger Agreement.

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

Bright House Transaction

On March 31, 2015, the Company entered into a definitive Contribution Agreement (the “Contribution Agreement”), which was amended on May 23, 2015 in connection with the execution of the Merger Agreement, with Advance/Newhouse Partnership (“A/N”), A/NPC Holdings LLC, New Charter and Charter Communications Holdings, LLC (“Charter Holdings”), the Company's wholly owned subsidiary, pursuant to which Charter would become the owner of the membership interests in Bright House Networks, LLC (“Bright House”) and any other assets (other than certain excluded assets and liabilities and non-operating cash) primarily related to Bright House (the “Bright House Transaction”). At closing, Charter Holdings will pay to A/N approximately $2 billion in cash and issue to A/N convertible preferred units of Charter Holdings with a face amount of $2.5 billion which will pay a 6% coupon, and approximately 34.3 million common units of Charter Holdings that are exchangeable into New Charter common stock on a one-for-one basis with a current value of approximately $7 billion.

Liberty Transaction and Debt Financing for the TWC Transaction and Bright House Transaction

Assuming that all TWC stockholders (excluding the Liberty Parties) elect the $100 per share cash option, the cash portion of the consideration for the TWC Transaction is expected to be approximately $28 billion and the cash portion of the Bright House Transaction is approximately $2 billion. In connection with the TWC Transaction, Charter and Liberty Broadband entered into an investment agreement, pursuant to which Liberty Broadband agreed to invest $4.3 billion in New Charter at the closing of the TWC transactions to partially finance the cash portion of the TWC Transaction consideration. In connection with the Bright House Transaction, Liberty Broadband agreed to purchase at the closing of the Bright House Transaction $700 million of New Charter Class A common stock (or, if the TWC Transaction is not consummated prior to the completion of the Bright House Transaction, Charter Class A common stock).

Charter expects to finance the remaining cash portion of the purchase price of the TWC Transaction and Bright House Transaction with additional indebtedness and cash on the companies’ balance sheets. In 2015, the Company issued $15.5 billion CCO Safari II, LLC ("CCO Safari II") senior secured notes, $3.8 billion CCO Safari III, LLC ("CCO Safari III") senior secured bank loans and $2.5 billion CCOH Safari, LLC ("CCOH Safari") senior unsecured notes. Charter has remaining commitments of approximately $2.7 billion from banks to provide incremental senior secured term loan facilities and senior unsecured notes, as well as an incremental $1.7 billion revolving facility. In addition, the bank commitments provide for a $4.3 billion bridge facility if all TWC stockholders (other than the Liberty Parties) elect the $115 per share cash option, in the event Charter is unable to issue senior unsecured notes in advance of the closing of the TWC Transaction.

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

3. Franchises, Goodwill and Other Intangible Assets

As of March 31, 2016 and December 31, 2015, indefinite lived and finite-lived intangible assets are presented in the following table:

| | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Indefinite-lived intangible assets: | | | | | | |
| Franchises | $6,006 | $ — | $ 6,006 | $6,006 | $ — | $ 6,006 |
| Goodwill | 1,168 | — | 1,168 | 1,168 | — | 1,168 |
| Trademarks | 159 | — | 159 | 159 | — | 159 |
| Other intangible assets | 4 | — | 4 | 4 | — | 4 |
| | $7,337 | $ — | $ 7,337 | $7,337 | $ — | $ 7,337 |
| Finite-lived intangible assets: | | | | | | |
| Customer relationships | $2,616 | $ 1,816 | $ 800 | $2,616 | $ 1,760 | $ 856 |
| Other intangible assets | 176 | 86 | 90 | 173 | 82 | 91 |
| | $2,792 | $ 1,902 | $ 890 | $2,789 | $ 1,842 | $ 947 |

Amortization expense related to customer relationships and other intangible assets for the three months ended March 31, 2016 and 2015 was $60 million and $69 million, respectively.

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

| | |
|---|---|
| Nine months ended December 31, 2016 | $177 |
| 2017 | 204 |
| 2018 | 169 |
| 2019 | 134 |
| 2020 | 96 |
| Thereafter | 110 |
| | $890 |

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.

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

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of March 31, 2016 and December 31, 2015:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Accounts payable – trade | $ 140 | $ 134 |
| Accrued capital expenditures | 240 | 296 |
| Deferred revenue | 100 | 96 |
| Accrued liabilities: | | |
| Interest | 443 | 445 |
| Programming costs | 468 | 451 |
| Franchise related fees | 57 | 65 |
| Compensation | 174 | 186 |
| Other | 303 | 299 |
| | $ 1,925 | $ 1,972 |

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

5. Long-Term Debt

Long-term debt consists of the following as of March 31, 2016 and December 31, 2015:

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Principal Amount | Accreted Value | Principal Amount | Accreted Value |
| CCOH Safari, LLC | | | | |
| 5.750% senior notes due February 15, 2026 | $2,500 | $2,499 | $2,500 | $2,499 |
| CCO Safari II, LLC | | | | |
| 3.579% senior notes due July 23, 2020 | 2,000 | 1,999 | 2,000 | 1,999 |
| 4.464% senior notes due July 23, 2022 | 3,000 | 2,998 | 3,000 | 2,998 |
| 4.908% senior notes due July 23, 2025 | 4,500 | 4,497 | 4,500 | 4,497 |
| 6.384% senior notes due October 23, 2035 | 2,000 | 1,999 | 2,000 | 1,999 |
| 6.484% senior notes due October 23, 2045 | 3,500 | 3,498 | 3,500 | 3,498 |
| 6.834% senior notes due October 23, 2055 | 500 | 500 | 500 | 500 |
| CCO Safari III, LLC | | | | |
| Credit facilities | 3,800 | 3,788 | 3,800 | 3,788 |
| CCO Holdings, LLC: | | | | |
| 7.000% senior notes due January 15, 2019 | 600 | 594 | 600 | 594 |
| 7.375% senior notes due June 1, 2020 | 750 | 744 | 750 | 744 |
| 5.250% senior notes due March 15, 2021 | 500 | 496 | 500 | 496 |
| 6.500% senior notes due April 30, 2021 | 1,500 | 1,488 | 1,500 | 1,487 |
| 6.625% senior notes due January 31, 2022 | 750 | 740 | 750 | 740 |
| 5.250% senior notes due September 30, 2022 | 1,250 | 1,230 | 1,250 | 1,229 |
| 5.125% senior notes due February 15, 2023 | 1,000 | 991 | 1,000 | 990 |
| 5.125% senior notes due May 1, 2023 | 1,150 | 1,141 | 1,150 | 1,140 |
| 5.750% senior notes due September 1, 2023 | 500 | 495 | 500 | 495 |
| 5.750% senior notes due January 15, 2024 | 1,000 | 990 | 1,000 | 990 |
| 5.875% senior notes due April 1, 2024 | 1,700 | 1,683 | — | — |
| 5.375% senior notes due May 1, 2025 | 750 | 744 | 750 | 744 |
| 5.875% senior notes due May 1, 2027 | 800 | 794 | 800 | 794 |
| Charter Communications Operating, LLC: | | | | |
| Credit facilities | 3,263 | 3,216 | 3,552 | 3,502 |
| Long-Term Debt | $37,313 | $37,124 | $35,902 | $35,723 |

The accreted values presented above represent the principal amount of the debt less the original issue discount at the time of sale and deferred financing costs, plus the accretion of both 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. The Company has availability under its credit facilities of approximately $1.2 billion as of March 31, 2016 and as such, debt maturing in the next twelve months is classified as long-term.

In February 2016, CCO Holdings, LLC ("CCO Holdings") and CCO Holdings Capital Corp. closed on transactions in which they issued $1.7 billion aggregate principal amount of 5.875% senior notes due 2024 (the "2024 Notes"). The net proceeds, along with the net proceeds from the issuance of the 2026 Notes (see Note 17), will be used to (i) repurchase CCO Holdings' 7.000% senior notes due 2019 and 7.375% senior notes due 2020 and pay related fees and expenses and (ii) will be used to repurchase or redeem all or a portion of CCO Holdings' 6.500% senior notes due 2021 and (iii) for general corporate purposes. Any redemption or repurchase of the 6.500% senior notes due 2021 will not take place until after the Company determines the amount, if any, of the incremental cash proceeds to TWC stockholders if they were to elect $115 per share in cash rather than $100 per share. See Note 2.

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

The payment obligations under the 2024 Notes are guaranteed on a senior unsecured basis by Charter, which guarantee will be released upon completion of the TWC Transaction. They are senior debt obligations of CCO Holdings and CCO Holdings Capital Corp. and rank equally with all other current and future unsecured, unsubordinated obligations of CCO Holdings and CCO Holdings Capital Corp. The 2024 Notes are structurally subordinated to all obligations of subsidiaries of CCO Holdings, including the Charter Communications Operating, LLC ("Charter Operating") credit facilities.

CCO Holdings may redeem some or all of the 2024 Notes at any time at a premium. The optional redemption price declines to 100% of the respective series' principal amount, plus accrued and unpaid interest, if any, on or after varying dates in 2019 through 2022.

In addition, at any time prior to April 1, 2019, CCO Holdings may redeem up to 40% of the aggregate principal amount of the 2024 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 CCO Holdings 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.

6. Common Stock

During the three months ended March 31, 2016 and 2015, the Company withheld 94,392 and 76,670 shares, respectively, of its common stock in payment of $16 million and $16 million, respectively, income tax withholding owed by employees upon vesting of restricted shares and restricted stock units. As of March 31, 2016, the Company also withheld 18,917 shares of common stock representing the exercise costs owed by employees upon exercise of stock options.

