**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 8-K

**Current Report**

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

**Date of Report (Date of earliest event reported): October 29, 2014**

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

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

| **001-33664** | **43-1857213** |
|---|---|
| *(Commission File Number)* | *(I.R.S. Employer Identification Number)* |

**400 Atlantic Street**
**Stamford, Connecticut 06901**
*(Address of principal executive offices including zip code)*

**(203) 905-7801**
*(Registrant's telephone number, including area code)*

**Not Applicable**
*(Former name or former address, if changed since last report)*

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

x Written communications pursuant Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 8.01. OTHER EVENTS.**

As previously announced, on April 25, 2014, Charter Communications, Inc. (“Charter” or the "Company" ) entered into a binding definitive agreement (the “Agreement”) with Comcast Corporation (“Comcast”), which contemplates the following transactions: (1) an asset purchase, (2) an asset exchange and (3) a contribution and spin-off transaction (collectively, the “Transactions”). The Transactions are expected to be consummated substantially contemporaneously with each other and will be consummated as promptly as practicable following the merger of a subsidiary of Comcast with Time Warner Cable Inc. (“TWC”) as previously announced by Comcast and TWC. In connection with the asset purchase and the asset exchange, Charter will acquire from Comcast certain systems currently serving TWC video customers. In connection with the contribution and spin-off transaction, a new parent company of Charter will acquire an approximate 33% stake in a new publicly-traded cable provider to be spun-off by Comcast.

Attached as Exhibit 99.2 hereto is Item 1. Financial Statements that is updating the information originally included in Charter's Quarterly Report on Form 10-Q for the period ended June 30, 2014. In connection with the Company's Registration Statement on Form S-3 to be filed on or about October 29, 2014, the Company is filing this Form 8-K to present updated supplemental financial information under Rule 3-10 of Regulation S-X. Note 17 to the condensed consolidated financial statements, has been added to present the supplemental information reflecting CCOH Safari, LLC (“Safari II”), a newly-formed 100% wholly-owned indirect finance subsidiary of Charter. Charter will fully and unconditionally guarantee any debt securities issued by Safari II. Other than the changes reflected in Note 17, no other revisions have been made to the condensed consolidated financial statements previously included in Charter's Quarterly Report on Form 10-Q for the period ended June 30, 2014.

The Company is also filing this report in order to make available (i) the unaudited pro forma financial information of Charter as of June 30, 2014 and for the six months ended June 30, 2014 and the year ended December 31, 2013, which give effect to the Transactions on the basis described therein, (ii) the audited historical financial statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (a Carve-Out of Time Warner Cable Inc.) as of and for the years ended December 31, 2013, 2012 and 2011, (iii) the unaudited financial statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (a Carve-Out of Time Warner Cable Inc.) as of and for the six months ended June 30, 2014, (iv) the audited historical financial statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the years ended December 31, 2013, 2012 and 2011 and (v) the unaudited financial statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the six months ended June 30, 2014. The foregoing are attached hereto as Exhibits 99.1, 99.3, 99.4, 99.5 and 99.6, respectively.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

| **Exhibit Number** | **Description** |
|---|---|
| 23.1* | Consent of Ernst & Young LLP |
| 23.2* | Consent of Deloitte & Touche LLP |
| 99.1* | Unaudited Pro Forma Financial Information. |
| 99.2* | Unaudited Historical Financial Statements of Charter Communications, Inc. as of and for the three and six months ended June 30, 2014 and 2013. |
| 99.3* | Audited Historical Financial Statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.) as of and for the years ended December 31, 2013, 2012 and 2011. |
| 99.4* | Unaudited Historical Financial Statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.) as of and for the six months ended June 30, 2014. |
| 99.5* | Audited Historical Financial Statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the years ended December 31, 2013, 2012 and 2011. |
| 99.6* | Unaudited Historical Financial Statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the six months ended June 30, 2014. |

___________

* Filed herewith.

**Important Information For Investors And Shareholders**

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed transaction between Comcast Corporation (“Comcast”) and Charter Communications, Inc. (“Charter”), Charter will file with the Securities and Exchange Commission (“SEC”) a registration statement on Form S-4 that will include a proxy statement of Charter that also constitutes a prospectus of Charter, and a definitive proxy statement/prospectus will be mailed to shareholders of Charter. INVESTORS AND SECURITY HOLDERS OF COMCAST AND CHARTER ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of the registration statement and the proxy statement/prospectus (when available) and other documents filed with the SEC by Comcast or Charter through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed with the SEC by Comcast are available free of charge on Comcast’s website at http://cmcsa.com or by contacting Comcast’s Investor Relations Department at 866-281-2100. Copies of the documents filed with the SEC by Charter will be available free of charge on Charter’s website at charter.com, in the “Investor and News Center” near the bottom of the page, or by contacting Charter’s Investor Relations Department at 203-905-7955.

Shareholders of Comcast and Time Warner Cable are not being asked to vote on the proposed transaction between Comcast and Charter, and the proposed transaction between Comcast and Time Warner Cable is not contingent upon the proposed transaction between Comcast and Charter.

Comcast, Charter and their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction between Comcast and Charter. Information about the directors and executive officers of Comcast is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 12, 2014, and its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on April 11, 2014. Information about the directors and executive officers of Charter is set forth in its Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on February 21, 2014, and its proxy statement for its 2014 annual meeting of stockholders, which was filed with the SEC on March 27, 2014, and its Current Report on Form 8-K, which was filed with the SEC on May 9, 2014. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the preliminary proxy statement/prospectus of Charter when it becomes available.

**Cautionary Statement Regarding Forward-Looking Statements**

Certain statements in this communication regarding the proposed acquisition of Time Warner Cable by Comcast and the proposed transaction between Comcast and Charter, including any statements regarding the expected timetable for completing the transactions, benefits and synergies of the transactions, future opportunities for the respective companies and products, and any other statements regarding Comcast’s, Time Warner Cable’s and Charter’s future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance that are not historical facts are “forward-looking” statements made within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are often, but not always, made through the use of words or phrases such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," "aim," "on track," "target," "opportunity," “tentative,” "positioning," "designed," "create," "predict," "project," "seek," "would," "could," "continue," "ongoing," "upside," "increases" and "potential," among others. All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed in the statements. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are the following: the timing to consummate the proposed transactions; the risk that a condition to closing either of the proposed transactions may not be satisfied; the risk that a regulatory approval that may be required for either of the proposed transactions is not obtained or is obtained subject to conditions that are not anticipated; the parties’ ability to achieve the synergies and value creation contemplated by the proposed transactions; the parties’ ability to promptly, efficiently and effectively integrate acquired operations into their own operations; and the diversion of management time on transaction-related issues. Additional information concerning these and other factors can be found in Comcast’s, Time Warner Cable’s and Charter’s respective filings with the SEC, including Comcast’s, Time Warner Cable’s and Charter’s most recent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Comcast, Time Warner Cable and Charter assume no obligation to update any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

## SIGNATURES

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

CHARTER COMMUNICATIONS, INC.,
Registrant

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

Date: October 29, 2014

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 23.1* | Consent of Ernst & Young LLP |
| 23.2* | Consent of Deloitte & Touche LLP |
| 99.1* | Unaudited Pro Forma Financial Information. |
| 99.2* | Unaudited Historical Financial Statements of Charter Communications, Inc. as of and for the three and six months ended June 30, 2014 and 2013. |
| 99.3* | Audited Historical Financial Statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.) as of and for the years ended December 31, 2013, 2012 and 2011. |
| 99.4* | Unaudited Historical Financial Statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.) as of and for the six months ended June 30, 2014. |
| 99.5* | Audited Historical Financial Statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the years ended December 31, 2013, 2012 and 2011. |
| 99.6* | Unaudited Historical Financial Statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the six months ended June 30, 2014. |

* Filed herewith.

Exhibit 23.1

**Consent of Independent Auditors**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-190516) of Charter Communications, Inc.,
(2) Registration Statement (Form S-8 No. 333-163357) of Charter Communications, Inc., and
(3) Registration Statement (Form S-8 No. 333-170475) of Charter Communications, Inc.;

of our report dated October 29, 2014, with respect to the combined financial statements of TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-out of Time Warner Cable Inc.), included in Charter Communications, Inc.'s Current Report on Form 8-K dated October 29, 2014, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Charlotte, NC

October 29, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements No. 333-190516, No. 333-170475, and No. 333-163357 of Charter Communications, Inc. on Form S-8 of our report dated October 24, 2014 relating to the combined financial statements of Comcast Cable Systems to be Contributed to Midwest Cable, Inc. (which report expresses an unmodified opinion and includes an emphasis of matter paragraph that describes matters related to the basis of presentation of the combined financial statements), appearing in this Current Report on Form 8-K of Charter Communications, Inc. dated October 29, 2014.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania

October 29, 2014

Exhibit 99.1

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA FINANCIAL STATEMENTS**

***Introduction***

On April 25, 2014, Charter Communications, Inc. (“Charter”) entered into a binding definitive agreement (the “Agreement”) with Comcast Corporation (“Comcast”), which contemplates the following transactions: (1) an asset purchase, (2) an asset exchange and (3) a contribution and spin-off transaction (collectively, the “Transactions”) as described in more detail below. The Transactions are expected to be consummated substantially contemporaneously with each other and will be consummated as promptly as practicable following the merger of a subsidiary of Comcast with Time Warner Cable Inc. (“TWC”) as previously announced by Comcast and TWC (the “TWC Merger”). The completion of the Transactions will result in Charter acquiring approximately a net 1.4 million[1] existing TWC residential and commercial video customers.

The Transactions will be valued at a 7.125 multiple of the respective cable systems' Carveout 2014 Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) (as defined in the Agreement), subject to certain post-closing adjustments. The Carveout 2014 EBITDA (as defined in the Agreement) was estimated using the 2013 results of the cable systems included in this unaudited pro forma financial information, and applying a 2014 growth rate to the 2013 amounts. The growth rates used are based on Wall Street research consensus estimates for 2014 EBITDA for each company (Comcast cable systems 5.4%, TWC cable systems 3.4% and Charter cable systems 7.8%). For purposes of this unaudited pro forma financial information, the value of the asset purchase and asset exchange transactions are estimated to be $7.5 billion and $7.8 billion, respectively, and the valuation of GreatLand Connections (defined below) for purposes of determining the value of Charter’s equity interest, is estimated to be $13.0 billion.

**Asset Purchase**

At closing, Charter will acquire from Comcast certain systems currently owned by TWC serving approximately 1.5 million[1] video customers and all other assets and liabilities primarily related to such systems for cash consideration (the “Asset Purchase”). Charter will make payments to Comcast in respect of the tax benefit of the step-up it receives in the tax basis of the assets. Such tax benefit to Charter will be paid as realized by Charter over an eight-year period, and an additional payment will be made at the end of such eight-year period in the amount of any remaining tax benefit (on a present value basis) not previously realized by Charter.

**Asset Exchange**

At closing, Charter and Comcast will exchange certain systems serving approximately 1.5 million[1] TWC video customers and approximately 1.6 million[1] Charter video customers and all other assets and liabilities primarily related to such systems (the “Asset Exchange”). Most tax gains associated with the Asset Exchange are expected to be offset by Charter’s existing net operating losses.

**Financing**

The consideration for the assets acquired and transaction expenses will be financed with new indebtedness of Charter and is currently estimated at approximately $8.0 billion in aggregate principal amount. Charter has received commitments from a number of leading Wall Street investment banks to provide incremental senior secured term loan facilities totaling up to $8.4 billion and a senior secured incremental revolving facility equal to $500 million under the Charter Communications Operating, LLC (“Charter Operating”) credit facility. Pursuant to that commitment, Charter has fully drawn on $3.5 billion of Term G Loans commitments, $1.0 billion has been committed, but not issued, in additional Charter Operating term loans and the remaining $3.5 billion is expected to be obtained from a combination of sources including, potentially, term loans, secured notes and unsecured notes. The indebtedness assumptions used herein are for illustrative purposes only and may not reflect the actual financing.

**Contribution and Spin-Off Transaction**

CCH I, LLC (“CCH I”), a current indirect subsidiary of Charter, will be reorganized to be a direct subsidiary of Charter. CCH I will then form a new subsidiary that will merge with Charter through a tax-free reorganization and become the new holding company (“New Charter”) that will own 100% of Charter and indirectly Charter Communications Holding Company, LLC (“Charter Holdco”). New Charter will then acquire an approximate 33% stake in a new publicly-traded cable provider to be spun-off by Comcast serving approximately 2.5 million[1] existing Comcast video customers. The cable systems will be contributed to Midwest Cable, Inc. which, upon consummation of the Transactions, is expected to change its name to GreatLand Connections, Inc.

[1] Charter, TWC and GreatLand Connections customer counts are based on respective Charter, TWC and Comcast reporting methodologies, where there may be small definitional differences.

(“GreatLand Connections”). New Charter will acquire its interest in GreatLand Connections by issuing New Charter stock to Comcast shareholders (including former TWC shareholders) as a result of a merger of a wholly owned subsidiary of New Charter with and into GreatLand Connections (the “GreatLand Transaction”). Comcast shareholders, including the former TWC shareholders, are expected to own approximately 67% of GreatLand Connections, while New Charter is expected to directly own approximately 33% of GreatLand Connections. GreatLand Connections expects to incur leverage of approximately 5 times its estimated pro forma 2014 EBITDA (as such term is defined by GreatLand Connections’ financing sources for purposes of the financing) to fund a distribution to Comcast and issue such notes to Comcast prior to the spin-off. Additionally, Charter will provide certain services to GreatLand Connections, and Charter will be reimbursed the actual economic costs of such services, in addition to a quarterly fee of 4.25% of GreatLand Connections’ quarterly gross revenues.

The closing of the Transactions is contingent upon, among other things, the closing of the TWC Merger, approval by Charter stockholders, completion of GreatLand Connections' financing transactions and regulatory approvals. In addition, the Transactions may be terminated (1) upon termination of the TWC Merger, (2) by either Charter or Comcast on a material breach of the other party, subject to cure provisions, (3) upon any final and non-appealable injunction or legal impediment, (4) if, following receipt of the financial information for the cable systems in the Asset Purchase and Asset Exchange, Charter is unable to obtain committed financing for the Asset Purchase, (5) in the event Charter shareholder approval is not obtained, (6) solely by Comcast if Charter’s board of directors makes an adverse change to its recommendation, and (7) if the Transactions have not been consummated within certain time frames from the completion of the TWC Merger, among others.

**Acquisition of Bresnan**

On July 1, 2013, Charter and Charter Operating acquired Bresnan Broadband Holdings, LLC and its subsidiaries (collectively, “Bresnan”) from a wholly owned subsidiary of Cablevision Systems Corporation for $1.625 billion in cash, as well as a working capital adjustment and a reduction for certain funded indebtedness of Bresnan. Charter funded the purchase of Bresnan with a $1.5 billion Term Loan E (“Term Loan E”) and borrowings under the Charter Operating credit facility.

***Basis of Presentation***

The unaudited pro forma financial statements are based on i) the audited financial statements of Charter and its subsidiaries for the year ended December 31, 2013 contained in Charter’s Annual Report on Form 10-K filed on February 21, 2014, ii) the unaudited condensed consolidated financial statements of Charter and its subsidiaries as of and for the six months ended June 30, 2014 contained in this Form 8-K, iii) the audited historical financial statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (“TWC Cable Systems Acquired”) for the year ended December 31, 2013 contained in this Form 8-K, (iv) the unaudited financial statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. as of and for the six months ended June 30, 2014 contained in this Form 8-K, (v) the audited historical financial statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. for the year ended December 31, 2013 contained in this Form 8-K, (vi) the unaudited financial statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of and for the six months ended June 30, 2014 contained in this Form 8-K, and (vii) the unaudited financial statements of Bresnan for the six months ended June 30, 2013 contained in Charter’s Form 8-K filed on September 6, 2013.

The unaudited pro forma condensed consolidated balance sheet is presented as if the Transactions had occurred as of June 30, 2014. The unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2014 and the year ended December 31, 2013 are presented as if the Transactions had occurred on January 1, 2013, the beginning of the earliest period presented. The accompanying unaudited pro forma financial information is intended to reflect the impacts of the Transactions on Charter’s consolidated financial statements and presents the pro forma consolidated financial position and results of operations of Charter based on the historical financial statements and accounting records of Charter, Bresnan, the TWC Cable Systems Acquired, GreatLand Connections and the related pro forma adjustments as described in these notes. The starting point for the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2013 is the Charter unaudited pro forma financial information after giving effect to the acquisition of Bresnan. See Note 2. The pro forma adjustments related to the Transactions are included only to the extent they are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

The Transactions will be accounted for using the acquisition method of accounting. The unaudited pro forma financial information reflects the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. The fair values assigned in the unaudited pro forma financial information are preliminary and represent Charter’s current best estimate of fair value and are subject to revision. The detailed valuation studies necessary to arrive at the required estimates of the fair values

for the assets acquired and liabilities assumed have not commenced. Significant assets and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include property, plant and equipment and identifiable intangible assets, including franchises and customer relationships. Changes to the fair values of these assets and liabilities will also result in changes to goodwill and deferred tax liabilities.

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

***Items Not Adjusted in the Unaudited Pro Forma Financial Information***

The unaudited pro forma financial information does not reflect any reclassifications or adjustments to conform the TWC Cable Systems Acquired financial statement presentation or accounting policies to those adopted by Charter, as no such adjustments have been identified that would have a material effect on the unaudited pro forma financial information. At this time, Charter is not aware of any intercompany transactions that would have a material impact on the unaudited pro forma financial information that are not reflected in the pro forma adjustments. Further review may identify additional intercompany transactions, reclassifications or differences between the accounting policies of the two companies that, when conformed, could have a material impact on the unaudited pro forma financial information of the combined company.

The unaudited pro forma financial information does not include any adjustment for liabilities or related costs that may result from integration activities, since management has not completed the process of making these assessments. Significant liabilities and related costs may ultimately be recorded for employee severance or relocation, costs of vacating some facilities and costs associated with other exit and integration activities. The unaudited pro forma statements of operations do not include any revenue or expense synergies or dis-synergies resulting from the Transactions, including programming costs or shared functions and other administrative and overhead allocations, as these adjustments are not factually supportable. The unaudited pro forma statements of operations also do not include an estimated $210 million of non-recurring costs directly attributable to the Transactions, such as escrow interest, investment banking fees and legal fees.

Charter intends to review the synergies of the combined business in advance of and subsequent to the completion of the Transactions, which may result in a plan to reorganize certain of the TWC Cable Systems Acquired's products, network, service operations and organizational structure. The costs of implementing such a plan, if it were to occur, and any resulting future changes in revenue or cost savings have not been reflected in the accompanying unaudited pro forma financial information. The unaudited pro forma financial information also does not include any revenue or expenses for services provided under the services agreement with GreatLand Connections for which Charter will be reimbursed the actual economic costs of such services.

The Transactions may result in changes to Charter’s tax rate used to determine deferred income taxes due to changes in apportionment factors related to state income taxes. Any changes in Charter’s deferred taxes as a result of the Transactions will be reflected in income as of the closing dates. Therefore, the unaudited pro forma financial information does not include the impact of any such changes on Charter’s existing deferred tax assets and liabilities, as the analysis is not complete.