In December 2015, Charter's board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2015. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders' deficit.

7. Accounting for Derivative Instruments and Hedging Activities

The Company uses interest rate derivative instruments to manage its interest costs and 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. The Company does not hold or issue derivative instruments for speculative trading purposes.

The effect of interest rate derivatives on the Company's condensed consolidated balance sheets is presented in the table below:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Accrued interest | $ 2 | $ 3 |
| Other long-term liabilities | $ 14 | $ 10 |
| Accumulated other comprehensive loss | $ (11) | $ (13) |

The Company holds interest rate derivative instruments not designated as hedges which are marked to fair value, with the impact recorded as a gain or loss on derivative instruments, net in the Company's condensed consolidated statements of operations. While these interest rate 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. These interest rate derivative instruments were de-designated in 2013 and the balance that remains in accumulated other comprehensive loss for these interest rate derivative instruments is being amortized over the respective lives of the contracts and recorded as a loss within loss on derivative instruments, net in the Company's condensed consolidated statements of operations. The estimated net amount of existing losses that are reported in accumulated other comprehensive loss as of March 31, 2016 that is expected to be reclassified into earnings within the next twelve months is approximately $7 million.

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The effects of interest rate derivative instruments on the Company's condensed consolidated statements of operations is presented in the table below.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Loss on derivative instruments, net: | | |
| Change in fair value of interest rate derivative instruments not designated as cash flow hedges | $(3) | $(3) |
| Loss reclassified from accumulated other comprehensive loss into earnings as a result of cash flow hedge discontinuance | (2) | (3) |
| | $(5) | $(6) |

As of March 31, 2016 and December 31, 2015, the Company had $1.1 billion in notional amounts of interest rate derivative instruments outstanding. In December 2016, $250 million of currently effective swaps expire and therefore the notional amount of currently effective interest rate swaps will decrease. The notional amounts of interest rate 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.

8. Fair Value Measurements

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

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

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of March 31, 2016 and December 31, 2015 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 condensed 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.

The Company's restricted cash and cash equivalents are primarily invested in money market funds and 90-day or less commercial paper. The money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange and commercial paper is valued at cost plus the accretion of the discount on a yield to maturity basis, which approximates fair value. The money market funds and commercial paper potentially subject us to concentration of credit risk. The amount invested within any one financial instrument did not exceed $1.5 billion during each of the three months ended March 31, 2016 and year ended December 31, 2015. As of March 31, 2016 and December 31, 2015, there were no significant concentrations of financial instruments in a single investee, industry or geographic location. The Company received approximately $22 million of cash interest from these financial instruments during the three months ended March 31, 2016.

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The interest rate derivative instruments are valued using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparties' credit risk). The weighted average pay rate for the Company's currently effective interest rate derivative instruments was 1.61% at March 31, 2016 and December 31, 2015 (exclusive of applicable spreads).

The Company's financial instruments that are accounted for at fair value on a recurring basis are presented in the table below.

| | March 31, 2016 | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Assets | | | | | | |
| Money market funds | $15,829 | $— | $— | $14,330 | $— | $— |
| Commercial paper | $— | $6,484 | $— | $— | $7,934 | $— |
| Liabilities | | | | | | |
| Interest rate derivatives | $— | $16 | $— | $— | $13 | $— |

A summary of the carrying value and fair value of the Company's debt at March 31, 2016 and December 31, 2015 is as follows:

| | March 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Debt | | | | |
| Senior notes | $30,120 | $31,678 | $28,433 | $28,744 |
| Credit facilities | $7,004 | $7,037 | $7,290 | $7,274 |

The estimated fair value of the Company's senior notes at March 31, 2016 and December 31, 2015 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.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as 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 impairments were recorded during the three months ended March 31, 2016 and 2015.

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9. Operating Costs and Expenses

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Programming | $703 | $666 |
| Franchise, regulatory and connectivity | 112 | 107 |
| Costs to service customers | 421 | 423 |
| Marketing | 162 | 151 |
| Transition costs | 21 | 21 |
| Other | 252 | 213 |
| | $1,671 | $1,581 |

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand, and pay-per-view programming. Franchise, regulatory and connectivity costs represent payments to franchise and regulatory authorities and costs directly related to providing video, Internet and voice services. 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, billing and collection, occupancy and vehicle costs. Marketing costs represents the costs of marketing to our current and potential commercial and residential customers including labor costs. Transition costs represent incremental costs incurred to increase the scale of the Company's business as a result of the TWC Transaction and Bright House Transaction. See Note 2 for additional information. Other includes bad debt expense, corporate overhead, advertising sales expenses, costs associated with the Company's enterprise business customers, property tax and insurance 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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Merger and acquisition costs | $14 | $ 13 |
| Special charges, net | 4 | 2 |
| Loss on sale of assets, net | $— | $ 3 |

| | |
|---|---|
| $18 | $ 18 |

Merger and acquisition costs

Merger and acquisition costs represents costs incurred in connection with merger and acquisition transactions, such as advisory, legal and accounting fees, among others.

Special charges, net

Special charges, net, primarily includes severance charges and net amounts of litigation settlements.

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Loss on sale of assets, net

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

11. Income Taxes

For the three months ended March 31, 2016 and 2015, the Company recorded $28 million and $35 million of income tax expense, respectively. Income tax expense is generally recognized primarily through increases in deferred tax liabilities related to Charter's franchises which are characterized as indefinite-lived for book financial reporting purposes, as well as to a lesser extent 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 technical merits. There is considerable judgment involved in making such a determination. The Company has recorded unrecognized tax benefits totaling approximately $5 million as of March 31, 2016 and December 31, 2015, presented net of deferred taxes.

No tax years for Charter or Charter Holdco, for income tax purposes, are currently under examination by the IRS. Tax years ending 2012 through 2015 remain subject to examination and assessment. Years prior to 2012 remain open solely for purposes of examination of Charter's loss and credit carryforwards.

12. Related Party Transactions

Equity Investments

On May 1, 2015, the Company acquired a 35% equity interest in ActiveVideo Networks ("AVN") for $55 million in cash representing the initial investment, a capital call and associated transaction fees. AVN is the developer of CloudTV, a cloud-based software platform enabling service providers, content aggregators, and consumer electronic manufacturers to deploy new services by virtualizing consumer premise equipment functions in the cloud. AVN's software platform is one of the key technologies enabling the development and deployment of the Company's cloud-based user interface, Spectrum Guide®. The Company applies the equity method of accounting to this investment which is recorded in other noncurrent assets in the condensed consolidated balance sheet as of March 31, 2016 and December 31, 2015. For the three months ended March 31, 2016, the Company recorded equity losses for AVN and other investments of $3 million in other expense, net. The Company has agreements with AVN and other equity investments pursuant to which the Company made related party transaction payments to investees totaling approximately $4 million during the three months ended March 31, 2016.

Liberty Broadband

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 New Charter (the "Stockholders Agreement"). The Stockholders Agreement will replace Charter's existing stockholders agreement with Liberty Broadband, dated September 29, 2014, and supersede the amended and restated

stockholders agreement among Charter, New Charter, Liberty Broadband and A/N, dated March 31, 2015. Charter's existing stockholders agreement with Liberty Broadband (as amended by an investment agreement between Liberty Broadband, Charter and New Charter, dated as of May 23, 2015) will remain in effect until the closing of the TWC Transaction or the Bright House Transaction, whichever occurs earlier, and, in the event the Stockholders Agreement is terminated, will revive and continue in full force and effect. Certain provisions of the Stockholders Agreement became effective upon its execution. See Note 2 for additional information.

Under the terms of the Stockholders Agreement, the number of New Charter directors will be fixed at 13, and will include New Charter's chief executive officer. Upon the closing of the Bright House Transaction, two designees selected by A/N and three designees selected by Liberty Broadband will become members of the board of directors of New Charter. The remaining eight directors (other than the chief executive officer, who is expected to become chairman of the board) will be independent directors selected by the nominating committee of the New Charter board by the approval of both a majority of the nominating committee and a majority of the directors that were not appointed by either A/N or Liberty Broadband. Thereafter, Liberty Broadband will be entitled to designate three nominees to be elected as directors and A/N will be entitled to designate two nominees to be elected

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as directors, in each case provided that each maintains certain specified voting or equity ownership thresholds, provided that each nominee must meet any applicable requirements or qualifications. Each of A/N and Liberty Broadband will be entitled to nominate at least one director to each of the committees of the Charter 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 compensation committees will have at least a majority of directors independent from A/N, Liberty Broadband and New Charter (referred to as the "unaffiliated directors"). The nominating committee will be comprised of three unaffiliated directors, and one designee of each of A/N and Liberty Broadband. A/N and Liberty Broadband also will have certain other committee designation and other governance rights. Mr. Thomas Rutledge, the Company's Chief Executive Officer ("CEO"), will be offered the positions of CEO and chairman of New Charter.