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET**
**AS OF JUNE 30, 2014**
**(IN MILLIONS)**

| | Charter Historical | TWC Cable Systems Acquired | Charter Cable Systems Divested | Pro Forma Adjustments | | Charter Pro Forma |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash and cash equivalents | $ 9 | $ 29 | $ (1) | $ — | | $ 37 |
| Accounts Receivable, net | 252 | 231 | (69) | — | | 414 |
| Prepaid expenses and other current assets | 76 | 154 | (26) | — | | 204 |
| Total current assets | 337 | 414 | (96) | — | | 655 |
| | | | | | | |
| INVESTMENT IN CABLE PROPERTIES: | | | | | | |
| Property, plant and equipment, net | 8,197 | 2,895 | (2,867) | 666 | 1b | 8,891 |
| Franchises | 6,009 | 7,271 | (1,927) | 2,520 | 1b | 13,873 |
| Customer relationships, net | 1,245 | 312 | (334) | 1,772 | 1b | 2,995 |
| Goodwill | 1,170 | 1,178 | (348) | 2,841 | 1b | 4,841 |
| Total investment in cable properties, net | 16,621 | 11,656 | (5,476) | 7,799 | | 30,600 |
| | | | | | | |
| EQUITY INVESTMENT | — | — | — | 1,777 | 1d | 1,777 |
| | | | | | | |
| OTHER NONCURRENT ASSETS | 411 | 12 | (42) | 105 | 1a | 486 |
| | | | | | | |
| Total assets | $ 17,369 | $ 12,082 | $ (5,614) | $ 9,681 | | $ 33,518 |
| | | | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | | |
| | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Accounts payable and accrued liabilities | $ 1,606 | $ 510 | $ (377) | $ — | | $ 1,739 |
| Total current liabilities | 1,606 | 510 | (377) | — | | 1,739 |
| | | | | | | |
| LONG-TERM DEBT | 14,019 | — | — | 7,933 | 1a | 21,952 |
| DEFERRED INCOME TAXES | 1,554 | 3,085 | (1,037) | (189) | 1c | 3,413 |
| OTHER LONG-TERM LIABILITIES | 71 | 41 | (6) | 859 | 1b | 965 |
| | | | | | | |
| SHAREHOLDERS' EQUITY | 119 | 8,446 | (4,194) | 1,078 | 1e | 5,449 |
| | | | | | | |
| Total liabilities and shareholders' equity | $ 17,369 | $ 12,082 | $ (5,614) | $ 9,681 | | $ 33,518 |

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**
**SIX MONTHS ENDED JUNE 30, 2014**
**(IN MILLIONS)**

| | Charter Historical | TWC Cable Systems Acquired | Charter Cable Systems Divested | Pro Forma Adjustments | | Charter Pro Forma |
|---|---|---|---|---|---|---|
| **REVENUES:** | | | | | | |
| Video | $ 2,200 | $ 1,322 | $ (815) | $ — | | $ 2,707 |
| Internet | 1,254 | 752 | (491) | — | | 1,515 |
| Voice | 295 | 269 | (115) | — | | 449 |
| Commercial | 478 | 291 | (164) | — | | 605 |
| Advertising sales | 147 | 95 | (42) | — | | 200 |
| Other | 87 | 17 | (31) | 98 | 1f | 171 |
| Total revenues | 4,461 | 2,746 | (1,658) | 98 | | 5,647 |
| **COSTS AND EXPENSES:** | | | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 2,926 | 1,723 | (1,123) | (28) | 1g | 3,498 |
| Shared asset charge | — | 63 | (23) | — | | 40 |
| Depreciation and amortization | 1,033 | 351 | (364) | 131 | 1h | 1,151 |
| Other operating expenses, net | 26 | 2 | (10) | 17 | 1g, 1k | 35 |
| | 3,985 | 2,139 | (1,520) | 120 | | 4,724 |
| Income from operations | 476 | 607 | (138) | (22) | | 923 |
| OTHER INCOME (EXPENSES): | | | | | | |
| Interest expense, net | (421) | — | — | (174) | 1i | (595) |
| Equity in income of investee, net | — | — | — | 16 | 1j | 16 |
| Loss on derivatives instruments, net | (8) | — | — | — | | (8) |
| | (429) | — | — | (158) | | (587) |
| Income before taxes | 47 | 607 | (138) | (180) | | 336 |
| Income tax benefit (expense) | (129) | (227) | 56 | 105 | 1l | (195) |
| Net income (loss) before nonrecurring charges directly attributable to the Transactions | $ (82) | $ 380 | $ (82) | $ (75) | | $ 141 |
| EARNINGS (LOSS) PER COMMON SHARE: | | | | | | |
| Basic | $ (0.77) | | | | | $ 1.19 |
| Diluted | $ (0.77) | | | | | $ 1.18 |
| Weighted average common shares outstanding: | | | | | | |
| Basic | 107,211,813 | | | 11,257,411 | 1d | 118,469,224 |
| Diluted | 107,211,813 | | | 11,257,411 | 1d | 119,922,882 |

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**
**YEAR ENDED DECEMBER 31, 2013**
**(IN MILLIONS)**

| | Charter Pro Forma for Bresnan | TWC Cable Systems Acquired | Charter Cable Systems Divested | Pro Forma Adjustments | | Charter Pro Forma |
|---|---|---|---|---|---|---|
| **REVENUES:** | | | | | | |
| Video | $ 4,177 | $ 2,796 | $ (1,543) | $ — | | $ 5,430 |
| Internet | 2,253 | 1,407 | (873) | — | | 2,787 |
| Voice | 668 | 546 | (254) | — | | 960 |
| Commercial | 840 | 525 | (289) | — | | 1,076 |
| Advertising sales | 297 | 199 | (85) | — | | 411 |
| Other | 184 | 30 | (69) | 190 | 1f | 335 |
| Total revenues | 8,419 | 5,503 | (3,113) | 190 | | 10,999 |
| | | | | | | |
| **COSTS AND EXPENSES:** | | | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 5,519 | 3,403 | (2,114) | — | | 6,808 |
| Shared asset charge | — | 105 | (38) | — | | 67 |
| Depreciation and amortization | 1,908 | 789 | (658) | 221 | 1h | 2,260 |
| Other operating expenses, net | 35 | 21 | (9) | (2) | 1k | 45 |
| | 7,462 | 4,318 | (2,819) | 219 | | 9,180 |
| | | | | | | |
| Income from operations | 957 | 1,185 | (294) | (29) | | 1,819 |
| | | | | | | |
| OTHER INCOME (EXPENSES): | | | | | | |
| Interest expense, net | (869) | — | — | (348) | 1i | (1,217) |
| Equity in income of investee, net | — | — | — | 14 | 1j | 14 |
| Loss on extinguishment of debt | (123) | — | — | — | | (123) |
| Gain on derivatives instruments, net | 11 | — | — | — | | 11 |
| | (981) | — | — | (334) | | (1,315) |
| | | | | | | |
| Income (loss) before taxes | (24) | 1,185 | (294) | (363) | | 504 |
| | | | | | | |
| Income tax benefit (expense) | (154) | (449) | 118 | 207 | 1l | (278) |
| | | | | | | |
| Net income (loss) before nonrecurring charges directly attributable to the Transactions | $ (178) | $ 736 | $ (176) | $ (156) | | $ 226 |
| | | | | | | |
| EARNINGS (LOSS) PER COMMON SHARE: | | | | | | |
| Basic | $ (1.75) | | | | | $ 2.00 |
| Diluted | $ (1.75) | | | | | $ 1.97 |
| | | | | | | |
| Weighted average common shares outstanding: | | | | | | |
| Basic | 101,934,630 | | | 11,257,411 | 1d | 113,192,041 |
| Diluted | 101,934,630 | | | 11,257,411 | 1d | 114,695,080 |

## Notes to Unaudited Pro Forma Financial Statements

### Note. 1. Pro Forma Adjustments

(a) Represents the following sources and uses as a result of the Transactions.

**Sources and Uses (in millions):**

| | | |
|---|---|---|
| **Sources**: | | |
| Long-term debt (accreted value) | $ | 7,933 |
| Fair value of Charter divested cable systems | | 7,750 |
| Issuance of Charter Class A common stock | | 1,777 |
| | $ | 17,460 |
| **Uses:** | | |
| Fair value of TWC Cable Systems Acquired | $ | 15,368 |
| Acquisition of interest in GreatLand Connections | | 1,777 |
| Advisor fees and other expenses directly related to the Transactions | | 210 |
| Deferred financing fees | | 105 |
| | $ | 17,460 |

(b) Represents adjustments to reflect the estimated fair values of the identifiable assets acquired and liabilities assumed in the Transactions. The fair value of the Asset Purchase and Asset Exchange consideration is estimated to be approximately $15.4 billion and the fair value of the GreatLand Connections interest is estimated to be approximately $1.8 billion for purposes of the unaudited pro forma financial information. The actual fair value of the Transactions will be based on the operations of the cable systems for 2014 and is subject to change. Charter will pay to Comcast the value of the tax benefits Charter realizes from a step-up in basis from the Asset Purchase, at the earlier of the time of realization or eight years (the “Tax Benefit Payment”). The estimated fair value of the Tax Benefit Payment is approximately $900 million and is included in other long-term liabilities in the preliminary purchase price allocation below. No adjustments are reflected in the working capital balances as they are estimated to be at fair value. Other long-term liabilities have been eliminated as they are assumed to have no fair value.

The table below presents the preliminary purchase price for the cable systems acquired as if the Transactions had closed on June 30, 2014, along with a preliminary allocation of purchase price to the assets acquired and liabilities assumed.

**Preliminary Purchase Price (in millions)**

| | | |
|---|---|---|
| Fair value of cable systems acquired in Asset Purchase Transaction | $ | 7,541 |
| Fair value of cable systems acquired in Asset Exchange Transaction | | 7,827 |
| Fair value of Charter stock issued for GreatLand Connections interest | | 1,777 |
| | $ | 17,145 |

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

| | | |
|---|---|---|
| Current assets | $ | 414 |
| Property, plant and equipment, net | | 3,561 |
| Franchises | | 9,791 |
| Customer relationships, net | | 2,084 |
| Goodwill | | 4,019 |
| Equity investment | | 1,777 |
| Other noncurrent assets | | 12 |
| Current liabilities | | (510) |
| Deferred income taxes | | (3,103) |
| Other long-term liabilities | | (900) |
| | $ | 17,145 |

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

The deferred income tax liability recognized in connection with the Transactions reflects currently available information as well as estimates and assumptions made in accordance with the basis of presentation of the unaudited pro forma financial information. The final deferred income tax liability recognized in connection with the Transactions could be significantly different. Additionally, the difference between the amount reflected above and what is the reflected in the balance sheet represents a partial release of Charter's valuation allowance due to the Transactions of $207 million.

(c) Represents an adjustment of Charter's historical deferred tax liability due to the preliminary purchase price allocation, which includes an additional deferred income tax liability for the excess of book value over the estimated tax basis of the equity investment Charter is making in the GreatLand Transaction.

(d) Reflects Charter's approximate 33% investment in GreatLand Connections accounted for under the equity method of accounting. Charter's investment in GreatLand Connections is estimated to be approximately $1.8 billion, which represents Charter's 33% investment in GreatLand Connections' equity value of $5.2 billion and the issuance of equity for the payment of 33% of GreatLand Connections' financing fees and is calculated as follows (in millions).

| | | |
|---|---|---|
| GreatLand Connections' valuation | $ | 13,044 |
| GreatLand Connections' financing transactions | | 7,800 |
| Equity valuation | | 5,244 |
| GreatLand Connections' financing costs | | 107 |
| | | 5,351 |
| | | 33% |
| Charter's investment in GreatLand Connections | $ | 1,777 |

Based on Charter's closing stock price on October 24, 2014 of $157.81, Charter estimates issuing approximately 11.3 million shares of New Charter stock in connection with the GreatLand Transaction. A 5% change in Charter's closing stock price would increase (decrease) the number of shares issued by approximately 0.6 million shares.

(e) Reflects the following adjustments (in millions).

| | | |
|---|---|---|
| Elimination of TWC's historical shareholders' equity | $ | (8,446) |
| Fair value of the Charter cable systems in the Asset Exchange | | 7,750 |
| Charter's investment in GreatLand Connections | | 1,777 |
| Reduction in valuation allowance | | 207 |
| Advisor fees and other expenses directly related to the Transactions | | (210) |
| Shareholders' equity | $ | 1,078 |

Advisor fees and other expenses directly related to the Transactions of $210 million are not reflected in the unaudited pro forma statements of operations and consist primarily of escrow interest, investment banking fees and legal fees.

Deferred tax liabilities recognized in connection with the Transactions, which are expected to reverse and generate future taxable income, result in a reduction of the Company's preexisting valuation allowance associated with its deferred tax assets. Such reduction in the valuation allowance is not reflected in the unaudited pro forma statements of operations as it is nonrecurring.

(f) Charter increased other revenue by $98 million and $190 million for the six months ended June 30, 2014 and year ended December 31, 2013, respectively, representing Charter's services fee of 4.25% of GreatLand Connections' gross revenues.

(g) Represents adjustment to conform to Charter's financial statement classification.

(h) Charter has increased depreciation and amortization by $131 million and $221 million for the six months ended June 30, 2014 and year ended December 31, 2013, respectively, as a result of adjusting the values and lives of property, plant and equipment and customer relationships based on the preliminary pro forma purchase price allocation. The increase was estimated using a preliminary average useful life of 6 years for property, plant and equipment and 9 years for customer relationships. Customer relationships are amortized using an accelerated method to reflect the period over which the relationships are expected to generate cash flows. The pro forma adjustments are based on current estimates and may not reflect actual depreciation and amortization once the purchase price allocation is finalized and final determination of useful lives are made.

(i) For the six months ended June 30, 2014 and year ended December 31, 2013, interest expense, net reflects an increase of $174 million and $348 million, respectively, of interest expense representing additional interest expense on debt incurred to fund the Asset Purchase and Asset Exchange and related amortization of deferred financing fees. A 0.125% change in assumed interest rates on the debt incurred would increase (decrease) interest expense by $2 million and $4 million for the six months ended June 30, 2014 and year ended December 31, 2013, respectively.

(j) Equity in income of investee, net of $16 million and $14 million for the six months ended June 30, 2014 and year ended December 31, 2013, respectively, primarily represents Charter's 33% of GreatLand Connections' historical net income adjusted for Charter's share of the services fee of 4.25%, the interest on debt incurred by GreatLand Connections, and Charter's share of the depreciation and amortization of the excess of the fair value over the book value of GreatLand Connections' assets acquired in accordance with the application of equity method of accounting.

(k) Represents the elimination of transaction costs incurred in connection with the Transactions.

(l) Represents a reduction to income tax expense of the TWC Cable Systems Acquired due to Charter's valuation allowance position, offset by additional tax expense from amortization of additional indefinite-lived intangibles for tax purposes but not for book purposes, plus the tax effect on the equity earnings from GreatLand Connections. The calculation of income tax expense is based on the preliminary purchase price allocation and financing of the Transactions, both of which are subject to change.

**Note 2. Bresnan Acquisition**

The following unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2013 is intended to provide information about how the acquisition of Bresnan and related financing may have affected Charter's historical condensed consolidated statement of operations as if they had closed as of January 1, 2013.

**CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**
**YEAR ENDED DECEMBER 31, 2013**
**(IN MILLIONS)**

| | Charter Historical | Bresnan Acquisition | Bresnan Pro Forma Adjustments | | Charter Pro Forma for Bresnan |
|---|---|---|---|---|---|
| **TOTAL REVENUES** | $ 8,155 | $ 262 | $ 2 | 2a | $ 8,419 |
| **COSTS AND EXPENSES:** | | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 5,345 | 173 | 1 | 2a | 5,519 |
| Depreciation and amortization | 1,854 | 64 | (10) | 2b | 1,908 |
| Other operating expenses, net | 31 | — | — | | 31 |
| | 7,230 | 237 | (9) | | 7,458 |
| Income from operations | 925 | 25 | 11 | | 961 |
| OTHER EXPENSES: | | | | | |
| Interest expense, net | (846) | (30) | 7 | 2c,d | (869) |
| Loss on extinguishment of debt | (123) | — | — | | (123) |
| Gain on derivatives instruments, net | 11 | — | — | | 11 |
| Other expense, net | (16) | -- | 12 | 2d | (4) |
| | (974) | (30) | 19 | | (985) |
| Income (loss) before taxes | (49) | (5) | 30 | | (24) |
| Income tax benefit (expense) | (120) | 5 | (39) | 2e | (154) |
| Net income (loss) before nonrecurring charges directly attributable to the Transactions | $ (169) | $ — | $ (9) | | $ (178) |
| LOSS PER COMMON SHARE, BASIC AND DILUTED | $ (1.65) | | | | $ (1.75) |
| Weighted average common shares outstanding, basic and diluted | 101,934,630 | | | | 101,934,630 |

(a) Revenues and operating expenses have been adjusted to reflect Charter's classification.

(b) Depreciation and amortization expense decreased by $10 million for the year ended December 31, 2013 as a result of adjusting the values and lives of property, plant and equipment and customer relationships based on the pro forma purchase price allocation.

(c) Interest expense decreased $7 million for the year ended December 31, 2013 representing i) the elimination of interest on Bresnan's senior notes and credit facility debt; iii) additional interest on Term Loan E; iv) additional interest on

borrowings under the Charter Operating revolving credit facility; v) related amortization of deferred financing fees; and vi) elimination of commitment fees incurred on Term Loan E prior to closing of the acquisition.

(d) Represents the elimination of transaction costs incurred in connection with the acquisition of Bresnan.

(e) Represents the elimination of Bresnan's income tax benefit and the reflection of $44 million for the year ended December 31, 2013 of income tax expense related to indefinite-lived intangibles that are amortized for tax purposes but not for book purposes and a reduction of partnership related basis step-ups as a result of additional borrowings to fund the acquisition of Bresnan.

# Charter Communications, Inc. and Subsidiaries
# Condensed Consolidated Financial Statements
# As of and for the Three and Six Months Ended June 30, 2014 and 2013

## INDEX TO FINANCIAL STATEMENTS


| | Page |
|---|---|
| Condensed Consolidated Balance Sheets | 3 |
| Condensed Consolidated Statements of Operations | 4 |
| Condensed Consolidated Statements of Comprehensive Loss | 4 |
| Condensed Consolidated Statements of Cash Flows | 5 |
| Notes to Condensed Consolidated Financial Statements | 6 |

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

| | June 30, 2014 (unaudited) | | December 31, 2013 | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | $ | 9 | $ | 21 |
| Accounts receivable, less allowance for doubtful accounts of $23 and $19, respectively | | 252 | | 234 |
| Prepaid expenses and other current assets | | 76 | | 67 |
| Total current assets | | 337 | | 322 |
| | | | | |
| INVESTMENT IN CABLE PROPERTIES: | | | | |
| Property, plant and equipment, net of accumulated depreciation of $5,566 and $4,787, respectively | | 8,197 | | 7,981 |
| Franchises | | 6,009 | | 6,009 |
| Customer relationships, net | | 1,245 | | 1,389 |
| Goodwill | | 1,170 | | 1,177 |
| Total investment in cable properties, net | | 16,621 | | 16,556 |
| | | | | |
| OTHER NONCURRENT ASSETS | | 411 | | 417 |
| | | | | |
| Total assets | $ | 17,369 | $ | 17,295 |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | $ | 1,606 | $ | 1,467 |
| Total current liabilities | | 1,606 | | 1,467 |
| | | | | |
| LONG-TERM DEBT | | 14,019 | | 14,181 |
| DEFERRED INCOME TAXES | | 1,554 | | 1,431 |
| OTHER LONG-TERM LIABILITIES | | 71 | | 65 |
| | | | | |
| SHAREHOLDERS' EQUITY: | | | | |
| Class A common stock; $.001 par value; 900 million shares authorized; 108,760,313 and 106,144,075 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 | | 1,816 | | 1,760 |
| Accumulated deficit | | (1,650) | | (1,568) |
| Treasury stock at cost; 115,436 and 0 shares, respectively | | (17) | | — |
| Accumulated other comprehensive loss | | (30) | | (41) |
| Total shareholders' equity | | 119 | | 151 |
| | | | | |
| Total liabilities and shareholders' equity | $ | 17,369 | $ | 17,295 |

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

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| REVENUES | $ 2,259 | $ 1,972 | $ 4,461 | $ 3,889 |
| COSTS AND EXPENSES: | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 1,479 | 1,295 | 2,926 | 2,553 |
| Depreciation and amortization | 528 | 436 | 1,033 | 861 |
| Other operating expenses, net | 2 | 5 | 9 | 16 |
| | 2,009 | 1,736 | 3,968 | 3,430 |
| Income from operations | 250 | 236 | 493 | 459 |
| OTHER EXPENSES: | | | | |
| Interest expense, net | (210) | (211) | (421) | (421) |
| Loss on extinguishment of debt | — | (81) | — | (123) |
| Gain (loss) on derivative instruments, net | (6) | 20 | (8) | 17 |
| Other expense, net | (14) | (2) | (17) | (3) |
| | (230) | (274) | (446) | (530) |
| Income (loss) before income taxes | 20 | (38) | 47 | (71) |
| Income tax expense | (65) | (58) | (129) | (67) |
| Net loss | $ (45) | $ (96) | $ (82) | $ (138) |
| LOSS PER COMMON SHARE, BASIC AND DILUTED | $ (0.42) | $ (0.96) | $ (0.77) | $ (1.37) |
| Weighted average common shares outstanding, basic and diluted | 107,975,937 | 100,600,678 | 107,211,813 | 100,464,808 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Net loss | $ (45) | $ (96) | $ (82) | $ (138) |
| Net impact of interest rate derivative instruments, net of tax | 5 | 8 | 11 | 19 |
| Comprehensive loss | $ (40) | $ (88) | $ (71) | $ (119) |

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

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | $ (82) | $ (138) |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation and amortization | 1,033 | 861 |
| Noncash interest expense | 20 | 23 |
| Loss on extinguishment of debt | — | 123 |
| (Gain) loss on derivative instruments, net | 8 | (17) |
| Deferred income taxes | 124 | 56 |
| Other, net | 29 | 53 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | (18) | 11 |
| Prepaid expenses and other assets | (11) | (6) |
| Accounts payable, accrued liabilities and other | 106 | 59 |
| Net cash flows from operating activities | 1,209 | 1,025 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant and equipment | (1,109) | (834) |
| Change in accrued expenses related to capital expenditures | 44 | 2 |
| Other, net | (1) | (14) |
| Net cash flows from investing activities | (1,066) | (846) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings of long-term debt | 630 | 4,710 |
| Repayments of long-term debt | (801) | (4,825) |
| Payments for debt issuance costs | — | (32) |
| Purchase of treasury stock | (17) | (10) |
| Proceeds from exercise of options and warrants | 29 | 15 |
| Other, net | 4 | — |
| Net cash flows from financing activities | (155) | (142) |
| | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (12) | 37 |
| CASH AND CASH EQUIVALENTS, beginning of period | 21 | 7 |
| CASH AND CASH EQUIVALENTS, end of period | $ 9 | $ 44 |
| | | |
| CASH PAID FOR INTEREST | $ 401 | $ 370 |

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

## 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 OnDemand™, 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 on the Internet and provides fiber connectivity to cellular towers.

***Basis of Presentation***

The accompanying 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; impairments of and acquisition accounting for property, plant and equipment, intangibles and goodwill; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

Certain prior year amounts disclosed in these footnotes have been reclassified to conform with the 2014 presentation.

## 2. Acquisitions and Dispositions

***Acquisition of Bresnan***

On July 1, 2013, Charter and Charter Communications Operating, LLC ("Charter Operating") acquired Bresnan Broadband Holdings, LLC and its subsidiaries (collectively, "Bresnan") from a wholly owned subsidiary of Cablevision Systems Corporation, for $1.625 billion in cash, subject to a working capital adjustment and a reduction for certain funded indebtedness of Bresnan. Bresnan manages cable operating systems in Montana, Wyoming, Colorado and Utah. Charter funded the purchase of Bresnan with a $1.5 billion term loan and borrowings under the Charter Operating revolving credit facility.

The following unaudited pro forma financial information of Charter is based on the historical consolidated financial statements of Charter and the historical consolidated financial statements of Bresnan and is intended to provide information about how the acquisition of Bresnan and related financing may have affected Charter's historical consolidated financial statements if they had closed as of January 1, 2012. The pro forma financial information below is based on available information and assumptions that the Company believes are reasonable. The pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what Charter's financial condition or results of operations would have been had the transactions described above occurred on the date indicated. The pro forma financial information also should not be considered representative of Charter's future financial condition or results of operations.

| | Three Months Ended June 30, 2013 | Six Months Ended June 30, 2013 |
|---|---|---|
| Revenues | $ 2,105 | $ 4,153 |
| Net loss | $ (95) | $ (163) |
| Loss per common share, basic and diluted | $ (0.94) | $ (1.62) |

***Transactions with Comcast***

On April 25, 2014, the Company entered into a binding definitive agreement (the “Agreement”) with Comcast Corporation (“Comcast”), which contemplates the following transactions: (1) an asset purchase, (2) an asset exchange and (3) a contribution and spin-off transaction (collectively, the “Transactions”) as described in more detail below. The Transactions are expected to be consummated substantially contemporaneously with each other and will be consummated as promptly as practicable following the merger of a subsidiary of Comcast with Time Warner Cable, Inc. (“TWC”) as previously announced by Comcast and TWC. The completion of the Transactions will result in Charter acquiring a net 1.4 million existing TWC residential and commercial video customers. The consideration for the assets purchased and transaction expenses will be financed with new indebtedness of Charter and is currently estimated at approximately $8.4 billion. Additionally, the Company will provide management services to the spun-off company, which will serve approximately 2.5 million customers, and the Company will be reimbursed the actual economic costs of such services, in addition to a fee of 4.25% of the spun-off company’s gross revenues.

**Asset Exchange**

At closing, the Company and Comcast will exchange certain systems serving approximately 1.5 million TWC customers and approximately 1.6 million Charter customers and all other assets and liabilities primarily related to such systems, improving the geographic presence of both companies, leading to greater operational efficiencies, improved technology deployment and enhanced customer service. The asset purchase and asset exchange will be treated as one, tax-efficient, like kind exchange for tax purposes, but may generate some tax gains which are offset by Charter's net operating losses.

**Asset Purchase**

At closing, the Company will acquire from Comcast systems currently owned by TWC serving approximately 1.5 million customers and all other assets and liabilities primarily related to such systems for cash consideration. The Company will pay to Comcast the tax benefit of the step-up it receives in the tax basis of the assets. Such tax benefit to Charter will be paid as realized by the Company over an eight year period, and an additional payment will be made at the end of such eight year period in the amount of any remaining tax benefit (on a present value basis).

**Contribution and Spin-Off**

CCH I, LLC (“CCH I”), a current subsidiary of Charter, will be reorganized to be a direct subsidiary of Charter. CCH I will then form a new subsidiary which will merge with Charter, through a tax free reorganization and become the new holding company (“New Charter”) that will own 100% of Charter and indirectly Charter Holdco. New Charter will then acquire an approximate 33% stake in a new publicly-traded cable provider to be spun-off by Comcast serving approximately 2.5 million existing Comcast customers (“SpinCo”). New Charter will acquire its interest in SpinCo by issuing New Charter stock to Comcast shareholders (including former TWC shareholders). Comcast shareholders, including the former TWC shareholders, are expected to own approximately 67% of SpinCo, while New Charter is expected to directly own approximately 33% of SpinCo. SpinCo expects to incur leverage of approximately 5 times its estimated pro forma EBITDA to fund a distribution to Comcast. At closing, SpinCo

will have a board of nine directors, separated into three classes, and will include three directors designated by Charter. Comcast will hold no ownership interest in SpinCo (or New Charter) and will have no role in managing SpinCo.

The asset purchase, asset exchange and the acquisition of interests in SpinCo will be valued at a 7.125 times 2014 EBITDA multiple (as defined by the parties), subject to certain post-closing adjustments.

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

As of June 30, 2014 and December 31, 2013, indefinite lived and finite-lived intangible assets are presented in the following table:

| | June 30, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Indefinite-lived intangible assets: | | | | | | |
| Franchises | $ 6,009 | $ — | $ 6,009 | $ 6,009 | $ — | $ 6,009 |
| Goodwill | 1,170 | — | 1,170 | 1,177 | — | 1,177 |
| Trademarks | 158 | — | 158 | 158 | — | 158 |
| Other intangible assets | 4 | — | 4 | 4 | — | 4 |
| | $ 7,341 | $ — | $ 7,341 | $ 7,348 | $ — | $ 7,348 |
| Finite-lived intangible assets: | | | | | | |
| Customer relationships | $ 2,617 | $ 1,372 | $ 1,245 | $ 2,617 | $ 1,228 | $ 1,389 |
| Other intangible assets | 136 | 52 | 84 | 130 | 44 | 86 |
| | $ 2,753 | $ 1,424 | $ 1,329 | $ 2,747 | $ 1,272 | $ 1,475 |

Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2014 was $76 million and $152 million, respectively. Amortization expense related to customer relationships and other intangible assets for the three and six months ended and June 30, 2013 was $69 million and $137 million, respectively.

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

| | |
|---|---|
| Six months ended December 31, 2014 | $ 146 |
| 2015 | 265 |
| 2016 | 232 |
| 2017 | 198 |
| 2018 | 163 |
| Thereafter | 325 |
| | $ 1,329 |

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

## 4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of June 30, 2014 and December 31, 2013:

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Accounts payable – trade | $ 110 | $ 91 |
| Accrued capital expenditures | 279 | 235 |
| Deferred revenue | 86 | 90 |
| Accrued liabilities: | | |
| Interest | 195 | 195 |
| Programming costs | 418 | 379 |
| Franchise related fees | 61 | 62 |
| Compensation | 177 | 156 |
| Other | 280 | 259 |
| | $ 1,606 | $ 1,467 |

## 5. Long-Term Debt

Long-term debt consists of the following as of June 30, 2014 and December 31, 2013:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Principal Amount | Accreted Value | Principal Amount | Accreted Value |
| CCO Holdings, LLC: | | | | |
| 7.250% senior notes due October 30, 2017 | $ 1,000 | $ 1,000 | $ 1,000 | $ 1,000 |
| 7.000% senior notes due January 15, 2019 | 1,400 | 1,394 | 1,400 | 1,393 |
| 8.125% senior notes due April 30, 2020 | 700 | 700 | 700 | 700 |
| 7.375% senior notes due June 1, 2020 | 750 | 750 | 750 | 750 |
| 5.250% senior notes due March 15, 2021 | 500 | 500 | 500 | 500 |
| 6.500% senior notes due April 30, 2021 | 1,500 | 1,500 | 1,500 | 1,500 |
| 6.625% senior notes due January 31, 2022 | 750 | 747 | 750 | 747 |
| 5.250% senior notes due September 30, 2022 | 1,250 | 1,239 | 1,250 | 1,239 |
| 5.125% senior notes due February 15, 2023 | 1,000 | 1,000 | 1,000 | 1,000 |
| 5.750% senior notes due September 1, 2023 | 500 | 500 | 500 | 500 |
| 5.750% senior notes due January 15, 2024 | 1,000 | 1,000 | 1,000 | 1,000 |
| Credit facility due September 6, 2014 | 350 | 348 | 350 | 342 |
| Charter Communications Operating, LLC: | | | | |
| Credit facilities | 3,378 | 3,341 | 3,548 | 3,510 |
| **Long-Term Debt** | $ 14,078 | $ 14,019 | $ 14,248 | $ 14,181 |

The accreted values presented above represent the principal amount of the debt less the original issue discount at the time of sale, plus the accretion 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 June 30, 2014 and as such, debt maturing in the next twelve months is classified as long-term.

In March 2013, CCO Holdings, LLC ("CCO Holdings") and CCO Holdings Capital Corp. closed on transactions in which they issued $500 million aggregate principal amount of 5.250% senior notes due 2021 and $500 million aggregate principal amount of

5.750% senior notes due 2023. The proceeds were used for repaying amounts outstanding under the Charter Operating term loan C facility. The Company recorded a loss on extinguishment of debt of approximately $42 million for the six months ended June 30, 2013 related to these transactions.

In April 2013, Charter Operating entered into an amendment to its credit agreement extending the maturity of its term loan A and revolver one year to 2018, decreasing the applicable LIBOR margin for the term loan A and revolver to 2%, decreasing the undrawn commitment fee on the revolver to 0.30% and increasing the revolver capacity to $1.3 billion. The Company recorded a loss on extinguishment of debt of approximately $2 million for the three and six months ended June 30, 2013 related to these transactions.

In May 2013, Charter Operating entered into a new term loan F facility pursuant to the terms of the Charter Operating credit agreement providing for a $1.2 billion term loan maturing in 2021. Pricing on the new term loan F was set at LIBOR plus 2.25% with a LIBOR floor of 0.75%, and issued at a price of 99.75% of the aggregate principal amount. The Company used the proceeds to repay Charter Operating's existing term loan C due 2016 and term loan D due 2019. The Company recorded a loss on extinguishment of debt of approximately $14 million for the three and six months ended June 30, 2013 related to these transactions.

In May 2013, CCO Holdings and CCO Holdings Capital Corp. closed on transactions in which they issued $1.0 billion aggregate principal amount of 5.750% senior notes due 2024. Concurrently with the pricing of the 5.750% senior notes, a tender offer was launched to purchase any and all of the CCO Holdings 7.875% senior notes due 2018. The Company used the proceeds from the issuance to purchase the notes tendered in the tender offer. Any notes not tendered were subsequently called in June 2013. The Company recorded a loss on extinguishment of debt of approximately $65 million for the three and six months ended June 30, 2013 related to these transactions.

## 6. Common Stock

During the three and six months ended June 30, 2014, the Company withheld 37,602 and 115,436, respectively, shares of its common stock in payment of $6 million and $17 million, respectively, income tax withholding owed by employees upon vesting of restricted shares. During the three and six months ended June 30, 2013, the Company withheld 46,987 and 106,100, respectively, shares of its common stock in payment of $5 million and $10 million, respectively, income tax withholding owed by employees upon vesting of restricted shares. In December 2013, Charter's board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2013. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders' equity.

During the six months ended June 30, 2014, the Company issued approximately 2 million shares of Charter Class A common stock as a result of exercises by holders who received warrants pursuant to the Joint Plan of Reorganization (the "Plan") upon the Company's emergence from bankruptcy.

## 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 Company, until de-designating in the three months ended March 31, 2013, had certain interest rate derivative instruments that were designated as cash flow hedging instruments for GAAP purposes. Such instruments effectively converted variable interest payments on certain debt instruments into fixed payments. For qualifying hedges, realized derivative gains and losses offset related results on hedged items in the condensed consolidated statements of operations. The Company formally documented, designated and assessed the effectiveness of transactions that received hedge accounting.

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

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Accrued interest | $ 7 | $ 8 |
| Other long-term liabilities | $ 20 | $ 22 |
| Accumulated other comprehensive loss | $ (30) | $ (41) |

Changes in the fair value of interest rate derivative instruments that were designated as hedging instruments of the variability of cash flows associated with floating-rate debt obligations, and that met effectiveness criteria were reported in accumulated other comprehensive loss. The amounts were subsequently reclassified as an increase or decrease to interest expense in the same periods in which the related interest on the floating-rate debt obligations affected earnings (losses).

Due to repayment of variable rate credit facility debt without a LIBOR floor, certain interest rate derivative instruments were de-designated as cash flow hedges during the three months ended March 31, 2013, as they no longer met the criteria for cash flow hedging specified by GAAP. In addition, on March 31, 2013, the remaining interest rate derivative instruments that continued to be highly effective cash flow hedges for GAAP purposes were electively de-designated. On the date of de-designation, the Company completed a final measurement test for each interest rate derivative instrument to determine any ineffectiveness and such amount was reclassified from accumulated other comprehensive loss into gain (loss) on derivative instruments, net in the Company's condensed consolidated statements of operations. While these interest rate derivative instruments are no longer 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. Interest rate derivative instruments not designated as hedges 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. The balance that remains in accumulated other comprehensive loss for these interest rate derivative instruments will be amortized over the respective lives of the contracts and recorded as a loss within gain (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 June 30, 2014 that is expected to be reclassified into earnings within the next twelve months is approximately $13 million.

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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Gain (loss) on derivative instruments, net: | | | | |
| Change in fair value of interest rate derivative instruments not designated as cash flow hedges | $ (1) | $ 28 | $ 3 | $ 29 |
| Loss reclassified from accumulated other comprehensive loss into earnings as a result of cash flow hedge discontinuance | (5) | (8) | (11) | (12) |
| | $ (6) | $ 20 | $ (8) | $ 17 |
| Interest expense: | | | | |
| Loss reclassified from accumulated other comprehensive loss into interest expense | $ — | $ — | $ — | $ (10) |

As of June 30, 2014 and December 31, 2013, the Company had $1.7 billion and $2.2 billion, respectively, in notional amounts of interest rate derivative instruments outstanding. As of June 30, 2014, this includes $250 million in delayed start interest rate derivative instruments that become effective in September 2014 through March 2015. In any future quarter in which a portion of these delayed start interest rate derivative instruments first becomes effective, an equal or greater notional amount of the currently

effective interest rate derivative instruments are scheduled to mature. Therefore, the $1.5 billion notional amount of currently effective interest rate derivative instruments will gradually step down over time as current interest rate derivative instruments mature and an equal or lesser amount of delayed start interest rate derivative instruments become effective.

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 June 30, 2014 and December 31, 2013 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 estimated fair value of the Company's debt at June 30, 2014 and December 31, 2013 is based on quoted market prices and is classified within Level 1 of the valuation hierarchy.

A summary of the carrying value and fair value of the Company's debt at June 30, 2014 and December 31, 2013 is as follows:

| | June 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| **Debt** | | | | |
| CCO Holdings senior notes | $ 10,330 | $ 10,833 | $ 10,329 | $ 10,384 |
| Credit facilities | $ 3,689 | $ 3,683 | $ 3,852 | $ 3,848 |

The fair value of interest rate derivative instruments were $27 million and $30 million and classified as liabilities as of June 30, 2014 and December 31, 2013, respectively, using a present value calculation based on an implied forward LIBOR curve (adjusted for Charter Operating's or counterparties' credit risk) and were classified within Level 2 of the valuation hierarchy. The weighted average pay rate for the Company's currently effective interest rate derivative instruments was 2.04% and 2.17% at June 30, 2014 and December 31, 2013, respectively (exclusive of applicable spreads).

***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 and six months ended June 30, 2014 and 2013.

## 9. Operating Costs and Expenses

Operating costs and expenses consist of the following for the years presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Programming | $ 607 | $ 519 | $ 1,213 | $ 1,031 |
| Franchise, regulatory and connectivity | 107 | 97 | 214 | 192 |
| Costs to service customers | 421 | 379 | 821 | 752 |
| Marketing | 135 | 118 | 268 | 228 |
| Other | 209 | 182 | 410 | 350 |
| | $ 1,479 | $ 1,295 | $ 2,926 | $ 2,553 |

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, OnDemand, and pay-per-view programming. Franchise, regulatory and connectivity costs represent payments to franchise and regulatory authorities and costs directly related to providing Internet and voice services. Costs to service customers include residential and commercial costs related to field operations, network operations and customer care 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. Other includes bad debt expense, corporate overhead, commercial and advertising sales expenses, 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 years presented:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| (Gain) loss on sale of assets, net | $ (1) | $ — | $ 2 | $ 1 |
| Special charges, net | 3 | 5 | 7 | 15 |
| | $ 2 | $ 5 | $ 9 | $ 16 |

***(Gain) loss on sale of assets, net***

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

***Special charges, net***

Special charges, net for the three and six months ended June 30, 2014 and 2013 primarily include severance charges and in 2013, net amounts of litigation settlements.

## 11. Income Taxes

All of Charter's operations are held through Charter Holdco and its direct and indirect subsidiaries. Charter Holdco and the majority of its subsidiaries are generally limited liability companies that are not subject to income tax. However, certain of these limited liability companies are subject to state income tax. In addition, the indirect subsidiaries that are corporations are subject to federal and state income tax. All of the remaining taxable income, gains, losses, deductions and credits of Charter Holdco are passed through to Charter and its direct subsidiaries.

For the three and six months ended June 30, 2014, the Company recorded $65 million and $129 million of income tax expense, respectively. For the three and six months ended June 30, 2013, the Company recorded $58 million and $67 million of income tax expense, respectively. Income tax expense is recognized primarily through increases in deferred tax liabilities related to our investment in Charter Holdco, as well as through current federal and state income tax expense and increases in the deferred tax liabilities of certain of our indirect corporate subsidiaries. The three and six months ended June 30, 2013 included a step-up in basis of indefinite-lived assets for tax, but not GAAP purposes, resulting from the effects of partnership gains related to financing transactions (see Note 5), which decreased the Company's net deferred tax liability related to indefinite-lived assets resulting in a benefit of $10 million and $67 million, respectively.

The tax provision in future periods will vary based on various factors including changes in the Company's deferred tax liabilities attributable to indefinite-lived intangibles, as well as future operating results, however the Company does not anticipate having large reductions in tax expense such as those recognized in 2013 unless it enters into similar future financing or restructuring activities. The ultimate impact on the tax provision of such future financing and restructuring activities, if any, will be dependent on the underlying facts and circumstances at the time.

As of June 30, 2014 and December 31, 2013, the Company had net deferred income tax liabilities of approximately $1.5 billion and $1.4 billion, respectively. Net current deferred tax assets of $16 million and $16 million as of June 30, 2014 and December 31, 2013, respectively, are included in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheets of the Company. Net deferred tax liabilities included approximately $227 million and $226 million at June 30, 2014 and December 31, 2013, respectively, relating to certain indirect subsidiaries of Charter Holdco that file separate federal or state income tax returns. The remainder of the Company's net deferred tax liability arose from Charter's investment in Charter Holdco, and was largely attributable to the characterization of franchises for financial reporting purposes as indefinite-lived.

In determining the Company's tax provision for financial reporting purposes, the Company considers the need for and 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. As of June 30, 2014, the Company believes it is appropriate that no reserve has been recorded.

On May 1, 2013, Liberty Media Corporation ("Liberty Media") completed its purchase of a 27% beneficial interest in Charter (see Note 12). Upon closing, Charter experienced a second "ownership change" as defined in Section 382 of the Internal Revenue Code resulting in a second set of limitations on Charter's use of its existing federal and state tax loss carryforwards. The first ownership change limitations that applied as a result of our emergence from bankruptcy in 2009 will also continue to apply.

No tax years for Charter or Charter Holdco, for income tax purposes, are currently under examination by the IRS. Tax years ending 2010 through 2013 remain subject to examination and assessment. Years prior to 2010 remain open solely for purposes of examination of Charter's loss and credit carryforwards.

## 12. Related Party Transactions

On May 1, 2013, Liberty Media completed its purchase from investment funds managed by, or affiliated with, Apollo Global Management, LLC, Oaktree Capital Management, L.P. and Crestview Partners of approximately 26.9 million shares and warrants to purchase approximately 1.1 million shares in Charter for approximately $2.6 billion (the "Liberty Media Transaction"), which represented as of May 1, 2013, an approximate 27% beneficial ownership in Charter and a price per share of $95.50.

In connection with the Liberty Media Transaction, Charter entered into a stockholders agreement with Liberty Media that, among other things, provided Liberty Media with the right to designate four directors for appointment to Charter's board of directors. Liberty Media designated John Malone, Chairman of Liberty Media, Gregory Maffei, president and chief executive officer of

Liberty Media, Balan Nair, executive vice president and chief technology officer of Liberty Global plc, and Michael Huseby, chief executive officer of Barnes & Noble, Inc. Charter's board of directors appointed these directors effective upon the resignations of Stan Parker, Darren Glatt, Bruce Karsh and Edgar Lee in connection with the closing of the Liberty Media Transaction on May 1, 2013. Subject to Liberty Media's continued ownership level in Charter, the stockholders agreement also provides that Liberty Media can designate up to four directors as nominees for election to Charter's board of directors at least through Charter's 2015 annual meeting of stockholders, and that up to one of these individuals may serve on each of the Audit Committee, the Nominating and Corporate Governance Committee, and Compensation and Benefits Committee of Charter's board of directors. Consistent with these provisions, the board appointed Dr. Malone to serve on the Nominating and Corporate Governance Committee, Mr. Maffei to serve on the Finance Committee and the Compensation and Benefits Committee and Mr. Huseby to serve on the Audit Committee.

In addition, Liberty Media agreed to not increase its beneficial ownership in Charter above 35% until January 2016, at which point such limit increases to 39.99%. Liberty Media is also, subject to certain exceptions, subject to certain customary standstill provisions that prohibit Liberty Media from, among other things, engaging in proxy or consent solicitations relating to the election of directors. The standstill limitations apply through the 2015 shareholder meeting and continue to apply as long as Liberty Media's designees are nominated to the Charter board, unless the agreement is earlier terminated. Charter approved Liberty Media as an interested stockholder under the business combination provisions of the Delaware General Corporation Law.

The Company is aware that Dr. Malone may be deemed to have a 36.0% 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 37.6% 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 Liberty Media Transaction. For the three and six months ended June 30, 2014, the Company received payments in aggregate of approximately $3 million and $6 million, respectively, and for the three months ended June 30, 2013, the Company received payments in aggregate of approximately $3 million, 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 4.5% in the aggregate of the common stock of Discovery and has a 28.9% voting interest in Discovery for the election of directors. In addition, Dr. Malone owns 10.1% in the aggregate of the common stock of Starz and has 45.5% of the voting power. Mr. Maffei 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 the Liberty Media Transaction and 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 and six months ended June 30, 2014 and three months ended June 30, 2013.

## 13. Contingencies

The Montana Department of Revenue ("Montana DOR") generally assesses property taxes on cable companies at 3% and on telephone companies at 6%. Historically, Bresnan's cable and telephone operations have been taxed separately by the Montana DOR. In 2010, the Montana DOR assessed Bresnan as a single telephone business and retroactively assessed it as such for 2007 through 2009. Bresnan filed a declaratory judgment action against the Montana DOR in Montana State Court challenging its property tax classifications for 2007 through 2010. Under Montana law, a taxpayer must first pay a current assessment of disputed property tax in order to challenge such assessment. In accordance with that law, Bresnan paid the disputed 2010, 2011 and 2012 property tax assessments of approximately $5 million, $11 million and $9 million, respectively, under protest. No payments for additional tax for 2007 through 2009 were made at that time. On September 26, 2011, the Montana State Court granted Bresnan's summary judgment motion seeking to vacate the Montana DOR's retroactive tax assessments for the years 2007, 2008 and 2009. The Montana DOR's assessment for 2010 was the subject of a trial, which took place the week of October 24, 2011. On July 6, 2012, the Montana State Court entered judgment in favor of Bresnan, ruling that the Montana's DOR 2010 assessment was invalid and contrary to law, vacating the 2010 assessment, and directing that the Montana DOR refund the amounts paid by Bresnan under protest, plus interest and certain costs. The Montana DOR filed a notice of appeal to the Montana Supreme Court on September 20, 2012. On December 2, 2013, the Montana Supreme Court reversed the trial court's decision and remanded the matter to the trial court. Charter filed a petition for rehearing which was denied on January 7, 2014. Charter then filed pleadings with the trial court to renew challenges to the Montana DOR's assessments that had been mooted by the Montana State Court's prior ruling.

With respect to the Montana Supreme Court ruling, Charter filed a petition for writ of certiorari to the United States Supreme Court on June 6, 2014. On June 19, 2014, the parties settled this dispute. As a result of the settlement, Charter dismissed the petition for writ of certiorari. For tax years 2007 through 2009, Charter reduced Bresnan acquisition liabilities by approximately $8 million with the offset to goodwill, and operating expenses were reduced by approximately $3 million for post-acquisition tax years.