The Company is aware that Dr. John Malone may be deemed to have a 36.8% voting interest in Liberty Interactive Corp. ("Liberty Interactive") and is Chairman of the board of directors, an executive officer position, of Liberty Interactive. Liberty Interactive owns 38.0% of the common 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. For the each of three months ended March 31, 2016 and 2015, the Company recorded payments in aggregate of approximately $4 million and $3 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 also serves on the board of directors of Discovery Communications, Inc., ("Discovery") and the Company is aware that Dr. Malone owns 4.9% in the aggregate of the common stock of Discovery and has a 28.6% voting interest in Discovery for the election of directors. In addition, Dr. Malone owns approximately 10.8% in the aggregate of the common stock of Starz and has 47.2% of the voting power. Mr. Gregory Maffei, a member of Charter's board of directors, is a non-executive Chairman of the board of Starz. The Company purchases programming from both Discovery and Starz pursuant to agreements entered into prior to Dr. Malone and Mr. Maffei joining Charter's board of directors. Based on publicly available information, the Company does not believe that either Discovery or Starz would currently be considered related parties. The amounts paid in aggregate to Discovery and Starz represent less than 3% of total operating costs and expenses for the three months ended March 31, 2016 and 2015.

13. Contingencies

In 2014, following an announcement by Comcast Corporation ("Comcast") and TWC of their intent to merge, Breffni Barrett and others filed suit in the Supreme Court of the State of New York for the County of New York against Comcast, TWC and their respective officers and directors. Later five similar class actions were consolidated with this matter (the "NY Actions"). The NY Actions were settled in July 2014, however, such settlement was terminated following the termination of the Comcast and TWC merger in April 2015. In May 2015, Charter and TWC announced their intent to merge. Subsequently, the parties in the NY Actions filed a Second Consolidated Class Action Complaint (the "Second Amended Complaint"), removing Comcast and Tango Acquisition Sub, Inc. as defendants and naming TWC, the members of the TWC board of directors, Charter and the merger subsidiaries as defendants. The Second Amended Complaint generally alleges, among other things, that the members of the TWC board of directors breached their fiduciary duties to TWC stockholders during the Charter merger negotiations and by entering into the merger agreement and approving the mergers, and that Charter and its subsidiaries aided and abetted such breaches of fiduciary duties. The complaint sought, among other relief, injunctive relief enjoining the

stockholder vote on the mergers, unspecified declaratory and equitable relief, compensatory damages in an unspecified amount, and costs and attorneys' fees.

In September 2015, the parties entered into a memorandum of understanding ("MOU") to settle the action. Pursuant to the MOU, the defendants issued certain supplemental disclosures relating to the mergers on a Form 8-K, and plaintiffs agreed to release with prejudice all claims that could have been asserted against defendants in connection with the mergers. The settlement is conditioned on, among other things, consummation of the transactions between TWC and Charter, and must be approved by the New York Supreme Court. In the event that the New York Supreme Court does not approve the settlement, the defendants intend to vigorously defend against any further litigation.

In August 2015, a purported stockholder of Charter 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 (collectively, the "Transactions"). The lawsuit names as defendants Liberty Broadband, Charter, the board of directors of Charter, and New Charter. Plaintiff alleged that the 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.

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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 until the defendants disclosed certain information relating to Charter and the 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. Charter has not yet responded to this suit but intends to deny any liability, believes that it has substantial defenses, and intends to vigorously defend this suit.

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

The Company is party to lawsuits and claims that arise in the ordinary course of conducting its business, including lawsuits claiming violation of wage and hour laws. 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.

The Company granted the following equity awards for the periods presented.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |

| | | |
|---|---|---|
| Stock options | 972,800 | 1,238,900 |
| Restricted stock | — | — |
| Restricted stock units | 274,700 | 145,500 |

Stock options granted prior to 2014 generally vest annually over three or four years from either the grant date or delayed vesting commencement dates. Stock options generally expire ten years from the grant date. Restricted stock vests annually over a one to four-year period beginning from the date of grant. Certain stock options and restricted stock vest based on achievement of stock price hurdles. Restricted stock units have no voting rights, and restricted stock units granted prior to 2014 vest ratably over three or four years from either the grant date or delayed vesting commencement dates. Beginning in 2014, stock options and restricted stock units granted cliff vest over three years.

As of March 31, 2016, total unrecognized compensation remaining to be recognized in future periods totaled $119 million for stock options, $0.3 million for restricted stock and $70 million for restricted stock units and the weighted average period over

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which they are expected to be recognized is 2 years for stock options, 1 month for restricted stock and 2 years for restricted stock units.

The Company recorded $24 million and $19 million of stock compensation expense for the three months ended March 31, 2016 and 2015, respectively, which is included in operating costs and expenses.

15. Consolidating Schedules

The accompanying condensed consolidating financial information has been prepared and presented pursuant to SEC Regulation S-X Rule 3-10, Financial Statements of Guarantors and Affiliates Whose Securities Collateralize an Issue Registered or Being Registered. 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 Safari Escrow Entities column consists of CCOH Safari, CCO Safari II and CCO Safari III. CCOH Safari, CCO Safari II and CCO Safari III hold the CCOH Safari notes, CCO Safari II notes and the CCO Safari III credit facilities, respectively.

The CCO Holdings notes are obligations of CCO Holdings. However, the CCO Holdings notes are also jointly, severally, fully and unconditionally guaranteed on an unsecured senior basis by Charter.

The Charter Operating and Restricted Subsidiaries column is presented as a requirement pursuant to the terms of Charter Operating's Amended and Restated Credit Agreement dated April 11, 2012 (the "Credit Agreement"). The Unrestricted Subsidiary column consisted of CCO Safari which was a Non-Recourse Subsidiary under the Credit Agreement and that held the CCO Safari Term G Loans which were repaid in April 2015.

Condensed consolidating financial statements as of March 31, 2016 and December 31, 2015 and for the three months ended March 31, 2016 and 2015 follow.

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Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of March 31, 2016

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | $4 | $ 2 | $— | $ 1,211 | $ 61 | $— | $ 1,278 |
| Accounts receivable, net | 8 | 6 | — | — | 239 | — | 253 |
| Receivables from related party | 68 | 270 | — | 6 | — | (344) | — |
| Prepaid expenses and other current assets | — | 8 | — | — | 73 | — | 81 |
| Total current assets | 80 | 286 | — | 1,217 | 373 | (344) | 1,612 |
| RESTRICTED CASH AND CASH EQUIVALENTS | — | — | 22,313 | — | — | — | 22,313 |
| INVESTMENT IN CABLE PROPERTIES: | | | | | | | |
| Property, plant and equipment, net | — | 27 | — | — | 8,267 | — | 8,294 |
| Franchises | — | — | — | — | 6,006 | — | 6,006 |
| Customer relationships, net | — | — | — | — | 800 | — | 800 |
| Goodwill | — | — | — | — | 1,168 | — | 1,168 |
| Total investment in cable properties, net | — | 27 | — | — | 16,241 | — | 16,268 |
| INVESTMENT IN SUBSIDIARIES | 1,295 | 644 | — | 11,320 | — | (13,259) | — |
| LOANS RECEIVABLE – RELATED PARTY | — | 341 | — | 1,172 | 804 | (2,317) | — |
| OTHER NONCURRENT ASSETS | — | 218 | — | — | 113 | — | 331 |
| Total assets | $1,375 | $ 1,516 | $22,313 | $ 13,709 | $ 17,531 | $ (15,920) | $ 40,524 |
| LIABILITIES AND SHAREHOLDERS'/MEMBERS' EQUITY (DEFICIT) | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | |
| Accounts payable and accrued liabilities | $4 | $ 194 | $274 | $ 172 | $ 1,281 | $— | $ 1,925 |
| Payables to related party | — | — | 16 | — | 328 | (344) | — |
| Total current liabilities | 4 | 194 | 290 | 172 | 1,609 | (344) | 1,925 |
| LONG-TERM DEBT | — | — | 21,778 | 12,130 | 3,216 | — | 37,124 |
| LOANS PAYABLE – RELATED PARTY | — | — | 1,008 | — | 1,309 | (2,317) | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| DEFERRED INCOME TAXES | 1,590 | — | — | — | 28 | — | 1,618 |
| OTHER LONG-TERM LIABILITIES | — | 27 | — | — | 49 | — | 76 |
| SHAREHOLDERS'/MEMBER'S EQUITY (DEFICIT) | (219) | 1,295 | (763) | 1,407 | 11,320 | (13,259) | (219) |
| Total liabilities and shareholders'/members' equity (deficit) | $1,375 | $ 1,516 | $22,313 | $13,709 | $ 17,531 | $(15,920) | $ 40,524 |

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Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Balance Sheets
As of December 31, 2015

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| CURRENT ASSETS: | | | | | | | |
| Cash and cash equivalents | $— | $ — | $— | $— | $ 5 | $— | $ 5 |
| Accounts receivable, net | 8 | 7 | — | — | 264 | — | 279 |
| Receivables from related party | 51 | 297 | — | 14 | — | (362) | — |
| Prepaid expenses and other current assets | — | 6 | — | — | 55 | — | 61 |
| Total current assets | 59 | 310 | — | 14 | 324 | (362) | 345 |
| RESTRICTED CASH AND CASH EQUIVALENTS | — | — | 22,264 | — | — | — | 22,264 |
| INVESTMENT IN CABLE PROPERTIES: | | | | | | | |
| Property, plant and equipment, net | — | 28 | — | — | 8,317 | — | 8,345 |
| Franchises | — | — | — | — | 6,006 | — | 6,006 |
| Customer relationships, net | — | — | — | — | 856 | — | 856 |
| Goodwill | — | — | — | — | 1,168 | — | 1,168 |
| Total investment in cable properties, net | — | 28 | — | — | 16,347 | — | 16,375 |
| INVESTMENT IN SUBSIDIARIES | 1,468 | 816 | — | 11,303 | — | (13,587) | — |
| LOANS RECEIVABLE – RELATED PARTY | — | 333 | — | 613 | 563 | (1,509) | — |
| OTHER NONCURRENT ASSETS | — | 216 | — | — | 116 | — | 332 |
| Total assets | $1,527 | $ 1,703 | $22,264 | $11,930 | $ 17,350 | $(15,458) | $ 39,316 |
| LIABILITIES AND SHAREHOLDERS'/MEMBERS' EQUITY (DEFICIT) | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | |
| Accounts payable and accrued liabilities | $11 | $ 203 | $282 | $165 | $ 1,311 | $— | $ 1,972 |
| Payables to related party | — | — | 17 | — | 345 | (362) | — |
| Total current liabilities | 11 | 203 | 299 | 165 | 1,656 | (362) | 1,972 |
| LONG-TERM DEBT | — | — | 21,778 | 10,443 | 3,502 | — | 35,723 |
| LOANS PAYABLE – RELATED PARTY | — | — | 693 | — | 816 | (1,509) | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| DEFERRED INCOME TAXES | 1,562 | — | — | — | 28 | — | 1,590 |
| OTHER LONG-TERM LIABILITIES | — | 32 | — | — | 45 | — | 77 |
| SHAREHOLDERS'/MEMBER'S EQUITY (DEFICIT) | (46) | 1,468 | (506) | 1,322 | 11,303 | (13,587) | (46) |
| Total liabilities and shareholders'/members' equity (deficit) | $1,527 | $ 1,703 | $22,264 | $11,930 | $ 17,350 | $(15,458) | $ 39,316 |

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Operations
For the three months ended March 31, 2016

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|
| REVENUES | $7 | $ 96 | $— | $ — | $ 2,530 | $ (103) | $ 2,530 |
| COSTS AND EXPENSES: | | | | | | | |
| Operating costs and expenses (exclusive of items shown separately below) | 7 | 96 | — | — | 1,671 | (103) | 1,671 |
| Depreciation and amortization | — | — | — | — | 539 | — | 539 |
| Other operating expenses, net | — | — | — | — | 18 | — | 18 |
| | 7 | 96 | — | — | 2,228 | (103) | 2,228 |
| Income from operations | — | — | — | — | 302 | — | 302 |
| OTHER INCOME (EXPENSES): | | | | | | | |
| Interest expense, net | — | 3 | (257) | (165) | (35) | — | (454) |
| Loss on derivative instruments, net | — | — | — | — | (5) | — | (5) |
| Other expense, net | — | (3) | — | — | — | — | (3) |
| Equity in income (loss) of subsidiaries | (160) | (160) | — | 262 | — | 58 | — |
| | (160) | (160) | (257) | 97 | (40) | 58 | (462) |
| Income (loss) before income taxes | (160) | (160) | (257) | 97 | 262 | 58 | (160) |
| INCOME TAX EXPENSE | (28) | — | — | — | — | — | (28) |
| Net income (loss) | $(188) | $ (160) | $(257) | $ 97 | $ 262 | $ 58 | $ (188) |

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Operations
For the three months ended March 31, 2015

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Unrestricted Subsidiary - CCO Safari | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|---|
| REVENUES | $ 6 | $ 71 | $ — | $ — | $ 2,362 | $ — | $ (77) | $ 2,362 |
| COSTS AND EXPENSES: | | | | | | | | |
| Operating costs and expenses (exclusive of items shown separately below) | 6 | 71 | — | — | 1,581 | — | (77) | 1,581 |
| Depreciation and amortization | — | — | — | — | 514 | — | — | 514 |
| Other operating expenses, net | — | — | — | — | 18 | — | — | 18 |
| | 6 | 71 | — | — | 2,113 | — | (77) | 2,113 |
| Income from operations | — | — | — | — | 249 | — | — | 249 |
| OTHER INCOME (EXPENSES): | | | | | | | | |
| Interest expense, net | — | 2 | (49) | (166) | (40) | (36) | — | (289) |
| Loss on derivative instruments, net | — | — | — | — | (6) | — | — | (6) |
| Equity in income (loss) of subsidiaries | (47) | (59) | — | 156 | (36) | — | (14) | — |
| | (47) | (57) | (49) | (10) | (82) | (36) | (14) | (295) |
| Income (loss) before income taxes | (47) | (57) | (49) | (10) | 167 | (36) | (14) | (46) |
| INCOME TAX EXPENSE | (34) | — | — | — | (1) | — | — | (35) |
| Consolidated net income (loss) | (81) | (57) | (49) | (10) | 166 | (36) | (14) | (81) |
| Less: Noncontrolling interest | — | 10 | — | — | (10) | — | — | — |
| Net income (loss) | $ (81) | $ (47) | $ (49) | $ (10) | $ 156 | $ (36) | $ (14) | $ (81) |

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2016

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|
| Net income (loss) | $ (188) | $ (160) | $ (257) | $ 97 | $ 262 | $ 58 | $ (188) |
| Net impact of interest rate derivative instruments, net of tax | 2 | 2 | 2 | 2 | 2 | (8) | 2 |
| Comprehensive income (loss) | $ (186) | $ (158) | $ (255) | $ 99 | $ 264 | $ 50 | $ (186) |

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Comprehensive Income (Loss)
For the three months ended March 31, 2015

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Unrestricted Subsidiary - CCO Safari | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|---|
| Consolidated net income (loss) | $ (81) | $ (57) | $ (49) | $ (10) | $ 166 | $ (36) | $ (14) | $ (81) |
| Net impact of interest rate derivative instruments, net of tax | 3 | 3 | 3 | 3 | 3 | — | (12) | 3 |
| Comprehensive income (loss) | $ (78) | $ (54) | $ (46) | $ (7) | $ 169 | $ (36) | $ (26) | $ (78) |

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2016

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | |
| Net income (loss) | $(188) | $ (160) | $(257) | $97 | $ 262 | $ 58 | $ (188) |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: | | | | | | | |
| Depreciation and amortization | — | — | — | — | 539 | — | 539 |
| Noncash interest expense | — | — | — | 4 | 3 | — | 7 |
| Loss on derivative instruments, net | — | — | — | — | 5 | — | 5 |
| Deferred income taxes | 28 | — | — | — | — | — | 28 |
| Equity in (income) loss of subsidiaries | 160 | 160 | — | (262) | — | (58) | — |
| Other, net | — | 3 | — | — | 24 | — | 27 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | | | | | | |
| Accounts receivable | — | (2) | — | — | 26 | — | 24 |
| Prepaid expenses and other assets | — | (3) | — | — | (18) | — | (21) |
| Accounts payable, accrued liabilities and other | (6) | (17) | (8) | 9 | 25 | — | 3 |
| Receivables from and payables to related party | 7 | 20 | 6 | (6) | (27) | — | — |
| Net cash flows from operating activities | 1 | 1 | (259) | (158) | 839 | — | 424 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | |
| Purchases of property, plant and equipment | — | — | — | — | (429) | — | (429) |
| Change in accrued expenses related to capital expenditures | — | — | — | — | (56) | — | (56) |
| Distributions from subsidiaries | 14 | 84 | — | 246 | — | (344) | — |
| Change in restricted cash and cash equivalents | — | — | (49) | — | — | — | (49) |
| Other, net | — | — | — | — | (2) | — | (2) |
| Net cash flows from investing activities | 14 | 84 | (49) | 246 | (487) | (344) | (536) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | | |
| Borrowings of long-term debt | — | — | — | 1,700 | 439 | — | 2,139 |
| Repayments of long-term debt | — | — | — | — | (727) | — | (727) |
| Borrowings (repayments) loans payable - related parties | — | — | 308 | (546) | 238 | — | — |
| Payments for debt issuance costs | — | — | — | (17) | — | — | (17) |
| Purchase of treasury stock | (16) | — | — | — | — | — | (16) |
| Proceeds from exercise of options | 5 | — | — | — | — | — | 5 |
| Distributions to parent | — | (84) | — | (14) | (246) | 344 | — |
| Other, net | — | 1 | — | — | — | — | 1 |
| Net cash flows from financing activities | (11) | (83) | 308 | 1,123 | (296) | 344 | 1,385 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 4 | 2 | — | 1,211 | 56 | — | 1,273 |
| CASH AND CASH EQUIVALENTS, beginning of period | — | — | — | — | 5 | — | 5 |
| CASH AND CASH EQUIVALENTS, end of period | $4 | $ 2 | $— | $ 1,211 | $ 61 | $ — | $ 1,278 |