The Company is a defendant, co-defendant or plaintiff seeking declaratory judgments in several lawsuits involving alleged infringement of various patents relating to various aspects of its businesses. Other industry participants are also defendants or plaintiffs seeking declaratory judgments 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 years presented.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Stock options | 42,600 | 51,100 | 1,217,400 | 153,600 |
| Restricted stock | 9,100 | 12,700 | 9,100 | 12,700 |
| Restricted stock units | 6,700 | 13,600 | 150,400 | 39,800 |

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. Stock options and restricted stock units granted in 2014 cliff vest over three years. As of June 30, 2014, total unrecognized compensation remaining to be recognized in future periods totaled $83 million for stock options, $14 million for restricted stock and $32 million for restricted stock units and the weighted average period over which they are expected to be recognized is 3 years for stock options, 2 years for restricted stock and 3 years for restricted stock units.

The Company recorded $15 million and $27 million of stock compensation expense for the three and six months ended June 30, 2014, and $15 million and $26 million of stock compensation expense for the three and six months ended June 30, 2013, respectively, which is included in operating costs and expenses.

## 15. Consolidating Schedules

The CCO Holdings notes and the CCO Holdings credit facility 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 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.

Condensed consolidating financial statements as of June 30, 2014 and December 31, 2013 and for the six months ended June 30, 2014 and 2013 follow.

**Charter Communications, Inc.**
**Condensed Consolidating Balance Sheet**
**As of June 30, 2014**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash and cash equivalents | $ — | $ — | $ — | $ 9 | $ — | $ 9 |
| Accounts receivable, net | 4 | 3 | — | 245 | — | 252 |
| Receivables from related party | 49 | 211 | 5 | — | (265) | — |
| Prepaid expenses and other current assets | 15 | 12 | — | 49 | — | 76 |
| Total current assets | 68 | 226 | 5 | 303 | (265) | 337 |
| INVESTMENT IN CABLE PROPERTIES: | | | | | | |
| Property, plant and equipment, net | — | 30 | — | 8,167 | — | 8,197 |
| Franchises | — | — | — | 6,009 | — | 6,009 |
| Customer relationships, net | — | — | — | 1,245 | — | 1,245 |
| Goodwill | — | — | — | 1,170 | — | 1,170 |
| Total investment in cable properties, net | — | 30 | — | 16,591 | — | 16,621 |
| CC VIII PREFERRED INTEREST | — | 414 | — | — | (414) | — |
| INVESTMENT IN SUBSIDIARIES | 1,384 | 383 | 10,659 | — | (12,426) | — |
| LOANS RECEIVABLE – RELATED PARTY | — | 326 | 472 | — | (798) | — |
| OTHER NONCURRENT ASSETS | — | 164 | 112 | 135 | — | 411 |
| Total assets | $ 1,452 | $ 1,543 | $ 11,248 | $ 17,029 | $ (13,903) | $ 17,369 |
| **LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY** | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Accounts payable and accrued liabilities | $ 7 | $ 145 | $ 187 | $ 1,267 | $ — | $ 1,606 |
| Payables to related party | — | — | — | 265 | (265) | — |
| Total current liabilities | 7 | 145 | 187 | 1,532 | (265) | 1,606 |
| LONG-TERM DEBT | — | — | 10,678 | 3,341 | — | 14,019 |
| LOANS PAYABLE – RELATED PARTY | — | — | — | 798 | (798) | — |
| DEFERRED INCOME TAXES | 1,326 | — | — | 228 | — | 1,554 |
| OTHER LONG-TERM LIABILITIES | — | 14 | — | 57 | — | 71 |
| Shareholders'/Member's equity | 119 | 1,384 | 383 | 10,659 | (12,426) | 119 |
| Noncontrolling interest | — | — | — | 414 | (414) | — |
| Total shareholders'/member's equity | 119 | 1,384 | 383 | 11,073 | (12,840) | 119 |
| Total liabilities and shareholders'/member's equity | $ 1,452 | $ 1,543 | $ 11,248 | $ 17,029 | $ (13,903) | $ 17,369 |

**Charter Communications, Inc.**
**Condensed Consolidating Balance Sheet**
**As of December 31, 2013**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| CURRENT ASSETS: | | | | | | |
| Cash and cash equivalents | $ — | $ 5 | $ — | $ 16 | $ — | $ 21 |
| Accounts receivable, net | 4 | 4 | — | 226 | — | 234 |
| Receivables from related party | 54 | 170 | 11 | — | (235) | — |
| Prepaid expenses and other current assets | 14 | 10 | — | 43 | — | 67 |
| Total current assets | 72 | 189 | 11 | 285 | (235) | 322 |
| INVESTMENT IN CABLE PROPERTIES: | | | | | | |
| Property, plant and equipment, net | — | 30 | — | 7,951 | — | 7,981 |
| Franchises | — | — | — | 6,009 | — | 6,009 |
| Customer relationships, net | — | — | — | 1,389 | — | 1,389 |
| Goodwill | — | — | — | 1,177 | — | 1,177 |
| Total investment in cable properties, net | — | 30 | — | 16,526 | — | 16,556 |
| CC VIII PREFERRED INTEREST | — | 392 | — | — | (392) | — |
| INVESTMENT IN SUBSIDIARIES | 1,295 | 325 | 10,592 | — | (12,212) | — |
| LOANS RECEIVABLE – RELATED PARTY | — | 318 | 461 | — | (779) | — |
| OTHER NONCURRENT ASSETS | — | 160 | 119 | 138 | — | 417 |
| Total assets | $ 1,367 | $ 1,414 | $ 11,183 | $ 16,949 | $ (13,618) | $ 17,295 |
| **LIABILITIES AND SHAREHOLDERS'/MEMBER'S EQUITY** | | | | | | |
| CURRENT LIABILITIES: | | | | | | |
| Accounts payable and accrued liabilities | $ 12 | $ 113 | $ 187 | $ 1,155 | $ — | $ 1,467 |
| Payables to related party | — | — | — | 235 | (235) | — |
| Total current liabilities | 12 | 113 | 187 | 1,390 | (235) | 1,467 |
| LONG-TERM DEBT | — | — | 10,671 | 3,510 | — | 14,181 |
| LOANS PAYABLE – RELATED PARTY | — | — | — | 779 | (779) | — |
| DEFERRED INCOME TAXES | 1,204 | — | — | 227 | — | 1,431 |
| OTHER LONG-TERM LIABILITIES | — | 6 | — | 59 | — | 65 |
| Shareholders'/Member's equity | 151 | 1,295 | 325 | 10,592 | (12,212) | 151 |
| Noncontrolling interest | — | — | — | 392 | (392) | — |
| Total shareholders'/member's equity | 151 | 1,295 | 325 | 10,984 | (12,604) | 151 |
| Total liabilities and shareholders'/member's equity | $ 1,367 | $ 1,414 | $ 11,183 | $ 16,949 | $ (13,618) | $ 17,295 |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Operations**
**For the six months ended June 30, 2014**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| REVENUES | $ 11 | $ 113 | $ — | $ 4,461 | $ (124) | $ 4,461 |
| COSTS AND EXPENSES: | | | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 11 | 113 | — | 2,926 | (124) | 2,926 |
| Depreciation and amortization | — | — | — | 1,033 | — | 1,033 |
| Other operating expenses, net | — | — | — | 9 | — | 9 |
| | 11 | 113 | — | 3,968 | (124) | 3,968 |
| Income from operations | — | — | — | 493 | — | 493 |
| OTHER INCOME (EXPENSES): | | | | | | |
| Interest expense, net | — | 4 | (343) | (82) | — | (421) |
| Loss on derivative instruments, net | — | — | — | (8) | — | (8) |
| Other expense, net | — | — | — | (17) | — | (17) |
| Equity in income of subsidiaries | 39 | 13 | 356 | — | (408) | — |
| | 39 | 17 | 13 | (107) | (408) | (446) |
| Income before income taxes | 39 | 17 | 13 | 386 | (408) | 47 |
| INCOME TAX EXPENSE | (121) | — | — | (8) | — | (129) |
| Consolidated net income (loss) | (82) | 17 | 13 | 378 | (408) | (82) |
| Less: Net (income) loss – noncontrolling interest | — | 22 | — | (22) | — | — |
| Net income (loss) | $ (82) | $ 39 | $ 13 | $ 356 | $ (408) | $ (82) |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Operations**
**For the six months ended June 30, 2013**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| REVENUES | $ 9 | $ 93 | $ — | $ 3,889 | $ (102) | $ 3,889 |
| COSTS AND EXPENSES: | | | | | | |
| Operating costs and expenses (excluding depreciation and amortization) | 9 | 93 | — | 2,553 | (102) | 2,553 |
| Depreciation and amortization | — | — | — | 861 | — | 861 |
| Other operating expenses, net | — | — | — | 16 | — | 16 |
| | 9 | 93 | — | 3,430 | (102) | 3,430 |
| Income from operations | — | — | — | 459 | — | 459 |
| OTHER INCOME (EXPENSES): | | | | | | |
| Interest expense, net | — | 4 | (339) | (86) | — | (421) |
| Loss on extinguishment of debt | — | — | (65) | (58) | — | (123) |
| Gain on derivative instruments, net | — | — | — | 17 | — | 17 |
| Other expense, net | — | — | — | (3) | — | (3) |
| Equity in income (loss) of subsidiaries | (86) | (105) | 299 | — | (108) | — |
| | (86) | (101) | (105) | (130) | (108) | (530) |
| Income (loss) before income taxes | (86) | (101) | (105) | 329 | (108) | (71) |
| INCOME TAX EXPENSE | (59) | (1) | — | (7) | — | (67) |
| Consolidated net income (loss) | (145) | (102) | (105) | 322 | (108) | (138) |
| Less: Net (income) loss – noncontrolling interest | 7 | 16 | — | (23) | — | — |
| Net income (loss) | $ (138) | $ (86) | $ (105) | $ 299 | $ (108) | $ (138) |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Comprehensive Income (Loss)**
**For the six months ended June 30, 2014**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| Consolidated net income (loss) | $ (82) | $ 17 | $ 13 | $ 378 | $ (408) | $ (82) |
| Net impact of interest rate derivative instruments, net of tax | — | — | — | 11 | — | 11 |
| Comprehensive income (loss) | $ (82) | $ 17 | $ 13 | $ 389 | $ (408) | $ (71) |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Comprehensive Income (Loss)**
**For the six months ended June 30, 2013**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| Consolidated net income (loss) | $ (145) | $ (102) | $ (105) | $ 322 | $ (108) | $ (138) |
| Net impact of interest rate derivative instruments, net of tax | — | — | — | 19 | — | 19 |
| Comprehensive income (loss) | $ (145) | $ (102) | $ (105) | $ 341 | $ (108) | $ (119) |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Cash Flows**
**For the six months ended June 30, 2014**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Consolidated net income (loss) | $ (82) | $ 17 | $ 13 | $ 378 | $ (408) | $ (82) |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: | | | | | | |
| Depreciation and amortization | — | — | — | 1,033 | — | 1,033 |
| Noncash interest expense | — | — | 14 | 6 | — | 20 |
| Loss on derivative instruments, net | — | — | — | 8 | — | 8 |
| Deferred income taxes | 123 | — | — | 1 | — | 124 |
| Equity in income of subsidiaries | (39) | (13) | (356) | — | 408 | — |
| Other, net | — | (1) | — | 30 | — | 29 |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | | | | | |
| Accounts receivable | — | 1 | — | (19) | — | (18) |
| Prepaid expenses and other assets | — | (3) | — | (8) | — | (11) |
| Accounts payable, accrued liabilities and other | (5) | 33 | — | 78 | — | 106 |
| Receivables from and payables to related party | 4 | (46) | (5) | 47 | — | — |
| Net cash flows from operating activities | 1 | (12) | (334) | 1,554 | — | 1,209 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Purchases of property, plant and equipment | — | — | — | (1,109) | — | (1,109) |
| Change in accrued expenses related to capital expenditures | — | — | — | 44 | — | 44 |
| Contribution to subsidiary | (18) | (65) | (13) | — | 96 | — |
| Distributions from subsidiary | 5 | 25 | 340 | — | (370) | — |
| Other, net | — | (5) | — | 4 | — | (1) |
| Net cash flows from investing activities | (13) | (45) | 327 | (1,061) | (274) | (1,066) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | |
| Borrowings of long-term debt | — | — | — | 630 | — | 630 |
| Repayments of long-term debt | — | — | — | (801) | — | (801) |
| Purchase of treasury stock | (17) | — | — | — | — | (17) |
| Proceeds from exercise of options and warrants | 29 | — | — | — | — | 29 |
| Contributions from parent | — | 70 | 13 | 13 | (96) | — |
| Distributions to parent | — | (25) | (5) | (340) | 370 | — |
| Other, net | — | 7 | (1) | (2) | — | 4 |
| Net cash flows from financing activities | 12 | 52 | 7 | (500) | 274 | (155) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | — | (5) | — | (7) | — | (12) |
| CASH AND CASH EQUIVALENTS, beginning of period | — | 5 | — | 16 | — | 21 |
| CASH AND CASH EQUIVALENTS, end of period | $ — | $ — | $ — | $ 9 | $ — | $ 9 |

**Charter Communications, Inc.**
**Condensed Consolidating Statement of Cash Flows**
**For the six months ended June 30, 2013**

| | Charter | Intermediate Holding Companies | CCO Holdings | Charter Operating and Subsidiaries | Eliminations | Charter Consolidated |
|---|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Consolidated net income (loss) | $ (145) | $ (102) | $ (105) | $ 322 | $ (108) | $ (138) |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: | | | | | | |
| Depreciation and amortization | — | — | — | 861 | — | 861 |
| Noncash interest expense | — | — | 13 | 10 | — | 23 |
| Loss on extinguishment of debt | — | — | 65 | 58 | — | 123 |
| Gain on derivative instruments, net | — | — | — | (17) | — | (17) |
| Deferred income taxes | 52 | — | — | 4 | — | 56 |
| Equity in (income) losses of subsidiaries | 86 | 105 | (299) | — | 108 | — |
| Other, net | — | — | — | 53 | — | 53 |
| Changes in operating assets and liabilities: | | | | | | |
| Accounts receivable | 1 | (5) | — | 15 | — | 11 |
| Prepaid expenses and other assets | — | (2) | — | (4) | — | (6) |
| Accounts payable, accrued liabilities and other | (6) | (10) | 25 | 50 | — | 59 |
| Receivables from and payables to related party | 11 | 13 | (6) | (18) | — | — |
| Net cash flows from operating activities | (1) | (1) | (307) | 1,334 | — | 1,025 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Purchases of property, plant and equipment | — | — | — | (834) | — | (834) |
| Change in accrued expenses related to capital expenditures | — | — | — | 2 | — | 2 |
| Contribution to subsidiary | (4) | (24) | (988) | — | 1,016 | — |
| Distributions from subsidiary | — | 6 | 314 | — | (320) | — |
| Other, net | — | — | — | (14) | — | (14) |
| Net cash flows from investing activities | (4) | (18) | (674) | (846) | 696 | (846) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | |
| Borrowings of long-term debt | — | — | 2,000 | 2,710 | — | 4,710 |
| Repayments of long-term debt | — | — | (955) | (3,870) | — | (4,825) |
| Borrowings (payments) loans payable - related parties | — | — | (43) | 43 | — | — |
| Payments for debt issuance costs | — | — | (24) | (8) | — | (32) |
| Purchase of treasury stock | (10) | — | — | — | — | (10) |
| Proceeds from exercise of options and warrants | 15 | — | — | — | — | 15 |
| Contributions from parent | — | 24 | 4 | 988 | (1,016) | — |
| Distributions to parent | — | (5) | (1) | (314) | 320 | — |
| Net cash flows from financing activities | 5 | 19 | 981 | (451) | (696) | (142) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | — | — | — | 37 | — | 37 |
| CASH AND CASH EQUIVALENTS, beginning of period | 1 | — | — | 6 | — | 7 |
| CASH AND CASH EQUIVALENTS, end of period | $ 1 | $ — | $ — | $ 43 | $ — | $ 44 |

## 16. Recently Issued Accounting Standards

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of components of an Entity ("ASU 2014-08"). ASU 2014-08 changes the criteria for reporting a discontinued operation. Under the new guidance, a disposed component of an organization that represents a strategic shift that has (or will have) a major effect on its operations and financial results is a discontinued operation. For disposals of individually significant components that do not qualify for discontinued operations presentation, an entity must disclose pre-tax profit or loss of the disposed component. ASU 2014-08 requires prospective application to all disposals that are classified as held for sale and that occur within annual and interim periods beginning on or after December 15, 2015, with earlier application permitted for disposals that have not been reported in previously issued financial statements. The Company is currently evaluating the impact of ASU 2014-08 to its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The effective date of ASU 2014-09 is fiscal years beginning after December 15, 2016, and interim periods within those years, with earlier adoption prohibited. Companies can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company has not yet selected a transition method nor has it determined the effect of ASU 2014-09 to its consolidated financial statements.

## 17. Subsequent Event

In October 2014, Charter created CCOH Safari, LLC (“Safari II”) as a 100% wholly-owned indirect finance subsidiary of Charter which will fully and unconditionally guarantee debt securities issued by Safari II. Charter’s ability to obtain funds by dividend or loan from its subsidiaries is limited by the restricted covenants contained in the indentures and credit facilities to which its subsidiaries are parties which limit the amount of dividends that can be paid by CCO Holdings and its subsidiaries. Generally, under the various indentures, CCO Holdings and its respective restricted subsidiaries are permitted to pay dividends on or repurchase equity interests, or make other specified restricted payments, only if it can incur $1.00 of new debt under the 6.0 to 1.0 leverage ratio test set forth in the indentures after giving effect to the transaction and if no default exists or would exist as a consequence of such incurrence. If those conditions are met, restricted payments may be made in a total amount of up to the sum of 100% of CCO Holdings’ Consolidated EBITDA, as defined in the indentures, minus 1.3 times its Consolidated Interest Expense, as defined in the indentures, cumulatively from April 1, 2010, plus 100% of new cash and appraised non-cash equity proceeds received by CCO Holdings and not allocated to certain investments, cumulatively from the issue date, plus $2 billion. Under the credit facilities, CCO Holdings and its subsidiaries may make distributions to Charter or other affiliates to allow such entities to pay interest on their debt so long as no default exists or would exist as a consequence of such distribution and certain other limitations. CCO Holdings may also make distributions to Charter or other affiliates to allow such entities to repay their indebtedness so long as CCO Holdings has available liquidity of at least $250 million, no default exists or would exist as a consequence of such distribution and subject to certain other limitations. CCO Holdings may make additional distributions subject to a 3.5 to 1.0 leverage test and if no default exists or would exist as a consequence of such distribution.

Exhibit 99.3

# COMBINED FINANCIAL STATEMENTS

TWC Cable Systems to be Sold or Exchanged in the
Divestiture Transactions with Charter Communications, Inc.
(A Carve-Out of Time Warner Cable Inc.)
For the Years Ended December 31, 2013, 2012 and 2011
With Report of Independent Auditors

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC.**
**(A Carve-Out of Time Warner Cable Inc.)**

## INDEX TO COMBINED FINANCIAL STATEMENTS


| | Page |
|---|---|
| Report of Independent Auditors | 1 |
| Combined Financial Statements: | |
| Combined Balance Sheet | 2 |
| Combined Statement of Operations | 3 |
| Combined Statement of Cash Flows | 4 |
| Combined Statement of Equity | 5 |
| Notes to Combined Financial Statements | 6 |

## Report of Independent Auditors

To the Board of Directors
of Time Warner Cable Inc.:

We have audited the accompanying combined financial statements of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.), which comprise the combined balance sheet as of December 31, 2013 and 2012, and the related combined statements of operations, cash flows and equity for each of the three years in the period ended December 31, 2013, and the related notes to the combined financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the TWC Cable Systems to be Sold or Exchanged in the Divestiture Transactions with Charter Communications, Inc. (A Carve-Out of Time Warner Cable Inc.) at December 31, 2013 and 2012, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Charlotte, North Carolina
October 29, 2014

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC.**
**(A Carve-Out of Time Warner Cable Inc.)**

**COMBINED BALANCE SHEET**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (in millions) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and equivalents | $ 36 | $ 49 |
| Receivables, less allowances of $18 million as of December 31, 2013 and 2012 | 239 | 229 |
| Deferred income tax assets | 141 | 159 |
| Other current assets | 20 | 24 |
| Total current assets | 436 | 461 |
| Property, plant and equipment, net | 2,941 | 3,099 |
| Intangible assets subject to amortization, net | 351 | 432 |
| Intangible assets not subject to amortization | 7,271 | 7,271 |
| Goodwill | 1,178 | 1,178 |
| Other assets | 13 | 4 |
| Total assets | $ 12,190 | $ 12,445 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 48 | $ 92 |
| Deferred revenue and subscriber-related liabilities | 19 | 22 |
| Accrued programming and content expense | 210 | 220 |
| Other current liabilities | 218 | 231 |
| Total current liabilities | 495 | 565 |
| Deferred income tax liabilities, net | 3,047 | 2,904 |
| Other liabilities | 44 | 35 |
| Commitments and contingencies (Note 9) | | |
| TWC investment in the Sale/Exchange Cable Systems | 8,604 | 8,941 |
| Total liabilities and equity | $ 12,190 | $ 12,445 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC. (A Carve-Out of Time Warner Cable Inc.)**

**COMBINED STATEMENT OF OPERATIONS**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| | | (in millions) | |
| Revenue | $ 5,503 | $ 5,286 | $ 4,110 |
| Costs and expenses: | | | |
| Programming and content | 1,214 | 1,155 | 924 |
| Sales and marketing | 504 | 439 | 336 |
| Technical operations | 364 | 359 | 289 |
| Customer care | 193 | 183 | 146 |
| Other operating | 711 | 698 | 544 |
| Depreciation | 704 | 717 | 529 |
| Amortization | 85 | 72 | 3 |
| Merger-related and restructuring costs | 21 | 60 | 10 |
| Corporate charges from TWC and affiliates | 417 | 407 | 347 |
| Shared asset usage charges from TWC and affiliates | 105 | 86 | 72 |
| Total costs and expenses | 4,318 | 4,176 | 3,200 |
| Operating income | 1,185 | 1,110 | 910 |
| Other expense, net | - | (2) | - |
| Income before income taxes | 1,185 | 1,108 | 910 |
| Income tax provision | (449) | (435) | (339) |
| Net income | 736 | 673 | 571 |
| Less: Net income attributable to noncontrolling interest | - | (3) | (3) |
| Net income attributable to the Sale/Exchange Cable Systems | $ 736 | $ 670 | $ 568 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC. (A Carve-Out of Time Warner Cable Inc.)**

**COMBINED STATEMENT OF CASH FLOWS**

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2013** | **2012** | **2011** |
| | | **(in millions)** | |
| **OPERATING ACTIVITIES** | | | |
| Net income | $ 736 | $ 673 | $ 571 |
| Adjustments for noncash and nonoperating items: | | | |
| Depreciation | 704 | 717 | 529 |
| Amortization | 85 | 72 | 3 |
| Deferred income taxes | 161 | 151 | 118 |
| Equity-based compensation expense | 2 | 2 | 2 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Receivables | (8) | (16) | (3) |
| Accounts payable and other liabilities | (34) | 20 | (2) |
| Other changes | (10) | 4 | (10) |
| Cash provided by operating activities | 1,636 | 1,623 | 1,208 |
| **INVESTING ACTIVITIES** | | | |
| Capital expenditures | (577) | (518) | (438) |
| Business acquisitions, net of cash acquired | - | (1,339) | (242) |
| Other investing activities | 3 | 7 | - |
| Cash used by investing activities | (574) | (1,850) | (680) |
| **FINANCING ACTIVITIES** | | | |
| Net contributions from (distributions to) TWC | (1,075) | 2,039 | (532) |
| Repayment of long-term debt assumed in Insight acquisition | - | (1,730) | - |
| Acquisition of noncontrolling interest | - | (32) | - |
| Other financing activities | - | (29) | (2) |
| Cash provided (used) by financing activities | (1,075) | 248 | (534) |
| Increase (decrease) in cash and equivalents | (13) | 21 | (6) |
| Cash and equivalents at beginning of year | 49 | 28 | 34 |
| Cash and equivalents at end of year | $ 36 | $ 49 | $ 28 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC. (A Carve-Out of Time Warner Cable Inc.)**

## COMBINED STATEMENT OF EQUITY

| | TWC Investment | Non-Controlling Interest | Total Equity |
|---|---|---|---|
| | | (in millions) | |
| Balance as of December 31, 2010 | $ 6,219 | $ 4 | $ 6,223 |
| Net distributions to TWC | (530) | - | (530) |
| Net income | 568 | 3 | 571 |
| Other changes | - | (3) | (3) |
| Balance as of December 31, 2011 | 6,257 | 4 | 6,261 |
| Net contributions from TWC | 2,041 | - | 2,041 |
| Net income | 670 | 3 | 673 |
| Acquisition of noncontrolling interest | (27) | (5) | (32) |
| Other changes | - | (2) | (2) |
| Balance as of December 31, 2012 | 8,941 | - | 8,941 |
| Net distributions to TWC | (1,073) | - | (1,073) |
| Net income | 736 | - | 736 |
| Balance as of December 31, 2013 | $ 8,604 | $ - | $ 8,604 |

See accompanying notes.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

**Description of Business**

Time Warner Cable Inc. (together with its subsidiaries, "TWC") is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas - New York State, the Carolinas, the Midwest, Southern California and Texas.