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

Charter Communications, Inc. and Subsidiaries
Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2015

| | Charter | Intermediate Holding Companies | Safari Escrow Entities | CCO Holdings | Charter Operating and Restricted Subsidiaries | Unrestricted Subsidiary - CCO Safari | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | | |
| Consolidated net income (loss) | $ (81) | $ (57) | $ (49) | $ (10) | $ 166 | $ (36) | $ (14) | $ (81) |
| Adjustments to reconcile consolidated net income (loss) to net cash flows from operating activities: | | | | | | | | |
| Depreciation and amortization | — | — | — | — | 514 | — | — | 514 |
| Noncash interest expense | — | — | — | 4 | 4 | — | — | 8 |
| Loss on derivative instruments, net | — | — | — | — | 6 | — | — | 6 |
| Deferred income taxes | 34 | — | — | — | — | — | — | 34 |
| Equity in (income) loss of subsidiaries | 47 | 59 | — | (156) | 36 | — | 14 | — |
| Other, net | — | 1 | — | — | 21 | — | — | 22 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | | | | | | | |
| Accounts receivable | (6) | (1) | — | — | 28 | — | — | 21 |
| Prepaid expenses and other assets | — | — | — | — | (26) | — | — | (26) |
| Accounts payable, accrued liabilities and other | (8) | 5 | 48 | (23) | 8 | — | — | 30 |
| Receivables from and payables to related party | 14 | (8) | — | (3) | (3) | — | — | — |
| Net cash flows from operating activities | — | (1) | (1) | (188) | 754 | (36) | — | 528 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | | |
| Purchases of property, plant and equipment | — | — | — | — | (351) | — | — | (351) |
| Change in accrued expenses related to capital expenditures | — | — | — | — | (76) | — | — | (76) |
| Contribution to subsidiary | (2) | — | — | — | (36) | — | 38 | — |
| Distributions from subsidiaries | 12 | 72 | — | 202 | — | — | (286) | — |
| Change in restricted cash and cash equivalents | — | — | (1) | — | — | — | — | (1) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other, net | — | — | — | — | (13) | — | — | (13) |
| Net cash flows from investing activities | 10 | 72 | (1) | 202 | (476) | — | (248) | (441) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | | | |
| Borrowings of long-term debt | — | — | — | — | 332 | — | — | 332 |
| Repayments of long-term debt | — | — | — | — | (392) | — | — | (392) |
| Borrowings (payments) loans payable - related parties | — | — | 2 | (2) | — | — | — | — |
| Purchase of treasury stock | (16) | — | — | — | — | — | — | (16) |
| Proceeds from exercise of options | 6 | — | — | — | — | — | — | 6 |
| Contributions from parent | — | 2 | — | — | — | 36 | (38) | — |
| Distributions to parent | — | (72) | — | (12) | (202) | — | 286 | — |
| Net cash flows from financing activities | (10) | (70) | 2 | (14) | (262) | 36 | 248 | (70) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | — | 1 | — | — | 16 | — | — | 17 |
| CASH AND CASH EQUIVALENTS, beginning of period | 3 | — | — | — | — | — | — | 3 |
| CASH AND CASH EQUIVALENTS, end of period | $ 3 | $ 1 | $ — | $ — | $ 16 | $ — | $ — | $ 20 |

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

16. Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. More specifically, revenue will be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. ASU 2014-09 will be effective, reflecting the one-year deferral, for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Early adoption of the standard is permitted but not before the original effective date. 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 the impact that the adoption of ASU 2014-09 will have on its consolidated financial statements and the selected method of transition to the new standard.

In April 2015, the FASB issued ASU No. 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU 2015-05"), which provides guidance in determining whether fees for purchasing cloud computing services (or hosted software solutions) are considered internal-use software or should be considered a service contract. The cloud computing agreement that includes a software license should be accounted for in the same manner as internal-use software if customer has contractual right to take possession of the software during the hosting period without significant penalty and it is feasible to either run the software on customer’s hardware or contract with another vendor to host the software. Arrangements that don’t meet the requirements for internal-use software should be accounted for as a service contract. ASU 2015-05 was effective for interim and annual periods beginning after December 15, 2015 (January 1, 2016 for the Company). The adoption of ASU 2015-05 did not have a material impact on the Company's financial statements.

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). Early adoption is permitted. 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.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), 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 cash flows as an

operating activity, (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). Early adoption of the standard is permitted but requires adoption of all provisions included in the amendment in the same period. 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 is currently in the process of evaluating the impact that the adoption of ASU 2016-09 will have on its consolidated financial statements.

17. Subsequent Events

In April 2016, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued $1.5 billion aggregate principal amount of 5.50% senior notes due 2026 (the "2026 Notes") at a price of 100.075% of the aggregate principal amount. The net proceeds, along with the net proceeds from the issuance of the 2024 Notes (see Note 5), will be used to (i) redeem CCO

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

Holdings’ 7.000% senior notes due 2019 and 7.375% senior notes due 2020 and pay related fees and expenses and (ii) to repurchase or redeem all or a portion of CCO Holdings' 6.500% senior notes due 2021 and (iii) for general corporate purposes. Any redemption or repurchase of the 6.500% senior notes due 2021 would not take place until after the Company determines the amount, if any, of the incremental cash proceeds to TWC stockholders if they were to elect $115 per share in cash rather than $100 per share. See Note 2.

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

General

Charter Communications, Inc. ("Charter") is a holding company whose principal asset is a 100% common equity interest in Charter Communications Holding Company, LLC ("Charter Holdco"). Charter owns cable systems through its subsidiaries.

We are a cable operator providing services in the United States with approximately 6.8 million residential and commercial customers at March 31, 2016. We offer our customers traditional cable video programming, Internet services, and voice services, as well as advanced video services such as video on demand, high definition ("HD") television and digital video recorder ("DVR") service. We also sell local advertising on cable networks and provide fiber connectivity to cellular towers and office buildings.

TWC Transaction

On May 23, 2015, we entered into an Agreement and Plan of Mergers (the "Merger Agreement") with Time Warner Cable Inc. ("TWC"), CCH I, LLC ("New Charter"), a wholly owned subsidiary of Charter; Nina Corporation I, Inc., Nina Company II, LLC, a wholly owned subsidiary of New Charter; and Nina Company III, LLC, a wholly owned subsidiary of New Charter, pursuant to which the parties will engage in a series of transactions that will result in Charter and TWC becoming wholly owned subsidiaries of New Charter (the "TWC Transaction"), on the terms and subject to the conditions set forth in the Merger Agreement. After giving effect to the TWC Transaction, New Charter will be the new public company parent that will hold the operations of the combined companies. Upon consummation of the TWC Transaction, each outstanding share of TWC common stock (other than TWC stock held by Liberty Broadband Corporation ("Liberty Broadband") and Liberty Interactive Corporation (collectively, the "Liberty Parties")), will be converted into the right to receive $100 in cash and shares of New Charter Class A common stock ("New Charter common stock") equivalent to 0.5409 shares of Charter Class A common stock. Each stockholder of TWC will also have the option to elect to receive for each outstanding share of TWC common stock (other than TWC stock held by the Liberty Parties) $115 in cash and shares of New Charter common stock equivalent to 0.4562 shares of Charter common stock. Upon consummation of the TWC Transaction, each share of TWC common stock held by the Liberty Parties will be converted into New Charter common stock. The total enterprise value of TWC based on the current estimated value of purchase price consideration is approximately $82 billion, including cash, equity and TWC debt to be assumed. The value of the consideration will fluctuate based on the number of shares outstanding and the market value of Charter's Class A common stock on the acquisition date, among other factors. In certain circumstances a termination fee may be payable by Charter upon termination of the TWC Transaction as more fully described in the Merger Agreement.

Bright House Transaction

On March 31, 2015, we entered into a definitive Contribution Agreement (the "Contribution Agreement"), which was amended on May 23, 2015 in connection with the execution of the Merger Agreement, with Advance/Newhouse Partnership ("A/N"), A/NPC Holdings LLC, New Charter and Charter Communications Holdings, LLC ("Charter Holdings"),our wholly owned subsidiary, pursuant to which Charter would become the owner of the membership interests in Bright House Networks, LLC ("Bright House") and any other assets (other than certain excluded assets and liabilities and non-operating cash) primarily related to Bright House (the "Bright House Transaction"). At closing, Charter Holdings will pay to A/N approximately $2 billion in cash and issue to A/N convertible preferred units of Charter Holdings with a face amount of $2.5 billion which will pay a 6% coupon, and approximately 34.3 million common units of Charter Holdings that are exchangeable into New Charter common stock on a one-for-one basis with a current value of approximately $7 billion.

Liberty Transaction and Debt Financing for the TWC Transaction and Bright House Transaction

Assuming that all TWC stockholders (excluding the Liberty Parties) elect the $100 per share cash option, the cash portion of the consideration for the TWC Transaction is expected to be approximately $28 billion and the cash portion of the Bright House Transaction is approximately $2 billion. In connection with the TWC Transaction, Charter and Liberty Broadband entered into an investment agreement, pursuant to which Liberty Broadband agreed to invest $4.3 billion in New Charter at the closing of the TWC transactions to partially finance the cash portion of the TWC Transaction consideration. In connection with the Bright House Transaction, Liberty Broadband agreed to purchase at the closing of the Bright House Transaction $700 million of New Charter Class A common stock (or, if the TWC Transaction is not consummated prior to the completion of the Bright House Transaction, Charter Class A common stock).

Charter expects to finance the remaining cash portion of the purchase price of the TWC Transaction and Bright House Transaction with additional indebtedness and cash on the companies' balance sheets. In 2015, we issued $15.5 billion CCO Safari II, LLC

("CCO Safari II") senior secured notes, $3.8 billion CCO Safari III, LLC ("CCO Safari III") senior secured bank loans and $2.5 billion CCOH Safari, LLC ("CCOH Safari") senior unsecured notes. Charter has remaining commitments of approximately $2.7 billion from banks to provide incremental senior secured term loan facilities and senior unsecured notes, as well as an incremental $1.7 billion revolving facility. In addition, the bank commitments provide for a $4.3 billion bridge facility if all TWC stockholders (other than the Liberty Parties) elect the $115 per share cash option, in the event Charter is unable to issue senior unsecured notes in advance of the closing of the TWC Transaction.

Regulatory Approval Process

On April 25, 2016, the Federal Communications Commission (the "FCC") Chairman announced that he had circulated a proposed order to approve the TWC Transaction and Bright House Transaction among the FCC Commissioners for consideration and vote. Also on April 25, 2016, the Antitrust Division of the U.S. Department of Justice (the “DOJ”) filed a proposed Final Judgment in the U.S. District Court for the District of Columbia under which the TWC Transaction and the Bright House Transaction may proceed. We have obtained all franchise and state regulatory approvals for the TWC Transaction and the Bright House Transaction except for approval from the California Public Utility Commission (the “California PUC”). The Administrative Law Judge for the California PUC proceeding entered a proposed order for approval of the TWC Transaction and the Bright House Transaction on April 12, 2016. The California PUC is scheduled to act on such proposed order at its May 12, 2016 meeting. There are no assurances as to the timing of the decision of the California PUC, that the California PUC will make a final determination of approval, or that the California PUC will not impose conditions in addition to those proposed by the Administrative Law Judge.

Transaction-Related Commitments

In connection with the regulatory approval process, we have made certain commitments described in our Annual Report on Form 10-K for the year ended December 31, 2015. As our applications before the FCC and the California PUC remain pending, we may enter into additional commitments in connection with the TWC Transaction and the Bright House Transaction.

When the FCC Chairman announced circulation of the proposed approval order, the FCC indicated that the proposed order contained certain conditions including build out of an additional two million locations with access to a high-speed connection. At least one million of those connections will be in competition with another high-speed broadband provider in the market served. The FCC Chairman also indicated that Charter will not be permitted to charge usage-based prices or impose data caps and will be prohibited from charging interconnection fees for seven years. Although a proposed order is circulating among the Commissioners of the FCC, we cannot provide any assurances as to the timing of any ultimate approval, the conditions ultimately required to obtain approval from the FCC or whether we will ultimately obtain the approval from the FCC.

Under the terms of the proposed settlement with the DOJ, Charter will be prohibited from entering into or enforcing any agreement with a programmer that forbids, limits or creates incentives to limit the programmer’s provision of content to one or more on-line video distributors ("OVDs"). The settlement further provides that Charter will not be able to avail itself of other distributors’ most favored nation ("MFN") provisions if they are inconsistent with this prohibition. The settlement also prohibits Charter from retaliating against programmers for licensing to OVDs.

Overview

Our most significant competitors are direct broadcast satellite providers and certain telephone companies that offer services that provide features and functions similar to our Internet, video and voice services, including in some cases wireless services, and they also offer these services in bundles similar to ours. Customers have been more willing to consider our competitors' products, partially because of increased marketing highlighting perceived differences

between competitive video products, especially when those competitors are often offering significant incentives to switch providers. Some consumers have chosen to receive video over the Internet rather than through pay television services including from us. In the recent past, we have grown revenues by offsetting basic video customer losses with price increases and sales of incremental services such as Internet, video on demand, DVR and HD television. We expect to continue to grow revenues by increasing the number of products in our current customer homes, obtaining new customers with our value offering and reducing churn. In addition, we expect to increase revenues by expanding the sales of services to our commercial customers. However, we cannot assure you that we will be able to grow revenues or maintain our margins at recent historical rates.

Our business plans include goals for increasing customers and revenue. To reach our goals, we actively invest in our network and operations, and improve the quality and value of the products and packages that we offer. We have enhanced our video product by moving to an all-digital platform, offering more HD channels and increasing digital and HD-DVR penetration. We simplified our offers and pricing, and package our products with the objective of bringing more value to new and existing customers than

our competitors. As part of our effort to create more value for customers, we focus on driving penetration of our triple play offering, which includes more than 200 HD channels in most of our markets, video on demand, Internet service, and fully-featured voice service. In addition, we have fully insourced our direct sales workforce and are increasingly insourcing our field operations and call center workforces and modifying the way our sales workforce is compensated, which we believe positions us for better customer service and growth. We expect that our enhanced product set combined with improved customer service will lead to lower customer churn and longer customer lifetimes, allowing us to grow our customer base and revenue more quickly and economically.

Total revenue growth was 7% for the three months ended March 31, 2016 compared to the corresponding period in 2015 due to growth in our video, Internet and commercial businesses. For the three months ended March 31, 2016 and 2015, Adjusted EBITDA was $883 million and $800 million, respectively. Adjusted EBITDA is defined as net loss plus net interest expense, income tax expense, depreciation and amortization, stock compensation expense, loss on derivative instruments, net, other expense, net and other operating expenses, such as merger and acquisition 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. Adjusted EBITDA increased 10% for the three months ended March 31, 2016 compared to the corresponding period in 2015 as a result of an increase in residential and commercial revenues offset by increases in programming costs, marketing costs and other operating costs. For the three months ended March 31, 2016 and 2015, our income from operations was $302 million and $249 million, respectively. In addition to the factors discussed above, income from operations for the three months ended March 31, 2016 was affected by increases in depreciation and amortization and stock compensation expense.

We incurred the following transition costs in connection with the TWC Transaction and Bright House Transaction.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Operating expenses | $21 | $ 21 |
| Other operating expenses | $14 | $ 13 |
| Interest expense | $257 | $ 86 |
| Capital expenditures | $53 | $ 14 |

We have a history of net losses. Our net losses are principally attributable to insufficient revenue to cover the combination of operating expenses, interest expenses that we incur because of our debt, depreciation expenses resulting from the capital investments we have made and continue to make in our cable properties, amortization expenses related to our customer relationship intangibles and non-cash taxes resulting from increases in our deferred tax liabilities.

The following table summarizes our customer statistics for video, Internet and voice as of March 31, 2016 and 2015 (in thousands except per customer data and footnotes).

| | Approximate as of March 31, 2016 (a) | 2015 (a) |
|---|---|---|
| Customer Relationships (b) | | |
| Residential | 6,388 | 6,070 |
| Small and Medium Business | 405 | 342 |
| Total Customer Relationships | 6,793 | 6,412 |
| | | |
| Residential Primary Service Units ("PSU") | | |
| Video | 4,332 | 4,311 |
| Internet | 5,368 | 4,910 |
| Voice | 2,633 | 2,481 |
| | 12,333 | 11,702 |
| | | |
| Monthly Residential Revenue per Residential Customer (c) | $111.04 | $109.53 |
| | | |
| Small and Medium Business PSUs | | |
| Video | 113 | 96 |
| Internet | 359 | 300 |
| Voice | 231 | 185 |
| | 703 | 581 |
| | | |
| Monthly Small and Medium Business Revenue per Customer (d) | $169.74 | $179.74 |
| | | |
| Enterprise PSUs (e) | 31 | 26 |

(a) We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, as of March 31, 2016 and 2015, customers include approximately 27,900 and 27,700 customers, respectively, whose accounts were over 60 days, approximately 1,100 and 900 customers, respectively, whose accounts were over 90 days, and approximately 900 and 700 customers, respectively, whose accounts were over 120 days.

(b) 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. Small and medium business customers are counted based on the number of customer locations. Total customer relationships excludes enterprise customer relationships.

(c) 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.

(d) 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.

(e) Enterprise PSUs represents the aggregate number of Charter's fiber service offerings counting each separate service offering at each customer location 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 2015 Annual Report on Form 10-K.

Results of Operations

The following table sets forth the percentages of revenues that items in the accompanying condensed consolidated statements of operations constituted for the periods presented (dollars in millions, except per share data):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| Revenues | $2,530 | 100% | $2,362 | 100% |
| Costs and Expenses: | | | | |
| Operating costs and expenses (exclusive of items shown separately below) | 1,671 | 66 % | 1,581 | 67 % |
| Depreciation and amortization | 539 | 21 % | 514 | 22 % |
| Other operating expenses, net | 18 | 1 % | 18 | 1 % |
| | 2,228 | 88 % | 2,113 | 89 % |
| Income from operations | 302 | 12 % | 249 | 11 % |
| Other Expenses: | | | | |
| Interest expense, net | (454) | | (289) | |
| Loss on derivative instruments, net | (5) | | (6) | |
| Other expense, net | (3) | | — | |
| | (462) | | (295) | |
| Loss before income taxes | (160) | | (46) | |
| Income tax expense | (28) | | (35) | |
| Net loss | $(188) | | $(81) | |
| LOSS PER COMMON SHARE, BASIC AND DILUTED: | $(1.68) | | $(0.73) | |
| Weighted average common shares outstanding, basic and diluted | 112,311,539 | | 111,655,617 | |

Revenues. Total revenue grew $168 million or 7% for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Revenue growth primarily reflects increases in the number of residential Internet and triple play customers and in commercial business customers, growth in expanded basic and digital penetration, promotional and annual rate increases, and higher advanced services penetration.

Revenues by service offering were as follows (dollars in millions):

| | Three Months Ended March 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | 2015 | | | 2016 over 2015 | | |
| | Revenues | % of Revenues | | Revenues | % of Revenues | | Change | % Change | |
| Video | $1,170 | 46 | % | $1,129 | 48 | % | $41 | 4 | % |
| Internet | 804 | 32 | % | 717 | 30 | % | 87 | 12 | % |
| Voice | 135 | 5 | % | 134 | 6 | % | 1 | 1 | % |
| Residential revenue | 2,109 | 83 | % | 1,980 | 84 | % | 129 | 7 | % |
| Small and medium business | 202 | 8 | % | 182 | 8 | % | 20 | 11 | % |
| Enterprise | 99 | 4 | % | 87 | 4 | % | 12 | 13 | % |
| Commercial revenue | 301 | 12 | % | 269 | 11 | % | 32 | 12 | % |
| Advertising sales | 72 | 3 | % | 66 | 3 | % | 6 | 9 | % |
| Other | 48 | 2 | % | 47 | 2 | % | 1 | 3 | % |
| | $2,530 | 100 | % | $2,362 | 100 | % | $168 | 7 | % |

Video revenues consist primarily of revenues from basic and digital video services provided to our non-commercial customers, as well as franchise fees, equipment rental and video installation revenue. Residential video customers increased by 21,000 from March 31, 2015 to March 31, 2016.