On February 12, 2014, TWC entered into an Agreement and Plan of Merger with Comcast Corporation ("Comcast") whereby TWC agreed to merge with and into a 100% owned subsidiary of Comcast (the "Comcast merger"). Upon completion of the Comcast merger, all of the outstanding shares of TWC will be cancelled and each issued and outstanding share will be converted into the right to receive 2.875 shares of Class A common stock of Comcast. TWC and Comcast expect to complete the merger in early 2015, subject to receipt of regulatory approvals, as well as satisfaction of certain other closing conditions.

On April 25, 2014, Comcast entered into a binding agreement with Charter Communications, Inc. ("Charter"), which contemplates three transactions (the "divestiture transactions"): (1) a contribution, spin-off and merger transaction, (2) an asset exchange and (3) a sale of assets. The completion of the divestiture transactions will result in Comcast divesting a net total of approximately 3.9 million video subscribers, a portion of which are currently TWC subscribers (primarily in the Midwest). The divestiture transactions are expected to occur contemporaneously with one another and are conditioned upon and will occur following the closing of the Comcast merger. They are also subject to a number of other conditions. The Comcast merger is not conditioned upon the closing of the divestiture transactions and, accordingly, the Comcast merger can be completed regardless of whether the divestiture transactions are ultimately completed.

In connection with the divestiture transactions, cable systems (primarily in the Midwest) owned and operated by TWC prior to the Comcast merger are expected to be divested by Comcast (collectively, the "Sale/Exchange Cable Systems"). As of December 31, 2013, the Sale/Exchange Cable Systems served approximately 3.0 million video subscribers primarily in Ohio, Kentucky, Wisconsin and Indiana. These financial statements represent the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems.

**Basis of Presentation**

The combined financial statements of the Sale/Exchange Cable Systems are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The Sale/Exchange Cable Systems are an integrated business of TWC and are not a stand-alone entity. The financial information included herein was derived from the consolidated financial statements and accounting records of TWC and may not necessarily reflect the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems in the future or what they would have been had the Sale/Exchange Cable Systems operated as a separate, stand-alone entity during the periods presented. The combined financial statements of the Sale/Exchange Cable Systems include all of the assets, liabilities, revenue, expenses and cash flows of the Sale/Exchange Cable Systems, as well as expense allocations deemed reasonable by management, to present the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems on a stand-alone basis. The combined financial statements only include assets and liabilities that are specifically attributable to the Sale/Exchange Cable Systems. Management believes expense allocations are reasonable; however, they may not be indicative of the actual level of expense that would have been incurred by the Sale/Exchange Cable Systems if such systems had operated as a separate, stand-alone entity or of the costs expected to be incurred in the future. Refer to Note 7 for further information related to expense allocation methodologies.

All intercompany accounts and transactions within the Sale/Exchange Cable Systems have been eliminated. All intercompany transactions between the Sale/Exchange Cable Systems and TWC have been included in these combined financial statements and are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded. The net effect of the settlement of these intercompany transactions is reflected in "TWC investment in the Sale/Exchange Cable Systems" in the combined balance sheet and in "net contributions from (distributions to) TWC" in the financing activities section of the combined statement of cash flows.

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and footnotes thereto. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the combined financial statements include accounting for allowances for doubtful accounts, depreciation and amortization, business combinations, income taxes, loss contingencies, certain programming arrangements and allocation of charges for corporate shared support functions and shared asset usage. Certain allocation methodologies used to prepare the combined financial statements are based on estimates and have been described in the notes, where appropriate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Cash and Equivalents

Cash and equivalents primarily represent cash held locally by the Sale/Exchange Cable Systems. See Note 7 for additional information related to cash management.

### Accounts Receivable

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

### Property, Plant and Equipment

Property, plant and equipment are stated at cost, and depreciation on these assets is provided using the straight-line method over their estimated useful lives. Costs associated with the construction of transmission and distribution facilities are capitalized. With respect to customer premise equipment, which includes set-top boxes and high-speed data and telephone modems, installation costs are capitalized only upon the initial deployment of these assets. All costs incurred in subsequent disconnects and reconnects of previously installed customer premise equipment are expensed as incurred. Standard capitalization rates are used to capitalize installation activities. Significant judgment is involved in the development of these capitalization standards, including the average time required to perform an installation and the determination of the nature and amount of indirect costs to be capitalized. The capitalization standards are reviewed at least annually and adjusted, if necessary, based on comparisons to actual costs incurred. Generally, expenditures for tangible fixed assets having a useful life of greater than one year are capitalized. Capitalized costs include direct material, labor and overhead. The costs associated with the repair and maintenance of existing tangible fixed assets are expensed as incurred.

Property, plant and equipment and related accumulated depreciation as of December 31, 2013 and 2012 consisted of the following:

| | December 31, | | Estimated Useful Lives |
|---|---|---|---|
| | 2013 | 2012 | |
| | (in millions) | | (in years) |
| Land, buildings and improvements[a] | $ 247 | $ 243 | 3-20 |
| Distribution systems | 4,984 | 4,627 | 2-25 |
| Converters and modems | 1,377 | 1,386 | 3-5 |
| Vehicles and other equipment | 385 | 374 | 3-10 |
| Capitalized software costs[b] | 77 | 73 | 3-5 |
| Construction in progress | 35 | 50 | |
| Property, plant and equipment, gross | 7,105 | 6,753 | |
| Accumulated depreciation | (4,164) | (3,654) | |
| Property, plant and equipment, net | $ 2,941 | $ 3,099 | |

(a) Land, buildings and improvements includes $27 million and $28 million related to land as of December 31, 2013 and 2012, respectively, which is not depreciated.
(b) Capitalized software costs reflect certain costs incurred for the development of internal use software, including costs associated with coding, software configuration, upgrades and enhancements. These costs, net of accumulated depreciation, totaled $21 million and $26 million as of December 31, 2013 and 2012, respectively. Depreciation of capitalized software costs was $9 million in 2013, $7 million in 2012 and $7 million in 2011.

### Intangible Assets and Goodwill

Finite-lived intangible assets consist primarily of customer relationships, cable franchise renewals and access rights. Acquired customer relationships are capitalized and amortized over their estimated useful lives and costs to negotiate and renew cable franchise rights are capitalized and amortized over the term of the new franchise agreement.

Indefinite-lived intangible assets consist of cable franchise rights that are acquired in an acquisition of a business. Goodwill is recorded for the excess of the acquisition cost of an acquired entity over the estimated fair value of the identifiable net assets acquired. Cable franchise rights and goodwill are not amortized.

### Fair Value Estimates

#### *Business Combinations*

Upon the acquisition of a business, the fair value of the assets acquired and liabilities assumed must be estimated. This requires judgments regarding the identification of acquired assets and liabilities assumed, some of which may not have been previously recorded by the acquired business, as well as judgments regarding the valuation of all identified acquired assets and assumed liabilities. The assets acquired and liabilities assumed are determined by reviewing the operations, interviewing management and reviewing the financial, contractual and regulatory information of the acquired business. Once the acquired assets and assumed liabilities are identified, the fair values of the assets and liabilities are estimated using a variety of approaches that require significant judgments. For example, intangible assets are typically valued using a discounted cash flow ("DCF") model which requires estimates of the future cash flows that are attributable to the intangible asset. A DCF analysis also requires significant judgments regarding the selection of discount rates that are intended to reflect the risks that are inherent in the projected cash flows, the determination of terminal growth rates, and judgments about the useful life and pattern of use of the underlying intangible asset. As another example, the valuation of acquired property, plant and equipment requires judgments about current market values, replacement costs, the physical and functional obsolescence of the assets and their remaining useful lives. A failure to appropriately assign fair values to acquired assets and assumed liabilities could significantly impact the amount and timing of future depreciation and amortization expense, as well as significantly overstate or understate assets or liabilities. Refer to Note 3 for further details.

***Indefinite-lived Intangible Assets and Goodwill***

At least annually, separate tests are performed to determine if the Sale/Exchange Cable Systems' indefinite-lived intangible assets (primarily cable franchise rights) and goodwill are impaired. In September 2011, the FASB issued authoritative guidance that allows a company the option to use a qualitative approach to test goodwill for impairment and, in July 2012, issued similar guidance related to indefinite-lived intangible assets. Under this updated guidance, a qualitative assessment may be performed to determine if an impairment is more likely than not to have occurred. If an impairment is more likely than not to have occurred, then a quantitative assessment is required, which may or may not result in an impairment charge. The determination of whether an impairment is more likely than not to have occurred requires significant judgment regarding potential changes in valuation inputs. For the Sale/Exchange Cable Systems' annual tests performed as of July 1, 2013 and 2012, a qualitative assessment was performed to determine if an impairment is more likely than not to have occurred and, for the annual test performed as of July 1, 2011, a quantitative assessment was performed. Refer to Note 5 for further details.

***Long-lived Assets***

Long-lived assets (e.g., property, plant and equipment and finite-lived intangible assets) do not require an annual impairment test; instead, long-lived assets are tested for impairment upon the occurrence of a triggering event. Triggering events include the more likely than not disposal of a portion of such assets or the occurrence of an adverse change in the market involving the business employing the related assets. Once a triggering event has occurred, the impairment test is based on whether the intent is to hold the asset for continued use or to hold the asset for sale. If the intent is to hold the asset for continued use, the impairment test first requires a comparison of estimated undiscounted future cash flows generated by the asset group against the carrying value of the asset group. If the carrying value of the asset group exceeds the estimated undiscounted future cash flows, the asset would be deemed to be impaired. The impairment charge would then be measured as the difference between the estimated fair value of the asset and its carrying value. Fair value is generally determined by discounting the future cash flows associated with that asset. If the intent is to hold the asset for sale and certain other criteria are met (e.g., the asset can be disposed of currently, appropriate levels of authority have approved the sale, and there is an active program to locate a buyer), the impairment test involves comparing the asset's carrying value to its estimated fair value. To the extent the carrying value is greater than the asset's estimated fair value, an impairment charge is recognized for the difference. Significant judgments in this area involve determining whether a triggering event has occurred, determining the future cash flows for the assets involved and selecting the appropriate discount rate to be applied in determining estimated fair value.

**Equity-based Compensation**

Certain of the Sale/Exchange Cable Systems' employees participate in TWC's stock incentive plans (the "Stock Incentive Plans"). The underlying equity-based awards relate to shares of TWC's common stock, not to the equity of the Sale/Exchange Cable Systems. TWC is authorized, under the Stock Incentive Plans, to grant restricted stock units and options to purchase shares of TWC's common stock to its employees. The Sale/Exchange Cable Systems recognizes an amount for equity-based compensation equal to the cost recognized by TWC for awards granted directly to the Sale/Exchange Cable Systems' employees. Such costs were insignificant to the combined statement of operations of the Sale/Exchange Cable Systems for all periods presented. In addition, as discussed further in Note 7, allocations of equity-based compensation related to certain members of TWC's executive team and others who provide corporate-related services to the Sale/Exchange Cable Systems are recognized in "corporate charges from TWC and affiliates" in the combined statement of operations.

The cost of employee services received in exchange for an award of equity instruments is measured based on the grant date fair value of the award and is recognized on a straight-line basis over the requisite service period. The Black-Scholes model is used to estimate the grant date fair value of a stock option. Because the option-pricing model requires the use of subjective assumptions, changes in these assumptions can materially affect the fair value of stock options granted. The various inputs used to determine fair value are specific to TWC and are not necessarily representative of what the inputs for the Sale/Exchange Cable Systems would be if such systems had been a stand-alone entity.

**Revenue**

Revenue generated by the Sale/Exchange Cable Systems consists of residential services, business services, advertising and other revenue.

Residential services revenue consists of (i) video revenue, including subscriber fees received from residential customers for various tiers or packages of video programming services, related equipment rental charges, installation charges and fees collected on behalf of local franchising authorities and the Federal Communications Commission, as well as revenue from the sale of premium networks, transactional video-on-demand (e.g., events and movies) and digital video recorder service; (ii) high-speed data revenue, including subscriber fees received from residential customers for high-speed data services and related equipment rental and installation charges; (iii) voice revenue, including subscriber fees received from residential customers for voice services, along with related installation charges, as well as fees collected on behalf of governmental authorities and (iv) other revenue, including revenue from security and home management services and other residential subscriber-related fees.

Business services revenue consists of (i) video revenue, including the same fee categories received from business video subscribers as described above under residential video revenue; (ii) high-speed data revenue, including subscriber fees received from business customers for high-speed data services and related installation charges, as well as amounts generated by the sale of commercial networking and point-to-point transport services, such as Metro Ethernet services; (iii) voice revenue, including subscriber fees received from business customers for voice services, along with related installation charges, as well as fees collected on behalf of governmental authorities; (iv) wholesale transport revenue, including amounts generated by the sale of point-to-point transport services offered to wireless telephone providers (i.e., cell tower backhaul) and other carriers and (v) other revenue, including revenue from enterprise-class, cloud-enabled hosting, managed applications and services and other business subscriber-related fees.

Advertising revenue is generated through the sale of video and online advertising inventory to local, regional and national advertising customers.

Other revenue primarily includes home shopping network-related revenue (including commissions earned on the sale of merchandise and carriage fees).

***Revenue Recognition***

Residential and business services subscriber fees are recorded as revenue in the period during which the service is provided. Residential and business services revenue received from subscribers who purchase bundled services at a discounted rate is allocated to each product in a pro-rata manner based on the individual product’s selling price (generally, the price at which the product is regularly sold on a standalone basis). Revenue recognition for bundled services is discussed further in “Multiple-element Transactions-Sales of Multiple Products or Services” below. Installation revenue obtained from traditional cable service connections is recognized as a component of residential and business services revenue when the connections are completed, as installation revenue recognized is less than the related direct selling costs. Advertising revenue is recognized in the period during which the advertisements are exhibited. Home shopping network-related revenue is recognized as revenue in the period during which the merchandise is sold or the carriage fees are earned.

In the normal course of business, the Sale/Exchange Cable Systems acts as or uses an intermediary or agent in executing transactions with third parties. The accounting issue presented by these arrangements is whether revenue should be reported based on the gross amount billed to the ultimate customer or on the net amount received from the customer after commissions and other payments to third parties. To the extent revenue is recorded on a gross basis, any commissions or other payments to third parties are recorded as expense so that the net amount (gross revenue less expense) is reflected in operating income. Accordingly, the impact on operating income is the same whether the revenue was recorded on a gross or net basis.

As an example, the Sale/Exchange Cable Systems are assessed franchise fees by franchising authorities, which are passed on to the customer. The accounting issue presented by these arrangements is whether the revenue should be reported based on the gross amount billed to the ultimate customer or on the net amount received from the customer after payments to franchising authorities. In instances where the fees are being assessed directly to the Sale/Exchange Cable Systems, amounts paid to the governmental authorities and amounts received from the customers are recorded on a gross basis. That is, amounts paid to the governmental authorities are recorded as operating costs and expenses and amounts received from the customer are recorded as revenue. The amount of such fees recorded on a gross basis related to video and voice services was $165 million in 2013, $161 million in 2012 and $119 million in 2011.

**Operating Costs and Expenses**

TWC secures programming on behalf of the Sale/Exchange Cable Systems. Video programming, high-speed data connectivity and voice network costs are recorded as the services are provided. Video programming costs are recorded based on the contractual agreements with programming vendors, which are generally multi-year agreements that provide for payments to be made to programming vendors at agreed upon rates based on the number of subscribers to which the programming service is provided. If a programming contract expires prior to the parties' entry into a new agreement and the service continues to be distributed, programming costs are estimated during contract negotiations considering the previous contractual rates, inflation and the status of the negotiations. When the programming contract terms are finalized, an adjustment to programming expense is recorded, if necessary, to reflect the terms of the new contract. Estimates are also made in the recognition of programming expense related to other items, such as the accounting for free periods and credits from service interruptions, as well as the allocation of consideration exchanged between the parties in multiple-element transactions. Additionally, judgments are also required when multiple services are purchased from the same programming vendor. In these scenarios, the total consideration provided to the programming vendor is allocated to the various services received based upon their respective estimated fair values. Because multiple services from the same programming vendor may be received over different contractual periods and may have different contractual rates, the allocation of consideration to the individual services may have an impact on the timing of expense recognition. Accounting for consideration exchanged between the parties in multiple-element transactions is discussed further in "Multiple-element Transactions-Contemporaneous Purchases and Sales" below.

Launch fees received from programming vendors are recognized as a reduction of expense on a straight-line basis over the term of the related programming arrangement. Amounts received from programming vendors representing the reimbursement of marketing costs are recognized as a reduction of marketing expense as the marketing services are provided.

Advertising costs are expensed upon the first exhibition of the related advertisements. Marketing expense (including advertising), net of certain reimbursements from programmers, was $166 million in 2013, $161 million in 2012 and $135 million in 2011.

**Multiple-element Transactions**

Multiple-element transactions involve situations where judgment must be exercised in determining the fair value of the different elements in a bundled transaction. As the term is used here, multiple-element transactions can involve (i) contemporaneous purchases and sales (e.g., advertising services are sold to a customer and, at the same time, programming services are purchased) and/or (ii) sales of multiple products and/or services (e.g., video, high-speed data and voice services are sold to a customer).

***Contemporaneous Purchases and Sales***

In the normal course of business, TWC, on behalf of the Sale/Exchange Cable Systems, enters into multiple-element transactions where TWC is simultaneously both a customer and a vendor with the same counterparty. For example, when negotiating the terms of programming purchase contracts with cable networks, the sale of advertising to the same cable network may be negotiated at the same time. Arrangements, although negotiated contemporaneously, may be documented in one or more contracts.

The accounting policy for each transaction negotiated contemporaneously is to record each element of the transaction based on the respective estimated fair values of the products or services purchased and the products or services sold. The judgments made in determining fair value in such transactions impact the amount of revenue, expenses and net income recognized over the respective terms of the transactions, as well as the respective periods in which they are recognized.

In determining the fair value of the respective elements, quoted market prices (where available), historical transactions or comparable cash transactions are considered. The most frequent transactions of this type involve funds received from vendors. Cash consideration received from a vendor is recorded as a reduction in the price of the vendor’s product unless (i) the consideration is for the reimbursement of a specific, incremental, identifiable cost incurred, in which case the cash consideration received would be recorded as a reduction in such cost, or (ii) an identifiable benefit in exchange for the consideration is provided, in which case revenue would be recognized for this element.

With respect to vendor advertising arrangements being negotiated simultaneously with the same cable network, an assessment is performed to assess whether each piece of the arrangement is at fair value. The factors that are considered in determining the individual fair value of the programming vary from arrangement to arrangement and include (i) the existence of a “most-favored-nation” clause or comparable assurances as to fair market value with respect to programming, (ii) a comparison to fees paid under a prior contract and (iii) a comparison to fees paid for similar networks. In determining the fair value of the advertising arrangement, advertising rates paid by other advertisers on the systems of the Sale/Exchange Cable Systems with similar terms are considered.

***Sales of Multiple Products or Services***

If sales contracts are entered into for the sale of multiple products or services, then the standalone selling price for each deliverable in the transaction is evaluated. For example, video, high-speed data and voice services are sold to subscribers in a bundled package at a rate lower than if the subscriber purchases each product on an individual basis. Revenue received from such subscribers is allocated to each product in a pro-rata manner based on the standalone selling price of each of the respective services on an individual basis. As another example, if a subscriber moves from a bundled package containing two services to a bundled package containing three services, the increase in the total revenue received is not attributed to the additional service. Rather, the total revenue received from such subscribers are allocated to each of the three products in a pro-rata manner based on the relative selling price of each of the respective services on an individual basis.