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

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Incremental video services, price adjustments and bundle revenue allocation | $ 46 |
| Increase in average basic video customers | 2 |
| Decrease in video on demand and pay-per-view | (7) |
| | $ 41 |

Residential Internet customers grew by 458,000 customers from March 31, 2015 to March 31, 2016. The increase in Internet revenues from our residential customers is attributable to the following (dollars in millions):

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Increase in average residential Internet customers | $ 68 |
| Service level changes, price adjustments and bundle revenue allocation | 19 |
| | $ 87 |

Residential voice customers grew by 152,000 customers from March 31, 2015 to March 31, 2016. The increase in voice revenues from our residential customers is attributable to the following (dollars in millions):

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Increase in average residential voice customers | $ 8 |
| Price adjustments and bundle revenue allocation | (7) |
| | $ 1 |

Small and medium business PSUs increased 122,000 from March 31, 2015 to March 31, 2016. The increase in small and medium business commercial revenues is attributable to the following (dollars in millions):

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Increase in small and medium business customers | $ 33 |
| Price adjustments | (13) |
| | $ 20 |

Enterprise PSUs increased 5,000 from March 31, 2015 to March 31, 2016. The increase in enterprise commercial revenues is primarily due to growth in customers.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors. Advertising sales revenues increased $6 million during the three months ended March 31, 2016 compared to the corresponding period in 2015 primarily due to an increase in political advertising of $5 million.

Other revenues consist of home shopping, late payment fees, wire maintenance fees and other miscellaneous revenues. Other revenues increased $1 million during the three months ended March 31, 2016 compared to the corresponding period in 2015.

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

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Programming | $ 37 |
| Franchises, regulatory and connectivity | 5 |
| Costs to service customers | (2) |
| Marketing | 11 |
| Other | 39 |
| | $ 90 |

Programming costs were approximately $703 million and $666 million, representing 42% of total operating costs and expenses for both the three months ended March 31, 2016 and 2015, respectively. Programming costs consist primarily of costs paid to programmers for basic, digital, premium, video on demand, and pay-per-view programming. The increase in programming costs is primarily a result of annual contractual rate adjustments, including increases in amounts paid for retransmission consents, the introduction of new networks to Charter's video offering and higher customers, partially offset by a favorable settlement with a programmer in the first quarter of 2016. Absent the favorable settlement with a programmer and video growth, programming expenses would have increased by 6% as compared to the same quarter last year. We expect programming expenses to 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 sports 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.

The increase in marketing costs for the three months ended March 31, 2016 compared to the corresponding prior period is primarily due to heavier sales activity.

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

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Corporate costs | $ 21 |
| Stock compensation expense | 5 |
| Advertising sales expense | 4 |
| Property tax and insurance | 4 |
| Enterprise | 4 |
| Other | 1 |
| | $ 39 |

The increase in corporate costs relates primarily to increases in the number of employees, resulting in part from the insourcing of information technology and engineering platforms, as well as additional bonus expense attributable to a Compensation Committee decision to treat certain 2015 expenditures as transaction-related for bonus payout purposes in 2016. Absent the increase in the 2015 bonus attainment, other expense would have increased by 15% as compared to the same quarter last year. Stock compensation expense increased primarily due to increases in headcount and the

value of equity issued.

Depreciation and amortization. Depreciation and amortization expense increased by $25 million during the three months ended March 31, 2016 compared to the corresponding period in 2015 primarily representing depreciation on more recent capital expenditures, offset by certain assets becoming fully depreciated.

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

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Merger and acquisitions costs | $ 1 |
| Special charges, net | 2 |
| Loss on sale of assets, net | (3) |
| | $ — |

For more information, see Note 10 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Interest expense, net. Net interest expense increased by $165 million for the three months ended March 31, 2016 compared to the corresponding period in 2015 primarily as a result of an increase of approximately $171 million of interest expense associated with the debt held in escrow to fund the TWC Transaction and Bright House Transaction offset by a decrease in interest rates.

Loss on derivative instruments, net. Interest rate derivative instruments are held to manage our interest costs and reduce our exposure to increases in floating interest rates. We recorded losses of $5 million and $6 million during the three months ended March 31, 2016 and 2015, respectively, which represents the amortization of accumulated other comprehensive loss for interest rate derivative instruments no longer designated as hedges for accounting purposes and their change in fair value. For more information, see Note 7 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Other expense, net. Other expense, net of $3 million for the three months ended March 31, 2016 primarily represents equity losses on our equity investments. For more information, see Note 12 to the accompanying condensed consolidated financial statements contained in "Item 1. Financial Statements."

Income tax expense. We recognized income tax expense of $28 million and $35 million for the three months ended March 31, 2016 and 2015, respectively. Income tax expense was recognized primarily through increases in deferred tax liabilities related to Charter's franchises which are characterized as indefinite lived for book financial reporting purposes, as well as to a lesser extent, through current federal and state income tax expense. Current federal and state income tax expense included $1 million for the three months ended March 31, 2015. The tax provision in future periods will vary based on current and future temporary differences, as well as future operating results. For more

information, see Note 11 to the accompanying condensed consolidated financial statements contained in “Item 1. Financial Statements.”

In contemplation of the TWC Transaction, Charter has performed a preliminary analysis of the valuation allowance recorded on Charter’s preexisting deferred tax assets considering the interaction of the tax positions of the acquiring and acquired entities in the TWC Transaction. Based on this analysis, certain of the deferred tax liabilities that are anticipated to be recognized in connection with the close of the TWC Transaction are expected to reverse and provide a source of future taxable income, resulting in a reduction of substantially all of Charter’s preexisting valuation allowance associated with its deferred tax assets of approximately $3 billion. Such release of Charter’s valuation allowance would be recognized directly to income tax benefit on the consolidated statements of operations. This preliminary analysis is subject to the finalization of the acquisition and the full assessment of the facts and circumstances surrounding the possible sources of future taxable income, after the close of the TWC Transaction.

Net loss. Net loss increased from $81 million for the three months ended March 31, 2015 to $188 million for the three months ended March 31, 2016 primarily as a result of the factors described above.

Loss per common share. During the three months ended March 31, 2016 compared to the corresponding period in 2015, net loss per common share increased by $0.95 primarily as a result of the factors described above.

Use of Adjusted EBITDA and Free Cash Flow

We use certain measures that are not defined by accounting principles generally accepted in the United States ("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, net loss 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 net loss and net cash flows from operating activities, respectively, below.

Adjusted EBITDA is defined as net loss plus net interest expense, income tax expense, depreciation and amortization, stock compensation expense, loss on derivative instruments, net, other expense, net and other operating expenses, such as merger and acquisition costs, special charges and (gain) loss on sale or retirement of assets. As such, it 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 Charter's performance and its ability to service its 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 United States 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 fees were in the amount of $102 million and $76 million for the three months ended March 31, 2016 and 2015, respectively.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Net loss | $(188) | $(81) |
| Plus: Interest expense, net | 454 | 289 |
| Income tax expense | 28 | 35 |
| Depreciation and amortization | 539 | 514 |
| Stock compensation expense | 24 | 19 |
| Loss on derivative instruments, net | 5 | 6 |
| Other, net | 21 | 18 |
| Adjusted EBITDA | $883 | $800 |
| Net cash flows from operating activities | $424 | $528 |
| Less: Purchases of property, plant and equipment | (429) | (351) |
| Change in accrued expenses related to capital expenditures | (56) | (76) |

| | | |
|---|---|---|
| Free cash flow | $(61 ) | $101 |

Liquidity and Capital Resources

Introduction

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

Recent Events

In April 2016, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued $1.5 billion aggregate principal amount of 5.50% senior notes due 2026 (the "2026 Notes") at a price of 100.075% of the aggregate principal amount. The net proceeds, along with the net proceeds from the February 2016 issuance of CCO Holdings' 5.875% senior notes due 2024, will be used to (i) redeem CCO Holdings' 7.000% senior notes due 2019 and 7.375% senior notes due 2020 and pay related fees and expenses and (ii) to repurchase or redeem all or a portion of CCO Holdings' 6.500% senior notes due 2021 and (iii) for general corporate purposes. Any redemption or repurchase of the 6.500% senior notes due 2021 will not take place until after Charter determines the amount, if any, of the incremental cash proceeds to TWC stockholders if they were to elect $115 per share in cash rather than $100 per share.

Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt, including $21.8 billion which proceeds are currently held in escrow pending consummation of the TWC Transaction. The principal amount of our debt as of March 31, 2016 was $37.3 billion, consisting of $7.1 billion of credit facility debt and $30.3 billion of senior notes. Our business requires significant cash to fund principal and interest payments on our debt. As of March 31, 2016 and assuming the TWC Transaction closes in the second quarter of 2016, $105 million of our long-term debt matures in 2016, $140 million in 2017, $571 million in 2018, $665 million in 2019, $4.2 billion in 2020 and $31.6 billion thereafter. As of December 31, 2015, as shown in our annual report on Form 10-K, we had other contractual obligations, including interest on our debt, totaling $22.9 billion.

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. Negative free cash flow was $61 million for the three months ended March 31, 2016 and free cash flow was $101 million for the three months ended March 31, 2015. As of March 31, 2016, the amount available under our credit facilities was approximately $1.2 billion and cash on hand was approximately $1.3 billion. 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 or reduce the principal on our obligations including the redemption of notes as described above. The timing and terms of any refinancing transactions will be subject to market conditions. Additionally, we may, from time to time, 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 Communications Operating, LLC's ("Charter Operating") revolving credit facility as well as access to the capital markets to fund our projected operating cash needs.

We continue to evaluate the deployment of our anticipated future free cash flow including to reduce our leverage, and to invest in our business growth and other strategic opportunities, including mergers and acquisitions as well as stock repurchases and dividends. As possible acquisitions, swaps or dispositions arise in our industry, we actively review them against our objectives including, among other considerations, improving the operational efficiency, clustering 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, including the TWC Transaction and Bright House Transaction, dispositions or system swaps, or that any such transactions will be material to our operations or results.

Free Cash Flow

Free cash flow decreased $162 million from $101 million for the three months ended March 31, 2015 to negative free cash flow of $61 million for the three months ended March 31, 2016. The decrease was due to the following.

| | Three months ended March 31, 2016 compared to three months ended March 31, 2015 Increase / (Decrease) |
|---|---|
| Increase in cash paid for interest | $ (193) |
| Increase in capital expenditures | (78) |
| Increase in Adjusted EBITDA | 83 |
| Changes in working capital, excluding change in accrued interest | 29 |
| Other, net | (3) |
| | $ (162) |

Limitations on Distributions

Distributions by Charter's 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 March 31, 2016, there was no default under any of these indentures or credit facilities and each subsidiary met its applicable leverage ratio tests based on March 31, 2016 financial results. Such distributions would be restricted, however, if any such subsidiary fails to meet these tests at the time of the contemplated distribution. In the past, certain subsidiaries have from time to time failed to meet their leverage ratio test. 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.

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 $1.3 billion and $5 million in cash and cash equivalents as of March 31, 2016 and December 31, 2015, respectively. We also held $22.3 billion in restricted cash and cash equivalents as of

March 31, 2016 and December 31, 2015 representing proceeds of debt raised to fund the cash portion of the TWC Transaction which are held in escrow pending consummation of the TWC Transaction.

Operating Activities. Net cash provided by operating activities decreased $104 million during the three months ended March 31, 2015 compared to the three months ended March 31, 2016, primarily due to an increase in cash paid for interest of $193 million offset by an increase in Adjusted EBITDA of $83 million.

Investing Activities. Net cash used in investing activities was $536 million and $441 million for the three months ended March 31, 2016 and 2015, respectively. The increase in cash used is primarily due to an increase in capital expenditures.

Financing Activities. Net cash provided by financing activities was $1.4 billion for the three months ended March 31, 2016 and net cash used in financing activities was $70 million for the three months ended March 31, 2015. The increase in cash provided was primarily the result of the issuance of the CCO Holdings' 5.875% senior notes due 2024 in February 2016. See "Recent Events."

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $429 million and $351 million for the three months ended March 31, 2016 and 2015, respectively. The increase was driven by higher product development investments, incremental transition capital expenditures incurred in connection with the TWC Transaction and Bright House Transaction and the timing of support capital investments versus the prior year. See the table below for more details.

We anticipate 2016 capital expenditures to be driven by growth in residential and commercial customers along with further spend related to product development and transition-related expenditures. The actual amount of our capital expenditures in 2016 will depend on a number of factors including the pace of transition planning to service a larger customer base upon closing of the TWC Transaction and Bright House Transaction and growth rates of both our residential and commercial businesses.

Our capital expenditures are funded primarily from cash flows from operating activities and borrowings on our credit facility. In addition, our accrued liabilities related to capital expenditures decreased by $56 million and $76 million for the three months ended March 31, 2016 and 2015, respectively.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the three months ended March 31, 2016 and 2015. 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 March 31, | |
|---|---|---|
| | 2016 | 2015 |
| Customer premise equipment (a) | $137 | $150 |
| Scalable infrastructure (b) | 110 | 75 |
| Line extensions (c) | 47 | 39 |
| Upgrade/rebuild (d) | 41 | 23 |
| Support capital (e) | 94 | 64 |
| Total capital expenditures (f) | $429 | $351 |

(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)

Total capital expenditures for the three months ended March 31, 2016 and 2015 include the following (dollars in millions):

| | Three Months Ended March 31, 2016 | 2015 |
|---|---|---|
| Commercial services | $64 | $ 51 |
| Transition | $53 | $ 14 |

Recently Issued Accounting Standards

See Note 16 to the accompanying condensed 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 are exposed to various market risks, including fluctuations in interest rates. We use interest rate derivative instruments to manage our interest costs and 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. We do not hold or issue derivative instruments for speculative trading purposes. For more information, see Note 7 to the accompanying condensed consolidated financial statements contained in “Item 1. Financial Statements.”

As of March 31, 2016 and December 31, 2015, the principal amount of our debt was approximately $37.3 billion and $35.9 billion, respectively. As of March 31, 2016 and December 31, 2015, this included $21.8 billion of debt which proceeds are currently held in escrow pending consummation of the TWC Transaction. As of March 31, 2016 and December 31, 2015, the weighted average interest rate on the credit facility debt, including the effects of our interest rate swap agreements, was approximately 3.4% and 3.3%, respectively, and the weighted average interest rate on the senior notes was approximately 5.6% and 5.5%, respectively, resulting in a blended weighted average interest rate of 5.1% for both time periods. The interest rate on approximately 84% and 83% of the total principal amount of our debt was effectively fixed, including the effects of our interest rate swap agreements as of March 31, 2016 and December 31, 2015, respectively.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of March 31, 2016 (dollars in millions), assuming the TWC Transaction closes in the second quarter of 2016.

| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Debt: | | | | | | | | |
| Fixed Rate | $— | $— | $— | $600 | $2,750 | $26,900 | $30,250 | $31,678 |
| Average Interest Rate | — % | — % | — % | 7.00 % | 4.61 % | 5.61 % | 5.55 % | |
| Variable Rate | $105 | $140 | $571 | $65 | $1,452 | $4,730 | $7,063 | $7,037 |
| Average Interest Rate | 2.96 % | 3.16 % | 3.20 % | 3.66 % | 3.82 % | 4.10 % | 3.93 % | |
| Interest Rate Instruments: | | | | | | | | |
| Variable to Fixed Rate | $250 | $850 | $— | $— | $— | $— | $1,100 | $16 |
| Average Pay Rate | 3.89 % | 3.84 % | — % | — % | — % | — % | 3.86 % | |
| Average Receive Rate | 3.05 % | 3.25 % | — % | — % | — % | — % | 3.20 % | |

As of March 31, 2016, we had $1.1 billion 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 or counterparties’ credit risk). Interest rates on variable debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at March 31, 2016 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 the design and operation of our disclosure controls and procedures with respect to the information generated for use in this quarterly report. The evaluation was based in part upon reports and certifications provided by a number of executives. Based upon, 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 above evaluation, we believe that our controls provide such reasonable assurances.

There was no change in our internal control over financial reporting during the first quarter of 2016 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, 2015 includes "Legal Proceedings" under Item 3 of Part I. 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, 2015 includes “Risk Factors” under Item 1A of Part I. There have been no material changes from the risk factors described in our Form 10-K.

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

(C) Purchases of Equity Securities by the Issuer

The following table presents Charter's purchases of equity securities completed during the first quarter of 2016 representing shares withheld from employees primarily for the payment of taxes upon the vesting of equity awards.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 1 - 31, 2016 | — | $— | N/A | N/A |
| February 1 - 29, 2016 | 112,259 | $163.53 | N/A | N/A |
| March 1 - 31, 2016 | 1,050 | $190.33 | N/A | N/A |

Item 6. Exhibits.

See Exhibit Index.

SIGNATURES

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

CHARTER COMMUNICATIONS, INC.,
Registrant

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

Date: April 28, 2016

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Exhibit Index

| Exhibit | Description |
|---|---|
| 10.1 | Amendment to the Employment Agreement, dated as of February 11, 2016, by and between Charter Communications, Inc. and Thomas Rutledge (incorporated by reference to Exhibit 10.1 to the current report on Form 8-K filed by Charter Communications, Inc. on February 12, 2016 (File No. 001-33664)). |
| 10.2 | Sixth Supplemental Indenture, dated as of February 19, 2016, among CCO Holdings, LLC, CCO Holdings Capital Corp., Charter Communications, Inc., as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K filed by Charter Communications, Inc. on February 22, 2016 (File No. 001-33664)). |
| 10.3 | Exchange and Registration Rights Agreement, dated February 19, 2016, relating to the 5.875% Senior Notes due 2024, among CCO Holdings, LLC, CCO Holdings Capital Corp., Charter Communications, Inc., as guarantor, and Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, Citigroup Global Markets Inc. and Wells Fargo Securities, LLC, as representatives 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 February 22, 2016 (File No. 001-33664)). |
| 31.1* | Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the under the Securities Exchange Act of 1934. |
| 31.2* | Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934. |
| 32.1* | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer). |
| 32.2* | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer). |
| 101** | The following financial statements from Charter Communications, Inc.'s Quarterly Report on Form 10-Q for the three months ended March 31, 2016, filed with the Securities and Exchange Commission on April 28, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Comprehensive Loss (iv) the Condensed Consolidated Statements of Cash Flows; and (v) the Notes to the Condensed 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.