**Income Taxes**

The Sale/Exchange Cable Systems’ results of operations have historically been included in the consolidated U.S. federal income tax returns of TWC and applicable state income tax returns. The income tax amounts reflected in the combined financial statements have been determined as if the Sale/Exchange Cable Systems filed a separate income tax return for both U.S. federal and applicable states (the “separate return method”). The Sale/Exchange Cable Systems’ current income tax liabilities related to these separate income tax returns, including any applicable penalties and interest, are treated as being settled with TWC without payment as of the end of each year, which is included in “net contributions from (distributions to) TWC” in the combined statement of equity.

Income taxes are provided using the asset and liability method. Under this method, income taxes (i.e., deferred income tax assets, deferred income tax liabilities, taxes currently payable/refunds receivable and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any difference between GAAP and tax reporting. Deferred income taxes reflect the tax effect of net operating losses and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, based upon enacted tax laws and expected tax rates that will be in effect when the temporary differences reverse. Valuation allowances are established when management determines that it is more likely than not that some portion or the entire deferred tax asset will not be realized. The financial effect of changes in tax laws or rates is accounted for in the period of enactment.

From time to time, transactions occur in which the tax consequences may be subject to uncertainty. Significant judgment is required in assessing and estimating the tax consequences of these transactions. Income tax returns are prepared and filed based on interpretation of tax laws and regulations. In the normal course of business, income tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax, interest and penalty assessments by these taxing authorities. In determining the Sale/Exchange Cable Systems' income tax provision for financial reporting purposes, a reserve for uncertain income tax positions is established unless it is determined that such positions are more likely than not to be sustained upon examination, based on their technical merits. There is considerable judgment involved in determining whether positions taken on the tax return are more likely than not to be sustained.

Income tax reserve estimates are adjusted periodically because of ongoing examinations by, and settlements with, the various taxing authorities, as well as changes in tax laws, regulations and interpretations. The combined income tax provision of any given year includes adjustments to prior year income tax accruals that are considered appropriate and any related estimated interest. When applicable, interest and penalties are recognized on uncertain income tax positions as part of the income tax provision.

**Legal Contingencies**

The Sale/Exchange Cable Systems are subject to legal, regulatory and other proceedings and claims that arise in the ordinary course of business. An estimated liability is recorded for those proceedings and claims arising in the ordinary course of business when the loss from such proceedings and claims becomes probable and reasonably estimable. Outstanding claims are reviewed with internal and external counsel to assess the probability and the estimates of loss, including the possible range of an estimated loss. The risk of loss is reassessed as new information becomes available and liabilities are adjusted as appropriate. The actual cost of resolving a claim may be substantially different from the amount of the liability recorded. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the combined financial position but could possibly be material to the combined results of operations or cash flows for any one period.

**Subsequent Events**

Subsequent events have been considered through October 29, 2014, the date the combined financial statements were available for issuance, in preparing the combined financial statements and footnotes thereto.

## 3. BUSINESS ACQUISITIONS

### Insight Acquisition

On February 29, 2012, TWC completed its acquisition of Insight Communications Company, Inc. and its subsidiaries (“Insight”) for $1.339 billion in cash, net of cash acquired. At closing, TWC repaid $1.164 billion outstanding under Insight’s senior secured credit facility (including accrued interest), and terminated the facility. Additionally, during 2012, Insight’s $495 million in aggregate principal amount of senior notes due 2018 were redeemed for $579 million in cash (including premiums and accrued interest). All of the Insight cable systems are included in the Sale/Exchange Cable Systems and the financial results for Insight have been included in the Sale/Exchange Cable Systems’ combined financial statements from the date of acquisition. The purchase price allocation is as follows (in millions):

| | | |
|---|---|---|
| Property, plant and equipment (primarily distribution systems) | $ | 857 |
| Intangible assets subject to amortization (primarily customer relationships)[a] | | 477 |
| Intangible assets not subject to amortization (cable franchise rights) | | 1,747 |
| Goodwill | | 624 |
| Other current and noncurrent assets | | 170 |
| Long-term debt | | (1,734) |
| Deferred income tax liabilities, net | | (639) |
| Other current and noncurrent liabilities | | (163) |
| Total purchase price | $ | 1,339 |

(a) The weighted-average amortization period for customer relationships acquired in the Insight acquisition is 6 years.

### NewWave Cable Systems Acquisition

On November 1, 2011, TWC completed its acquisition of certain NewWave Communications (“NewWave”) cable systems in Kentucky and western Tennessee for $259 million in cash. A portion of the NewWave cable systems are included in the Sale/Exchange Cable Systems and the financial results for such systems have been included in the Sale/Exchange Cable Systems’ combined financial statements from the date of acquisition. The purchase price allocation for the NewWave cable systems included in the Sale/Exchange Cable Systems is as follows (in millions):

| | | |
|---|---|---|
| Current assets | $ | 1 |
| Property, plant and equipment (primarily distribution systems) | | 69 |
| Intangible assets subject to amortization (primarily customer relationships)[a] | | 20 |
| Intangible assets not subject to amortization (cable franchise rights) | | 131 |
| Goodwill | | 9 |
| Current liabilities | | (1) |
| Total purchase price | $ | 229 |

(a) The weighted-average amortization period for customer relationships acquired in the acquisition of NewWave cable systems is 6 years.

### Other Acquisitions

Additionally, during 2011, TWC completed its acquisition of certain cable systems in Ohio for $13 million in cash, all of which are included in the Sale/Exchange Cable Systems. The financial results for this acquisition have been included in the Sale/Exchange Cable Systems’ combined financial statements from the date of acquisition.

## 4. ACQUISITION OF REMAINING INTEREST IN ERIE

During the fourth quarter of 2012, TWC acquired the remaining 45.81% noncontrolling interest in Erie Telecommunications, Inc. ("Erie") for $32 million and, as a result, the Sale/Exchange Cable Systems owns 100% of Erie. This acquisition was recorded as an equity transaction and is reflected as a financing activity in the combined statement of cash flows. As a result, the carrying balance of this noncontrolling interest of $5 million was eliminated, and the remaining $27 million, representing the difference between the purchase price and carrying balance, was recorded as a reduction to "TWC investment" in the combined statement of equity.

## 5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and related accumulated amortization as of December 31, 2013 and 2012 consisted of the following (in millions):

| | December 31, 2013 | | | December 31, 2012 | | |
|---|---|---|---|---|---|---|
| | Gross | Accumulated Amortization | Net | Gross | Accumulated Amortization | Net |
| Intangible assets subject to amortization: | | | | | | |
| Customer relationships | $ 497 | $ (154) | $ 343 | $ 497 | $ (71) | $ 426 |
| Cable franchise renewals and access rights | 14 | (6) | 8 | 17 | (11) | 6 |
| Other | - | - | - | 1 | (1) | - |
| Total | $ 511 | $ (160) | $ 351 | $ 515 | $ (83) | $ 432 |
| Intangible assets not subject to amortization: | | | | | | |
| Cable franchise rights | $ 7,271 | $ - | $ 7,271 | $ 7,271 | $ - | $ 7,271 |

The Sale/Exchange Cable Systems recorded amortization expense of $85 million in 2013, $72 million in 2012 and $3 million in 2011. Based on the remaining carrying value of intangible assets subject to amortization as of December 31, 2013, amortization expense is expected to be $85 million in 2014, $84 million in 2015, $84 million in 2016, $83 million in 2017 and $14 million in 2018. These amounts may vary as acquisitions and dispositions occur in the future.

Changes in the carrying value of goodwill from January 1 through December 31 are presented below (in millions):

| | 2013 | 2012 |
|---|---|---|
| Balance at beginning of year | $ 1,178 | $ 554 |
| Acquisition of Insight | - | 624 |
| Balance at end of year[a] | $ 1,178 | $ 1,178 |

[a] There were no accumulated goodwill impairment charges as of December 31, 2013 and 2012.

### Annual Impairment Analysis

As of the July 1, 2013 and 2012 annual testing dates and based on qualitative assessments, it was determined that it was not more likely than not that the Sale/Exchange Cable Systems' cable franchise rights and goodwill were impaired and, therefore, a quantitative assessment was not performed as part of the annual impairment testing. In making that determination, management

identified and analyzed qualitative factors, including factors that would most significantly impact a DCF valuation of the fair values of the cable franchise rights and the fair value of the Sale/Exchange Cable Systems' reporting unit.

As of the July 1, 2011 annual testing date and based on a quantitative assessment, it was determined that the Sale/Exchange Cable Systems' cable franchise rights and goodwill were not impaired. In making that determination for cable franchise rights, management performed a DCF analysis to estimate the fair value of cable franchise rights. In making that determination for goodwill, management performed a two-step process. In performing the first step of the goodwill impairment test and as allowed by authoritative guidance in effect as of the testing date, management carried forward the fair value ascribed to the Sale/Exchange Cable Systems' reporting unit during its previous annual impairment test performed as of July 1, 2010, which was determined using a DCF analysis. The election to carry forward the fair value was based upon management's determination, after reviewing events that had occurred and circumstances that had changed since its previous test, that the likelihood that the carrying amount of the Sale/Exchange Cable Systems' reporting unit exceeded the fair value was remote. Additionally, under the previous test, the fair value of the Sale/Exchange Cable Systems' reporting unit significantly exceeded the carrying value.

## 6. EMPLOYEE BENEFIT PLANS

### Pension Plans

Certain of the Sale/Exchange Cable Systems' employees participate in two qualified defined benefit pension plans (collectively, the "Shared Plans"), which include the Time Warner Cable Pension Plan and the Time Warner Cable Union Pension Plan. The Shared Plans are sponsored by TWC and also include participants of other TWC subsidiaries. In addition, TWC provides a nonqualified defined benefit pension plan for certain Sale/Exchange Cable Systems' employees. The Sale/Exchange Cable Systems account for the Shared Plans as multiemployer benefit plans. Accordingly, the Sale/Exchange Cable Systems do not record an asset or liability to recognize the funded status of the Shared Plans. The combined statement of operations includes pension expense related to the Shared Plans for costs directly attributable to the Sale/Exchange Cable Systems' employees. Such costs totaled $23 million, $22 million and $24 million for the years ended December 31, 2013, 2012 and 2011, respectively. In addition, as discussed further in Note 7, allocations of pension expense related to certain members of TWC's executive team and others who provide corporate-related services to the Sale/Exchange Cable Systems are recognized in "corporate charges from TWC and affiliates" in the combined statement of operations. As of December 31, 2013, the fair value of plan assets, accumulated benefit obligation and funded status of the Shared Plans were $3.124 billion, $2.166 billion and $574 million, respectively, as included in TWC's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 24, 2014.

### Defined Contribution Plan

The Sale/Exchange Cable Systems employees also participate in a defined contribution plan sponsored by TWC (the "TWC Savings Plan"). Employer contributions to the TWC Savings Plan are primarily based on a percentage of the employees' elected contributions and are subject to plan provisions. The Sale/Exchange Cable Systems' costs related to the TWC Savings Plan totaled $9 million, $9 million and $7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

## 7. RELATED PARTY TRANSACTIONS

TWC provides certain management and administrative services to the Sale/Exchange Cable Systems (referred to as "shared support functions") including, but not limited to, accounting and finance, information technology, executive management, legal, human resources, network operations and procurement. The operating costs and expenses associated with these services have been allocated to the Sale/Exchange Cable Systems on the basis of direct usage when identifiable, with the remainder allocated pro rata based on combined revenue, number of subscribers, headcount or other measures of the Sale/Exchange Cable Systems or TWC. The Sale/Exchange Cable Systems recognized allocations for shared support functions of $417 million, $407 million and $347 million for the years ended December 31, 2013, 2012 and 2011, respectively, which are reflected in "corporate charges from TWC and affiliates" in the combined statement of operations.

TWC shares certain network assets that are operated over a national backbone and shared infrastructure, as well as other administrative sites, with the Sale/Exchange Cable Systems. The Sale/Exchange Cable Systems recognized charges for the use of such assets of $105 million, $86 million and $72 million for the years ended December 31, 2013, 2012 and 2011, respectively, which are reflected in "shared asset usage charges from TWC and affiliates" in the combined statement of operations.

Additionally, TWC primarily uses a centralized approach to cash management and financing of its operations with all related activity between the Sale/Exchange Cable Systems and TWC reflected in "TWC investment in the Sale/Exchange Cable Systems" in the combined balance sheet. Such transactions include (a) cash deposits from customer payments and other cash receipts that are transferred to TWC on a regular basis, (b) cash infusions from TWC to fund the Sale/Exchange Cable Systems' operations, capital expenditures or acquisitions and (c) allocation of TWC's shared support functions.

The Sale/Exchange Cable Systems' transactions with certain of TWC's equity-method investees for the years ended December 31, 2013, 2012 and 2011 consisted of the following (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Revenue | $ - | $ - | $ 10 |
| Costs and expenses: | | | |
| Programming and content | $ 30 | $ 27 | $ 18 |
| Other operating | 4 | 5 | 3 |
| Total | $ 34 | $ 32 | $ 21 |

## 8. INCOME TAXES

Taxable income generated by the Sale/Exchange Cable Systems has been included in the consolidated federal income tax returns of TWC and certain of its state income tax returns. Income taxes have been allocated to the Sale/Exchange Cable Systems as if such cable systems' operations were held in a separate corporation that filed separate income tax returns. Management believes the assumptions underlying the allocation of income taxes on a separate return basis are reasonable. However, the amounts allocated for income taxes in the combined financial statements are not necessarily indicative of the actual amount of income taxes that would have been recorded had the Sale/Exchange Cable Systems been held within a separate, stand-alone entity.

The current and deferred income tax provision for the years ended December 31, 2013, 2012 and 2011 consisted of the following (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Federal: | | | |
| Current | $ 254 | $ 253 | $ 198 |
| Deferred | 143 | 113 | 111 |
| State: | | | |
| Current | 34 | 31 | 23 |
| Deferred | 18 | 38 | 7 |
| Total | $ 449 | $ 435 | $ 339 |

The differences between income tax provision expected at the U.S. federal statutory income tax rate of 35% and income tax provision provided for the years ended December 31, 2013, 2012 and 2011 consisted of the following (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Income tax provision at U.S. federal statutory rate | $ 415 | $ 388 | $ 318 |
| State and local taxes, net of federal tax effects | 34 | 45 | 20 |
| Other | - | 2 | 1 |
| Total | $ 449 | $ 435 | $ 339 |

Significant components of deferred income tax liabilities, net, as of December 31, 2013 and 2012 consisted of the following (in millions):

| | December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Cable franchise rights and customer relationships, net | $ (2,273) | $ (2,204) |
| Property, plant and equipment | (850) | (867) |
| Other | (1) | (2) |
| Deferred income tax liabilities | (3,124) | (3,073) |
| Net operating loss carryforwards[a] | 155 | 269 |
| Other | 63 | 59 |
| Deferred income tax assets | 218 | 328 |
| Deferred income tax liabilities, net[b] | $ (2,906) | $ (2,745) |

(a) Net operating loss carryforwards expire in varying amounts through December 2033.
(b) Deferred income tax liabilities, net, includes current deferred income tax assets of $141 million and $159 million as of December 31, 2013 and 2012, respectively.

The Sale/Exchange Cable Systems recognize income tax benefits for those income tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the positions. The reserve for uncertain income tax positions is included in “other liabilities” in the combined balance sheet. The impact of temporary differences and tax attributes are considered when calculating accruals for interest and penalties associated with the reserve for uncertain income tax positions. Accrued interest and penalties were insignificant to the combined balance sheet for all periods presented. In addition, interest and penalties recognized in the income tax provision were insignificant to the combined statement of operations for all periods presented.

In the third quarter of 2014, the Internal Revenue Service (the “IRS”) substantially completed the examination of the 2005 to 2007 income tax returns of TWC, which are periods prior to TWC’s separation from Time Warner Inc. (“Time Warner”), during which TWC was a consolidated subsidiary of Time Warner for tax purposes. In the third quarter of 2014, the IRS also completed the examination of TWC’s 2009 and 2010 income tax returns for periods after TWC’s separation from Time Warner. These examinations will not have a material impact on the combined financial position or results of operations of the Sale/Exchange Cable Systems. In addition, TWC is also subject to ongoing examinations of TWC’s tax returns by state and local tax authorities for various periods. Activity related to these state and local examinations did not have a material impact on the combined financial position or results of operations of the Sale/Exchange Cable Systems in 2013, nor is a material impact anticipated in the future.

## 9. COMMITMENTS AND CONTINGENCIES

### Contractual Obligations

The Sale/Exchange Cable Systems have obligations to make future payments for goods and services under certain contractual arrangements. These contractual obligations secure the future rights to various assets and services to be used in the normal course of the Sale/Exchange Cable Systems' operations. For example, the Sale/Exchange Cable Systems are contractually committed to make certain minimum lease payments for the use of property under operating lease agreements. In accordance with applicable accounting rules, the future rights and obligations pertaining to firm commitments, such as operating lease obligations and certain purchase obligations under contracts, are not reflected as assets or liabilities in the combined balance sheet.

The Sale/Exchange Cable Systems' rent expense, which primarily includes facility rental expense and pole attachment rental fees, totaled $31 million in 2013, $32 million in 2012 and $21 million in 2011. The Sale/Exchange Cable Systems have lease obligations under various operating leases including minimum lease obligations for real estate and operating equipment.

The minimum rental commitments under long-term operating leases during the next five years are $19 million in 2014, $17 million in 2015, $16 million in 2016, $11 million in 2017, $5 million in 2018 and $6 million thereafter.

TWC enters into contracts with cable television networks and broadcast stations to provide programming services to the Sale/Exchange Cable Systems' subscribers. The estimated future programming costs for these contract requirements and commitments, as included in the table below, are based on subscriber numbers and tier placement as of December 31, 2013 applied to the per-subscriber rates contained in such contracts. Actual amounts due under such contracts may differ from the amounts included in the table below based on the actual subscriber numbers and tier placements. These amounts also include programming rights negotiated directly with content owners for distribution on TWC-owned channels or networks.

The following table summarizes aggregate contractual obligations outstanding as of December 31, 2013 under certain programming and content purchase agreements, as discussed above, and various other data processing and fiber-related contractual obligations, as well as the estimated timing and effect that such obligations are expected to have on the Sale/Exchange Cable Systems' liquidity and cash flows in future periods (in millions):

| | |
|---|---|
| 2014 | $ 1,207 |
| 2015 - 2016 | 2,113 |
| 2017 - 2018 | 1,434 |
| Thereafter | 784 |
| Total | $ 5,538 |

### Legal Proceedings

On August 9, 2010, the plaintiffs in *Michelle Downs and Laurie Jarrett, et al. v. Insight Communications Company, L.P.* filed a second amended complaint in a purported class action in the U.S. District Court for the Western District of Kentucky alleging that Insight Communications Company, L.P. violated Section 1 of the Sherman Antitrust Act by tying the sales of premium cable television services to the leasing of set-top converter boxes. The plaintiffs are seeking, among other things, unspecified treble monetary damages and an injunction to cease such alleged practices. On July 19, 2013, TWC filed a motion for summary judgment, which argued that Insight Communications Company, L.P. did not coerce the plaintiffs to lease a set-top converter box, a necessary element of the plaintiffs' claim. On July 29, 2014, the court granted TWC's summary judgment motion and entered judgment in TWC's favor and, on August 26, 2014, the plaintiffs filed a motion for reconsideration. TWC intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

TWC and the Sale/Exchange Cable Systems are subject to other legal proceedings and claims that arise in the ordinary course of business. The final disposition of these claims is not expected to have a material adverse effect on the combined financial condition of the Sale/Exchange Cable Systems, but could possibly be material to its combined results of operations. Further, no assurance can be given that any adverse outcome would not be material to the combined financial position of the Sale/Exchange Cable Systems.

## 10. ADDITIONAL FINANCIAL INFORMATION

### Other Current Liabilities

Other current liabilities as of December 31, 2013 and 2012 consisted of the following (in millions):

| | December 31, | |
|---|---|---|
| | 2013 | 2012 |
| Accrued sales and other taxes | $ 45 | $ 55 |
| Accrued compensation and benefits | 45 | 45 |
| Accrued franchise fees | 29 | 30 |
| Accrued insurance | 22 | 20 |
| Other accrued expenses | 77 | 81 |
| Total other current liabilities | $ 218 | $ 231 |

### Revenue

Revenue for the years ended December 31, 2013, 2012 and 2011 consisted of the following (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Residential services | $ 4,757 | $ 4,607 | $ 3,634 |
| Business services | 525 | 433 | 309 |
| Advertising | 199 | 225 | 147 |
| Other | 22 | 21 | 20 |
| Total revenue | $ 5,503 | $ 5,286 | $ 4,110 |

### Merger-related and Restructuring Costs

Merger-related and restructuring costs for the years ended December 31, 2013, 2012 and 2011 consisted of (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Merger-related costs(a) | $ 10 | $ 53 | $ 5 |
| Restructuring costs(b) | 11 | 7 | 5 |
| Total merger-related and restructuring costs | $ 21 | $ 60 | $ 10 |

(a) Merger-related costs in 2013 were incurred in connection with the Insight acquisition. Merger-related costs in 2012 and 2011 were incurred in connection with the acquisitions of Insight and the NewWave cable systems. As of December 31, 2013, accruals for merger-related costs were $5 million, of which $4 million is classified as a current liability in the combined balance sheet. Amounts are expected to be paid through January 2015.

(b) Restructuring costs primarily related to employee terminations ($10 million in 2013, $7 million in 2012 and $5 million in 2011). As of December 31, 2013, accruals for restructuring costs were $9 million, which is classified as a current liability in the combined balance sheet.

**Supplemental Cash Flow Information**

Additional financial information with respect to cash payments for the years ended December 31, 2013, 2012 and 2011 is as follows (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Cash paid for interest[a] | $ - | $ 13 | $ - |
| Cash paid for income taxes[b] | $ 288 | $ 283 | $ 222 |

(a) Cash paid for interest in 2012 primarily relates to interest accrued on debt assumed in the Insight acquisition.
(b) Cash paid for income taxes represents amounts settled with TWC for income taxes.

Exhibit 99.4

COMBINED FINANCIAL STATEMENTS
(Unaudited)

TWC Cable Systems to be Sold or Exchanged in the
Divestiture Transactions with Charter Communications, Inc.
(A Carve-Out of Time Warner Cable Inc.)
For the Six Months Ended June 30, 2014 and 2013

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC.**
**(A Carve-Out of Time Warner Cable Inc.)**

## INDEX TO COMBINED FINANCIAL STATEMENTS
(Unaudited)


| | Page |
|---|---|
| Combined Financial Statements: | |
| Combined Balance Sheet | 1 |
| Combined Statement of Operations | 2 |
| Combined Statement of Cash Flows | 3 |
| Combined Statement of Equity | 4 |
| Notes to Combined Financial Statements | 5 |

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC. (A Carve-Out of Time Warner Cable Inc.)**

**COMBINED BALANCE SHEET**
(Unaudited)

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| | (in millions) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and equivalents | $ 29 | $ 36 |
| Receivables, less allowances of $38 million and $18 million as of June 30, 2014 and December 31, 2013, respectively | 231 | 239 |
| Deferred income tax assets | 127 | 141 |
| Other current assets | 27 | 20 |
| Total current assets | 414 | 436 |
| Property, plant and equipment, net | 2,895 | 2,941 |
| Intangible assets subject to amortization, net | 312 | 351 |
| Intangible assets not subject to amortization | 7,271 | 7,271 |
| Goodwill | 1,178 | 1,178 |
| Other assets | 12 | 13 |
| Total assets | $ 12,082 | $ 12,190 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 51 | $ 48 |
| Deferred revenue and subscriber-related liabilities | 20 | 19 |
| Accrued programming and content expense | 226 | 210 |
| Other current liabilities | 213 | 218 |
| Total current liabilities | 510 | 495 |
| Deferred income tax liabilities, net | 3,085 | 3,047 |
| Other liabilities | 41 | 44 |
| Commitments and contingencies (Note 4) | | |
| TWC investment in the Sale/Exchange Cable Systems | 8,446 | 8,604 |
| Total liabilities and equity | $ 12,082 | $ 12,190 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC. (A Carve-Out of Time Warner Cable Inc.)**

**COMBINED STATEMENT OF OPERATIONS**
(Unaudited)

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| | (in millions) | |
| Revenue | $ 2,746 | $ 2,768 |
| Costs and expenses: | | |
| Programming and content | 632 | 621 |
| Sales and marketing | 262 | 241 |
| Technical operations | 175 | 178 |
| Customer care | 103 | 99 |
| Other operating | 331 | 351 |
| Depreciation | 309 | 373 |
| Amortization | 42 | 42 |
| Merger-related and restructuring costs | 2 | 13 |
| Corporate charges from TWC and affiliates | 220 | 219 |
| Shared asset usage charges from TWC and affiliates | 63 | 52 |
| Total costs and expenses | 2,139 | 2,189 |
| Operating income | 607 | 579 |
| Income tax provision | (227) | (221) |
| Net income | 380 | 358 |
| Less: Net income attributable to noncontrolling interest | - | - |
| Net income attributable to the Sale/Exchange Cable Systems | $ 380 | $ 358 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC.**
**(A Carve-Out of Time Warner Cable Inc.)**

**COMBINED STATEMENT OF CASH FLOWS**
(Unaudited)

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| | **(in millions)** | |
| **OPERATING ACTIVITIES** | | |
| Net income | $ 380 | $ 358 |
| Adjustments for noncash and nonoperating items: | | |
| Depreciation | 309 | 373 |
| Amortization | 42 | 42 |
| Deferred income taxes | 51 | 51 |
| Equity-based compensation expense | 1 | 1 |
| Changes in operating assets and liabilities: | | |
| Receivables | 7 | (5) |
| Accounts payable and other liabilities | 18 | (34) |
| Other changes | (12) | (3) |
| Cash provided by operating activities | 796 | 783 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (267) | (286) |
| Other investing activities | 3 | (1) |
| Cash used by investing activities | (264) | (287) |
| **FINANCING ACTIVITIES** | | |
| Net distributions to TWC | (539) | (507) |
| Other financing activities | - | 1 |
| Cash used by financing activities | (539) | (506) |
| Decrease in cash and equivalents | (7) | (10) |
| Cash and equivalents at beginning of period | 36 | 49 |
| Cash and equivalents at end of period | $ 29 | $ 39 |

See accompanying notes.

**TWC CABLE SYSTEMS TO BE SOLD OR EXCHANGED IN THE**
**DIVESTITURE TRANSACTIONS WITH CHARTER COMMUNICATIONS, INC.**
**(A Carve-Out of Time Warner Cable Inc.)**

**COMBINED STATEMENT OF EQUITY**
(Unaudited)

| | TWC Investment |
|---|---|
| | (in millions) |
| Balance as of December 31, 2012 | $ 8,941 |
| Net distributions to TWC | (506) |
| Net income | 358 |
| Balance as of June 30, 2013 | $ 8,793 |
| | |
| Balance as of December 31, 2013 | $ 8,604 |
| Net distributions to TWC | (538) |
| Net income | 380 |
| Balance as of June 30, 2014 | $ 8,446 |

See accompanying notes.

## 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

### Description of Business

Time Warner Cable Inc. (together with its subsidiaries, "TWC") is among the largest providers of video, high-speed data and voice services in the U.S., with technologically advanced, well-clustered cable systems located mainly in five geographic areas - New York State, the Carolinas, the Midwest, Southern California and Texas.

On February 12, 2014, TWC entered into an Agreement and Plan of Merger with Comcast Corporation ("Comcast") whereby TWC agreed to merge with and into a 100% owned subsidiary of Comcast (the "Comcast merger"). Upon completion of the Comcast merger, all of the outstanding shares of TWC will be cancelled and each issued and outstanding share will be converted into the right to receive 2.875 shares of Class A common stock of Comcast. TWC and Comcast expect to complete the merger in early 2015, subject to receipt of regulatory approvals, as well as satisfaction of certain other closing conditions.

On April 25, 2014, Comcast entered into a binding agreement with Charter Communications, Inc. ("Charter"), which contemplates three transactions (the "divestiture transactions"): (1) a contribution, spin-off and merger transaction, (2) an asset exchange and (3) a sale of assets. The completion of the divestiture transactions will result in Comcast divesting a net total of approximately 3.9 million video subscribers, a portion of which are currently TWC subscribers (primarily in the Midwest). The divestiture transactions are expected to occur contemporaneously with one another and are conditioned upon and will occur following the closing of the Comcast merger. They are also subject to a number of other conditions. The Comcast merger is not conditioned upon the closing of the divestiture transactions and, accordingly, the Comcast merger can be completed regardless of whether the divestiture transactions are ultimately completed.

In connection with the divestiture transactions, cable systems (primarily in the Midwest) owned and operated by TWC prior to the Comcast merger are expected to be divested by Comcast (collectively, the "Sale/Exchange Cable Systems"). As of June 30, 2014, the Sale/Exchange Cable Systems served approximately 3.0 million video subscribers primarily in Ohio, Kentucky, Wisconsin and Indiana. These financial statements represent the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems.

### Basis of Presentation

The combined financial statements of the Sale/Exchange Cable Systems are presented in accordance with U.S. generally accepted accounting principles ("GAAP"). The Sale/Exchange Cable Systems are an integrated business of TWC and are not a stand-alone entity. The financial information included herein was derived from the consolidated financial statements and accounting records of TWC and may not necessarily reflect the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems in the future or what they would have been had the Sale/Exchange Cable Systems operated as a separate, stand-alone entity during the periods presented. The combined financial statements of the Sale/Exchange Cable Systems include all of the assets, liabilities, revenue, expenses and cash flows of the Sale/Exchange Cable Systems, as well as expense allocations deemed reasonable by management, to present the combined financial position, results of operations and cash flows of the Sale/Exchange Cable Systems on a stand-alone basis. The combined financial statements only include assets and liabilities that are specifically attributable to the Sale/Exchange Cable Systems. Management believes expense allocations are reasonable; however, they may not be indicative of the actual level of expense that would have been incurred by the Sale/Exchange Cable Systems if such systems had operated as a separate, stand-alone entity or of the costs expected to be incurred in the future. Refer to Note 3 for further information related to expense allocation methodologies.

All intercompany accounts and transactions within the Sale/Exchange Cable Systems have been eliminated. All intercompany transactions between the Sale/Exchange Cable Systems and TWC have been included in these combined financial statements and are considered to be effectively settled for cash in the combined financial statements at the time the transaction is recorded. The net effect of the settlement of these intercompany transactions is reflected in "TWC investment in the Sale/Exchange Cable Systems" in the combined balance sheet and in "net distributions to TWC" in the financing activities section of the combined statement of cash flows.

***Use of Estimates***

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and footnotes thereto. Actual results could differ from those estimates. Significant estimates inherent in the preparation of the combined financial statements include accounting for allowances for doubtful accounts, depreciation and amortization, business combinations, income taxes, loss contingencies, certain programming arrangements and allocation of charges for corporate shared support functions and shared asset usage. Certain allocation methodologies used to prepare the combined financial statements are based on estimates and have been described in the notes, where appropriate.

***Interim Financial Statements***

The combined financial statements are unaudited; however, in the opinion of management, they contain all the adjustments (consisting of those of a normal recurring nature) considered necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with GAAP applicable to interim periods. The combined financial statements should be read in conjunction with the audited combined financial statements of the Sale/Exchange Cable Systems for the year ended December 31, 2013.

## 2. PENSION COSTS

Certain of the Sale/Exchange Cable Systems' employees participate in two qualified defined benefit pension plans (collectively, the "Shared Plans"), which include the Time Warner Cable Pension Plan and the Time Warner Cable Union Pension Plan. The Shared Plans are sponsored by TWC and also include participants of other TWC subsidiaries. In addition, TWC provides a nonqualified defined benefit pension plan for certain Sale/Exchange Cable Systems' employees. The Sale/Exchange Cable Systems account for the Shared Plans as multiemployer benefit plans. Accordingly, the Sale/Exchange Cable Systems do not record an asset or liability to recognize the funded status of the Shared Plans. The combined statement of operations includes pension expense related to the Shared Plans for costs directly attributable to the Sale/Exchange Cable Systems' employees. Such costs totaled $5 million and $12 million for the six months ended June 30, 2014 and 2013, respectively. In addition, as discussed further in Note 3, allocations of pension expense related to certain members of TWC's executive team and others who provide corporate-related services to the Sale/Exchange Cable Systems are recognized in "corporate charges from TWC and affiliates" in the combined statement of operations.

## 3. RELATED PARTY TRANSACTIONS

TWC provides certain management and administrative services to the Sale/Exchange Cable Systems (referred to as "shared support functions") including, but not limited to, accounting and finance, information technology, executive management, legal, human resources, network operations and procurement. The operating costs and expenses associated with these services have been allocated to the Sale/Exchange Cable Systems on the basis of direct usage when identifiable, with the remainder allocated pro rata based on combined revenue, number of subscribers, headcount or other measures of the Sale/Exchange Cable Systems or TWC. The Sale/Exchange Cable Systems recognized allocations for shared support functions of $220 million and $219 million for the six months ended June 30, 2014 and 2013, respectively, which are reflected in "corporate charges from TWC and affiliates" in the combined statement of operations.

TWC shares certain network assets that are operated over a national backbone and shared infrastructure, as well as other administrative sites, with the Sale/Exchange Cable Systems. The Sale/Exchange Cable Systems recognized charges for the use of such assets of $63 million and $52 million for the six months ended June 30, 2014 and 2013, respectively, which are reflected in "shared asset usage charges from TWC and affiliates" in the combined statement of operations.

Additionally, TWC primarily uses a centralized approach to cash management and financing of its operations with all related activity between the Sale/Exchange Cable Systems and TWC reflected in "TWC investment in the Sale/Exchange Cable Systems" in the combined balance sheet. Such transactions include (a) cash deposits from customer payments and other cash receipts that are transferred to TWC on a regular basis, (b) cash infusions from TWC to fund the Sale/Exchange Cable Systems' operations, capital expenditures or acquisitions and (c) allocation of TWC's shared support functions.

The Sale/Exchange Cable Systems' transactions with certain of TWC's equity-method investees for the six months ended June 30, 2014 and 2013 consisted of the following (in millions):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| Costs and expenses: | | |
| Programming and content | $ 14 | $ 15 |
| Other operating | 2 | 2 |
| Total | $ 16 | $ 17 |

## 4. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

On August 9, 2010, the plaintiffs in *Michelle Downs and Laurie Jarrett, et al. v. Insight Communications Company, L.P.* filed a second amended complaint in a purported class action in the U.S. District Court for the Western District of Kentucky alleging that Insight Communications Company, L.P. violated Section 1 of the Sherman Antitrust Act by tying the sales of premium cable television services to the leasing of set-top converter boxes. The plaintiffs are seeking, among other things, unspecified treble monetary damages and an injunction to cease such alleged practices. On July 19, 2013, TWC filed a motion for summary judgment, which argued that Insight Communications Company, L.P. did not coerce the plaintiffs to lease a set-top converter box, a necessary element of the plaintiffs' claim. On July 29, 2014, the court granted TWC's summary judgment motion and entered judgment in TWC's favor and, on August 26, 2014, the plaintiffs filed a motion for reconsideration. TWC intends to defend against this lawsuit vigorously, but is unable to predict the outcome of this lawsuit or reasonably estimate a range of possible loss.

TWC and the Sale/Exchange Cable Systems are subject to other legal proceedings and claims that arise in the ordinary course of business. The final disposition of these claims is not expected to have a material adverse effect on the combined financial condition of the Sale/Exchange Cable Systems, but could possibly be material to its combined results of operations. Further, no assurance can be given that any adverse outcome would not be material to the combined financial position of the Sale/Exchange Cable Systems.

## 5. ADDITIONAL FINANCIAL INFORMATION

### Other Current Liabilities

Other current liabilities as of June 30, 2014 and December 31, 2013 consisted of the following (in millions):

| | June 30, 2014 | December 31, 2013 |
|---|---|---|
| Accrued compensation and benefits | $ 46 | $ 45 |
| Accrued sales and other taxes | 37 | 45 |
| Accrued franchise fees | 28 | 29 |
| Accrued insurance | 24 | 22 |
| Other accrued expenses | 78 | 77 |
| Total other current liabilities | $ 213 | $ 218 |

### Revenue

Revenue for the six months ended June 30, 2014 and 2013 consisted of the following (in millions):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Residential services | $ 2,349 | $ 2,411 |
| Business services | 291 | 252 |
| Advertising | 95 | 94 |
| Other | 11 | 11 |
| Total revenue | $ 2,746 | $ 2,768 |

### Merger-related and Restructuring Costs

Merger-related and restructuring costs for the six months ended June 30, 2014 and 2013 consisted of (in millions):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2014 | 2013 |
| Merger-related costs[a] | $ - | $ 7 |
| Restructuring costs[b] | 2 | 6 |
| Total merger-related and restructuring costs | $ 2 | $ 13 |

(a) Merger-related costs for the six months ended June 30, 2013 were incurred in connection with the acquisition of Insight Communications Company, Inc., all of which have been paid as of June 30, 2014.

(b) Restructuring costs primarily related to employee terminations. As of June 30, 2014, accruals for restructuring costs were $5 million, which is classified as a current liability in the combined balance sheet.

**Supplemental Cash Flow Information**

Additional financial information with respect to cash payments for the six months ended June 30, 2014 and 2013 is as follows (in millions):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2014** | **2013** |
| Cash paid for interest | $ - | $ - |
| Cash paid for income taxes[a] | $ 175 | $ 171 |

[a] Cash paid for income taxes represents amounts settled with TWC for income taxes.

## 6. SUBSEQUENT EVENTS

Subsequent events have been considered through October 29, 2014, the date the combined financial statements were available for issuance, in preparing the combined financial statements and footnotes thereto.

Exhibit 99.5

# Comcast Cable Systems to be Contributed to Midwest Cable, Inc.

Combined Financial Statements as of December 31, 2013 and 2012 and
for each of the Three Years in the Period Ended December 31, 2013
(Including Independent Auditors' Report)

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Index to Combined Financial Statements


| | Page |
|---|---|
| Independent Auditors' Report | F-1 |
| Combined Financial Statements: | |
| Combined Balance Sheet | F-2 |
| Combined Statement of Income | F-3 |
| Combined Statement of Cash Flows | F-4 |
| Combined Statement of Changes in Parent Company Net Investment | F-5 |
| Notes to Combined Financial Statements | F-6 |

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Midwest Cable, Inc.

We have audited the accompanying combined financial statements of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. (the "Company"), which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of income, cash flows, and parent company net investment for each of the three years in the period ended December 31, 2013, and the related notes to the combined financial statements.

### Management's Responsibility for the Combined Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Comcast Cable Systems to be Contributed to Midwest Cable, Inc. as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1, the Company is an integrated business of Comcast Corporation and is not a stand-alone entity. The accompanying combined financial statements reflect the assets, liabilities, revenue, and expenses directly attributable to the Company, as well as allocations deemed reasonable by Comcast Corporation management, and do not necessarily reflect the combined financial position, results of operations, and cash flows that would have resulted had the Company been operated as a stand-alone entity during the periods presented.

/s/ Deloitte & Touche LLP
Philadelphia, Pennsylvania
October 24, 2014

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Combined Balance Sheet

| As of December 31 (in millions) | | 2013 | | 2012 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | **$** | **—** | $ | — |
| Receivables (net of allowance for doubtful accounts of $18 and $14, respectively) | | **150** | | 134 |
| Programming receivables | | **14** | | 12 |
| Other current assets | | **9** | | 6 |
| Total current assets | | **173** | | 152 |
| Property and equipment, net | | **1,944** | | 1,945 |
| Franchise rights | | **5,561** | | 5,561 |
| Goodwill | | **1,241** | | 1,241 |
| Other intangible assets, net | | **78** | | 91 |
| Other noncurrent assets | | **2** | | 2 |
| **Total assets** | **$** | **8,999** | $ | 8,992 |
| **Liabilities and Parent Company net investment** | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses related to trade creditors | **$** | **283** | $ | 260 |
| Accrued payroll and employee benefits | | **41** | | 42 |
| Subscriber advance payments | | **18** | | 21 |
| Accrued expenses and other current liabilities | | **37** | | 25 |
| Total current liabilities | | **379** | | 348 |
| Deferred income taxes | | **2,842** | | 2,835 |
| Other noncurrent liabilities | | **54** | | 56 |
| Commitments and contingencies (See Note 8) | | | | |
| Parent Company net investment | | **5,724** | | 5,753 |
| **Total liabilities and Parent Company net investment** | **$** | **8,999** | $ | 8,992 |

See accompanying notes to combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Combined Statement of Income

| Year ended December 31 (in millions) | **2013** | 2012 | **2011** |
|---|---|---|---|
| **Revenue** | **$ 4,470** | $ 4,275 | $ 4,018 |
| Costs and Expenses: | | | |
| Programming | **972** | 888 | 824 |
| Other operating and administrative | **1,452** | 1,392 | 1,339 |
| Advertising, marketing and promotion | **338** | 319 | 281 |
| Shared asset usage charge | **124** | 111 | 97 |
| Depreciation | **512** | 529 | 569 |
| Amortization | **30** | 42 | 48 |
| | **3,428** | 3,281 | 3,158 |
| **Operating income** | **1,042** | 994 | 860 |
| Interest expense | **(1)** | (2) | (1) |
| Income before income taxes | **1,041** | 992 | 859 |
| Income tax expense | **(409)** | (390) | (313) |
| **Net income** | **$ 632** | $ 602 | $ 546 |

See accompanying notes to combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Combined Statement of Cash Flows

| Year ended December 31 (in millions) | | 2013 | | 2012 | | 2011 |
|---|---|---|---|---|---|---|
| **Operating Activities** | | | | | | |
| Net income | **$** | **632** | $ | 602 | $ | 546 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | | **542** | | 571 | | 617 |
| Shared asset usage charge | | **124** | | 111 | | 97 |
| Share-based compensation | | **6** | | 5 | | 5 |
| Deferred income taxes | | **7** | | (53) | | (28) |
| Changes in operating assets and liabilities: | | | | | | |
| Change in receivables, net | | **(16)** | | (16) | | (10) |
| Change in accounts payable and accrued expenses related to trade creditors | | **8** | | — | | — |
| Change in other operating assets and liabilities | | **(1)** | | (2) | | (3) |
| **Net cash provided by operating activities** | | **1,302** | | 1,218 | | 1,224 |
| **Investing Activities** | | | | | | |
| Capital expenditures | | **(466)** | | (411) | | (479) |
| Cash paid for intangible assets | | **(14)** | | (11) | | (17) |
| **Net cash used in investing activities** | | **(480)** | | (422) | | (496) |
| **Financing Activities** | | | | | | |
| Change in Parent Company net investment | | **(822)** | | (796) | | (728) |
| **Net cash used in financing activities** | | **(822)** | | (796) | | (728) |
| Increase (decrease) in cash and cash equivalents | | **—** | | — | | — |
| Cash and cash equivalents, beginning of year | | **—** | | — | | — |
| **Cash and cash equivalents, end of year** | **$** | **—** | $ | — | $ | — |

See accompanying notes to combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Combined Statement of Changes in Parent Company Net Investment

| (in millions) | | Parent Company Net Investment |
|---|---|---|
| Balance, January 1, 2011 | $ | 5,952 |
| Transactions with Parent Company, net | | (665) |
| Net income | | 546 |
| Balance, December 31, 2011 | | 5,833 |
| Transactions with Parent Company, net | | (682) |
| Net income | | 602 |
| Balance, December 31, 2012 | | 5,753 |
| **Transactions with Parent Company, net** | | **(661)** |
| **Net income** | | **632** |
| **Balance, December 31, 2013** | **$** | **5,724** |

See accompanying notes to combined financial statements.

## Comcast Cable Systems to be Contributed to Midwest Cable, Inc.

Notes to Combined Financial Statements

## Note 1: Basis of Presentation

### Background

On April 25, 2014, Comcast Corporation ("Comcast") entered into a transactions agreement with Charter Communications, Inc. ("Charter") to satisfy its undertaking in the merger agreement with Time Warner Cable, Inc. ("TWC") with respect to the divestiture of subscribers. Among other things, the transactions agreement contemplates a spin-off of cable systems serving approximately 2.5 million existing Comcast video subscribers into Midwest Cable, Inc., a newly formed entity and currently a wholly-owned subsidiary of Comcast ("Midwest Cable," "SpinCo," "we," "us," "our"). Midwest Cable, LLC was formed in the state of Delaware as a limited liability company in May 2014 and converted to Midwest Cable, Inc., a Delaware corporation, in September 2014.

Following the closing date of the Comcast/TWC merger, Comcast will distribute all of the shares of our common stock on a pro rata basis to holders of Comcast Class A common stock, Class A Special common stock and Class B common stock ("Comcast common stock") as of the record date (the "spin-off"). Immediately prior to the spin-off, Comcast will contribute to us systems currently owned by Comcast serving approximately 2.5 million video subscribers in the Midwestern and Southeastern United States (the "SpinCo systems"), together with the related subscribers, the assets and liabilities primarily related to the SpinCo systems and certain other assets and liabilities, including certain bank debt and/or term loans, a portion of the proceeds of which will have been distributed to Comcast prior to such contribution. In connection with such contribution and prior to the spin-off, we will issue notes and stock to Comcast. The consummation of the spin-off is subject to a number of closing conditions, including, among others, completion of the Comcast/TWC merger, the receipt of certain regulatory approvals, approval by Charter's stockholders in connection with the SpinCo merger (as described below) and certain conditions relating to the financing for the spin-off.

Following the spin-off, Charter will reorganize such that a new publicly-traded entity, New Charter, will become the parent of Charter. Another newly formed, wholly-owned subsidiary of New Charter will merge with and into us, with us being the surviving entity (the "SpinCo merger"). Upon consummation of the SpinCo merger, we expect to change our legal name to GreatLand Connections Inc. It is intended that the spin-off, together with the related transactions described in the preceding paragraph, will qualify as a tax-free reorganization and a tax-free distribution and that the SpinCo merger will qualify as a tax-free transaction. Following consummation of the SpinCo merger, holders of Comcast common stock (as of the record date) will own approximately 67% of our common stock, New Charter will own the remaining approximately 33% and Comcast will have no remaining interest in us.

We offer a variety of video, high-speed Internet and voice services ("cable services") over our geographically-aligned cable distribution system to residential and commercial customers located in the Midwestern and Southeastern United States. As of December 31, 2013, we served 2.5 million video customers, 2.3 million high-speed Internet customers and 1.2 million voice customers.

### Basis of Presentation

We are currently part of Comcast's Cable Communications ("Comcast Cable") reportable segment, and our assets and liabilities consist of those that Comcast considers to be primarily related to the cable systems that comprise our operations. Comcast may also transfer certain other assets or liabilities in connection with the closing of the transactions that are not primarily related to our operations, which are not reflected in our combined balance sheet. Our operations are conducted by various indirect subsidiaries of Comcast. The accompanying combined financial statements have been derived from Comcast's historical accounting records.

The combined statement of income includes all revenue and expenses directly attributable to our business. Expenses include costs for facilities, functions and services that we use at shared sites and costs for certain functions and services performed by centralized Comcast operations and directly charged to us based on usage. The combined statement of income also includes allocations of costs for administrative functions and services performed on our behalf by other centralized functions within Comcast. These costs were primarily allocated based on the relative proportion of our video customer relationships to total Comcast Cable video customer relationships. All of the allocations and estimates reflected in the combined financial statements are based on assumptions that management believes are reasonable. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if we had been operated as a separate entity. Following the spin-off, we will incur costs to replace Comcast support and to allow us to function as an independent, publicly-

traded company. In particular, we will be required to obtain new programming arrangements, primarily through Charter, as well as through some direct relationships with programmers. See Note 3 for additional information on our allocations.

We present our operations in one reportable business segment, as management has historically evaluated our performance and allocated resources on a combined basis as a part of Comcast Cable.

## Note 2: Accounting Policies

The combined financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), which requires us to select accounting policies, including, in certain cases, industry-specific policies, and make estimates that affect the reported amount of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. Actual results could differ from these estimates. All transactions, accounts and profits between individual cable systems that comprise us have been eliminated.

We believe the judgments and related estimates for the following item are critical in the preparation of the combined financial statements:

- valuation and impairment testing of cable franchise rights (see Note 5)

In addition, the following accounting policies are specific to the industry in which we operate:

- customer installation revenue (see Revenue Recognition below)
- customer installation costs (see Note 4)

Information on other accounting policies or methods related to the combined financial statements is included, where applicable, in their respective footnotes that follow. Below is a discussion of accounting policies and methods used in the combined financial statements that are not presented within other footnotes.

**Revenue Recognition**

We generate revenue primarily from subscriptions to cable services and from the sale of advertising. We recognize revenue from cable services as each service is provided. Customers are typically billed in advance on a monthly basis. We manage credit risk by screening applicants through the use of internal customer information, identification verification tools and credit bureau data. If a customer's account is delinquent, various measures are used to collect outstanding amounts, including termination of the customer's cable services. Since installation revenue obtained from the connection of customers to the cable systems is less than related direct selling costs, we recognize revenue as connections are completed.

As part of Comcast's distribution agreements with cable networks, we generally receive an allocation of scheduled advertising time that is sold to local, regional and national advertisers. We recognize advertising revenue when the advertising is aired. In most cases, the available advertising time is sold by Comcast's sales force. In some cases, Comcast works with representation firms as an extension of its sales force to sell a portion of our allocated advertising time. Comcast also represents the advertising sales efforts of other multichannel video providers in some markets. Since Comcast is acting as the principal in these arrangements, we report the advertising that is sold as revenue and the fees paid to representation firms and multichannel video providers as other operating and administrative expenses.

Revenue earned from other sources is recognized when services are provided or events occur. Under the terms of our cable franchise agreements, we are generally required to pay to the franchising authority an amount based on gross video revenue. The fees are normally passed through to the cable customers, and we classify the fees as a component of revenue with the corresponding costs included in other operating and administrative expenses. The fees recognized in revenue for 2013, 2012 and 2011 were $139 million, $134 million and $125 million, respectively.

**Programming Expenses**

Programming expenses are the fees paid to license the programming that is distributed to video customers. Programming is acquired for distribution to our video customers, generally under multiyear agreements that Comcast has with distributors, with rates typically based on the number of customers that receive the programming, adjusted for channel positioning and the extent of distribution. From time to time, these contracts expire and programming continues to be provided under interim arrangements while the parties negotiate new contractual terms, sometimes with effective dates that affect prior periods. While payments are typically made under the prior contract's terms, the amount of programming expenses recorded during these interim arrangements is based on estimates of the ultimate contractual terms expected to be negotiated. Differences between actual amounts determined upon resolution of negotiations and amounts recorded during these interim arrangements are recorded in the period of resolution.

**Advertising Expenses**

Advertising costs are expensed as incurred.

**Cash and Cash Equivalents**

Comcast uses a centralized approach to cash management and financing of its operations. Our cash is collected by Comcast daily, and Comcast funds our operating and investing activities as needed. Cash transfers to and from Comcast's cash management process are reflected as a component of Parent Company net investment in the combined balance sheet. Accordingly, no cash and cash equivalents are reflected in the combined balance sheet for any of the periods presented.

**Goodwill**

We assess the recoverability of our goodwill annually, or more frequently whenever events or substantive changes in circumstances indicate that the carrying amount of a reporting unit may exceed its fair value. We test goodwill for impairment at the reporting unit level. The assessment of recoverability may first consider qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. A quantitative assessment is performed if the qualitative assessment results in a more-likely-than-not determination or if a qualitative assessment is not performed. The quantitative assessment considers if the carrying amount of a reporting unit exceeds its fair value, in which case an impairment charge is recorded to the extent the carrying amount of the reporting unit's goodwill exceeds its implied fair value. Unless presented separately, the impairment charge is included as a component of amortization expense.

**Asset Retirement Obligations**

Certain of our cable franchise agreements and lease agreements contain provisions requiring us to restore facilities or remove property in the event that the franchise or lease agreement is not renewed. We expect to continually renew our cable franchise agreements and therefore cannot reasonably estimate any liabilities associated with such agreements. A remote possibility exists that franchise agreements could be terminated unexpectedly, which could result in us incurring significant expense in complying with restoration or removal provisions. The disposal obligations related to our properties are not material to the combined financial statements. We do not have any significant liabilities related to asset retirements recorded in the combined financial statements.

**Parent Company Net Investment**

Parent Company net investment in the combined balance sheet represents Comcast's historical investment in our business, our accumulated net earnings after taxes, and the net effect of transactions with and allocations from Comcast. See Note 3 for additional information on our allocations.

**Fair Value of Financial Instruments**

Our financial instruments consist primarily of accounts receivable and accounts payable. The carrying values of accounts receivable and accounts payable approximate their respective fair values.

### Recent Accounting Pronouncements

***Revenue Recognition***

In May 2014, the Financing Accounting Standards Board and the International Accounting Standards Board updated the accounting guidance related to revenue recognition. The updated accounting guidance provides a single, contract-based revenue recognition model to help improve financial reporting by providing clearer guidance on when an entity should recognize revenue, and by reducing the number of standards to which entities have to refer. The updated accounting guidance will be effective for us on January 1, 2017, and early adoption is not permitted. The updated accounting guidance allows for either a full retrospective adoption or modified retrospective adoption. We are currently in the process of determining the impact that the updated accounting guidance will have on the combined financial statements and our method of adoption.

## Note 3: Related Party Transactions

### Shared Asset Usage Charge

We share certain operating and administrative sites with Comcast, such as its national backbone. These shared assets are not included in the combined balance sheet; however, the shared asset usage charge represents the depreciation of these sites that has been allocated to us based on our relative usage of the respective facilities.

### Shared Services and Other Allocated Costs

The combined financial statements include transactions involving shared services (including expenses primarily related to personnel, logistics, advertising and marketing, other overhead functions, IT support, and network communications support) and certain corporate administrative services (including charges for services such as accounting matters, investor relations, tax, treasury and cash management, insurance, legal, and risk management) that were provided to us by Comcast. These allocated costs are included in other operating and administrative expenses and advertising, marketing and promotion costs in the combined statement of income, and are presented in the combined balance sheet as a reduction in Parent Company net investment. These costs were primarily allocated based on the relative proportion of our video customer relationships to those of Comcast Cable and represent management’s reasonable estimate of the costs incurred. However, these amounts are not necessarily representative of the costs required for us to operate as an independent, publicly-traded company.

Amounts recorded in other operating and administrative expenses for these services in 2013, 2012, and 2011 were $176 million, $168 million and $157 million, respectively. Amounts recorded in advertising, marketing and promotion costs for these services in 2013, 2012, and 2011 were $99 million, $92 million and $73 million, respectively.

### Transactions with NBCUniversal and Other Affiliates

We enter into transactions in the ordinary course of our operations, including purchases of programming and purchases and sales of advertising, with NBCUniversal Media, LLC (“NBCUniversal”), a consolidated subsidiary of Comcast, and other affiliates of Comcast. The following tables present transactions with NBCUniversal and its consolidated subsidiaries and other affiliates of Comcast that are included in the combined financial statements.

Combined Balance Sheet

| December 31 (in millions) | 2013 | 2012 |
|---|---|---|
| Receivables, net | **$ 26** | $ 21 |
| Accounts payable and accrued expenses related to trade creditors | **25** | 24 |

Combined Statement of Income

| Year Ended December 31 (in millions) | | 2013 | | 2012 | | 2011 |
|---|---|---|---|---|---|---|
| Revenue | $ | **61** | $ | 86 | $ | 63 |
| Costs and Expenses: | | | | | | |
| Programming | | **137** | | 146 | | 144 |
| Other operating and administrative | | **8** | | 9 | | 6 |
| Advertising, marketing and promotion | | **4** | | 4 | | 2 |

## Note 4: Property and Equipment

| December 31 (in millions) | Weighted-Average Original Useful Life as of December 31, 2013 | | 2013 | | 2012 |
|---|---|---|---|---|---|
| Cable distribution system | 12 years | $ | **3,164** | $ | 3,078 |
| Customer premise equipment | 6 years | | **2,738** | | 2,614 |
| Other equipment | 5 years | | **203** | | 202 |
| Buildings and leasehold improvements | 18 years | | **154** | | 151 |
| Land | N/A | | **16** | | 16 |
| Property and equipment, at cost | | | **6,275** | | 6,061 |
| Less: Accumulated depreciation | | | **(4,331)** | | (4,116) |
| Property and equipment, net | | $ | **1,944** | $ | 1,945 |

Property and equipment are stated at cost. We capitalize improvements that extend asset lives and expense repairs and maintenance costs as incurred. We record depreciation using the straight-line method over the asset's estimated useful life. For assets that are sold or retired, we remove the applicable cost and accumulated depreciation and, unless the gain or loss on disposition is presented separately, we recognize it as a component of depreciation expense.

We capitalize the costs associated with the construction of and improvements to our cable transmission and distribution facilities, costs associated with acquiring and deploying new customer premise equipment, and costs associated with installation of our services in accordance with accounting guidance related to cable television companies. Costs capitalized include all direct labor and materials, as well as various indirect costs. All costs incurred in connection with subsequent disconnects and reconnects are expensed as they are incurred. As a result of Comcast's centralized operations, certain property and equipment, such as cable distribution system infrastructure, has been included in the combined financial statements based on allocations from Comcast using certain proportionate estimates, including plant miles.

We evaluate the recoverability of our property and equipment whenever events or substantive changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is based on the cash flows generated by the underlying asset groups, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows were less than the carrying amount of the asset group, we would recognize an impairment charge to the extent the carrying amount of the asset group exceeded its estimated fair value. Unless presented separately, the impairment charge is included as a component of depreciation expense. We have not recognized any impairment charges for 2013, 2012 and 2011.

## Note 5: Intangible Assets

| December 31 (in millions) | Weighted-Average Original Useful Life as of December 31, 2013 | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | **Gross Carrying Amount** | | **Accumulated Amortization** | | Gross Carrying Amount | | Accumulated Amortization |
| Indefinite-Lived Intangible Assets: | | | | | | | | | |
| Franchise rights | N/A | **$** | **5,561** | | | $ | 5,561 | | |
| Finite-Lived Intangible Assets: | | | | | | | | | |
| Cable franchise renewal costs and contractual operating rights | 10 years | | **197** | **$** | **(124)** | | 201 | $ | (129) |
| Software | 5 years | | **21** | | **(18)** | | 31 | | (25) |
| Customer relationships | 7 years | | **4** | | **(3)** | | 154 | | (142) |
| Other agreements and rights | 10 years | | **4** | | **(3)** | | 5 | | (4) |
| Total | | **$** | **5,787** | **$** | **(148)** | $ | 5,952 | $ | (300) |

### *Indefinite-Lived Intangible Assets*

Indefinite-lived intangible assets consist of our cable franchise rights. Our cable franchise rights represent the values we attributed to agreements with state and local authorities that allow access to homes and businesses in cable service areas acquired in business combinations. We do not amortize our cable franchise rights because we have determined that they meet the definition of indefinite-lived intangible assets since there are no legal, regulatory, contractual, competitive, economic or other factors that limit the period over which these rights will contribute to our cash flows. We reassess this determination periodically or whenever events or substantive changes in circumstances occur. Costs we incur in negotiating and renewing cable franchise agreements are included in other intangible assets and are generally amortized on a straight-line basis over the term of the franchise agreement.

We assess the recoverability of our cable franchise rights annually, or more frequently whenever events or substantive changes in circumstances indicate that the assets might be impaired. The assessment of recoverability may first consider qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. A quantitative assessment is performed if the qualitative assessment results in a more-likely-than-not determination or if a qualitative assessment is not performed. When performing a quantitative assessment, we estimate the fair value of our cable franchise rights primarily based on a discounted cash flow analysis that involves significant judgment. When analyzing the fair values indicated under the discounted cash flow models, we also consider multiples of operating income before depreciation and amortization generated by the underlying assets, current market transactions, and profitability information. If the fair value of our cable franchise rights were less than the carrying amount, we would recognize an impairment charge for the difference between the estimated fair value and the carrying value of the assets. Unless presented separately, the impairment charge is included as a component of amortization expense. We have not recognized any impairment charges for 2013, 2012 and 2011.

### *Finite-Lived Intangible Assets*

**Estimated Amortization Expense of Finite-Lived Intangibles**

| (in millions) | | |
|---|---|---|
| 2014 | $ | 17 |
| 2015 | $ | 14 |
| 2016 | $ | 12 |
| 2017 | $ | 9 |
| 2018 | $ | 8 |

Finite-lived intangible assets are subject to amortization and consist primarily of cable franchise renewal costs and software. Our finite-lived intangible assets are amortized primarily on a straight-line basis over their estimated useful life or the term of the respective agreement.

We capitalize direct development costs associated with internal-use software, including external direct costs of material and services and payroll costs for employees devoting time to these software projects. We also capitalize costs associated with the purchase of software licenses. We include these costs in other intangible assets and amortize them on a straight-line basis over a period not to exceed five years. We expense maintenance and training costs, as well as costs incurred during the preliminary stage of a project, as they are incurred. We capitalize initial operating system software costs and amortize them over the life of the associated hardware.

We evaluate the recoverability of our intangible assets subject to amortization whenever events or substantive changes in circumstances indicate that the carrying amount may not be recoverable. The evaluation is based on the cash flows generated by the underlying asset groups, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows were less than the carrying amount of the asset group, we would recognize an impairment charge to the extent the carrying amount of the asset group exceeded its estimated fair value. Unless presented separately, the impairment charge is included as a component of amortization expense. We have not recognized any impairment charges for 2013, 2012 and 2011.

## Note 6: Employee Compensation and Benefit Plans

**Postretirement Benefit Plans**

Certain of our employees have historically participated in the Comcast Postretirement Healthcare Stipend Program (the “stipend plan”). The stipend plan is an unfunded postretirement plan that provides an annual stipend for reimbursement of healthcare costs to each eligible employee based on years of service. Under the stipend plan, we are not exposed to the increasing costs of healthcare because the benefits are fixed at a predetermined amount.

The expense reflected in the combined statement of income related to our employees’ participation in the stipend plan is actuarially determined using certain Comcast-directed assumptions, including the discount rate. For 2013, 2012 and 2011, we recorded expenses of $3 million each year.

As of December 31, 2013 and 2012, our share of Comcast’s unfunded liability associated with the stipend plan was $27 million and $30 million, respectively.

**Deferred Compensation Plans**

Comcast maintains unfunded, nonqualified deferred compensation plans for certain members of management (each, a “participant”). The amount of compensation deferred by each participant is based on participant elections. Participant accounts are credited with income primarily based on a fixed annual rate. The related expense was not material to the combined statement of income for all periods presented. Participants are eligible to receive distributions of the amounts credited to their account based on elected deferral periods that are consistent with the plans and applicable tax law.

Certain of our employees have historically participated in the deferred compensation plans sponsored by Comcast. As of December 31, 2013 and 2012, our benefit obligation related to these plans was $2 million for both periods.

**Retirement Investment Plans**

Comcast sponsors several 401(k) defined contribution retirement plans that allow eligible employees to contribute a portion of their compensation through payroll deductions in accordance with specified plan guidelines. Comcast makes contributions to the plans that include matching a percentage of the employees’ contributions up to certain limits. Certain of our employees have historically participated in the plans. In 2013, 2012 and 2011, the combined statement of income included amounts charged for the defined contribution retirement plans totaling $15 million, $14 million and $14 million, respectively.

**Share-Based Compensation**

Comcast maintains various programs that allow for the grant of share-based compensation to Comcast’s officers, directors, and certain employees, including some of our employees. Comcast Class A common stock underlies all awards granted under these programs. Accordingly, the amounts presented are not necessarily indicative of our future performance and do not necessarily reflect the results that we would have experienced as an independent, publicly-traded company for the periods presented.

The expense reflected in the combined statement of income related to share-based compensation is based on the estimated fair value of our employees' awards at the date of grant and is recognized over the period in which any related services are provided. Amounts recognized for share-based compensation for 2013, 2012 and 2011 totaled $6 million, $5 million and $5 million, respectively.

## Note 7: Income Taxes

Our operations have historically been included in Comcast's U.S. federal and certain state tax returns. Income taxes as presented are calculated as if we were a separate corporation that filed separate income tax returns. We believe the assumptions underlying the calculation of income taxes on a separate return basis are reasonable. However, income tax expense and liabilities as presented in these combined financial statements do not necessarily reflect the results that we would have reported as an independent, publicly-traded company for the periods presented.

Current income tax expense is offset by a corresponding change in Parent Company net investment on the combined balance sheet.

**Components of Income Tax Expense**

| Year ended December 31 (in millions) | | **2013** | | 2012 | | 2011 |
|---|---|---|---|---|---|---|
| Current expense (benefit): | | | | | | |
| Federal | **$** | **333** | $ | 367 | $ | 268 |
| State | | **69** | | 76 | | 73 |
| | | **402** | | 443 | | 341 |
| Deferred expense (benefit): | | | | | | |
| Federal | | **2** | | (48) | | 22 |
| State | | **5** | | (5) | | (50) |
| | | **7** | | (53) | | (28) |
| Income tax expense | **$** | **409** | $ | 390 | $ | 313 |

Our effective income tax rates in 2013, 2012 and 2011 were 39.3%, 39.3% and 36.4%, respectively. In 2011, we recorded income tax benefits related to certain changes in state tax laws that impacted our effective tax rate by approximately 3%. Our effective tax rate differs from the federal statutory amount primarily due to the impact of state income taxes, net of federal benefits received.

We base our provision for income taxes on our current period income, changes in our deferred income tax assets and liabilities, income tax rates, and tax planning opportunities that would be available to us on a separate company basis in the jurisdictions in which we operate. We recognize deferred tax assets and liabilities when there are temporary differences between the financial reporting basis and tax basis of our assets and liabilities. When a change in the tax rate or tax law has an impact on deferred taxes, we apply the change based on the years in which the temporary differences are expected to reverse. We record the change in the combined financial statements in the period of enactment. As of December 31, 2013 and 2012, we had not recognized any loss carryforward or valuation allowances. The determination of the realization of future loss carryforwards would be dependent on our taxable income or loss, apportionment percentages, and state laws that can change from year to year and impact the amount of such carryforwards. We would recognize a valuation allowance if we were to determine it is more likely than not that some portion, or all, of a deferred tax asset will not be realized.

Our deferred tax assets were not material. We have assessed the nature of the deferred tax assets and have determined that no valuation allowance is necessary. Our net deferred tax liability is primarily attributable to differences between our book and tax basis of property and equipment and intangible assets. As of December 31, 2013 and 2012, our net deferred tax liability for both periods included $2.2 billion related to cable franchise rights that will remain unchanged unless we recognize an impairment or dispose of a cable franchise, and approximately $600 million related to property and equipment.

### Uncertain Tax Positions

We have not recorded any liabilities for uncertain tax positions. We determined that, after completion of the spin-off, Comcast would be considered the primary obligor of substantially all income tax deficiencies attributable to us for periods prior to the spin-off. In the event that, subsequent to the spin-off, an income tax deficiency is asserted against us attributable to a period prior to the spin-off, we would be indemnified under a tax sharing agreement between us and Comcast.

## Note 8: Commitments and Contingencies

### Commitments

The table below summarizes our minimum annual rental commitments for office space and equipment under operating leases.

| As of December 31, 2013 (in millions) | Operating Leases |
|---|---|
| 2014 | $ 9 |
| 2015 | $ 7 |
| 2016 | $ 6 |
| 2017 | $ 5 |
| 2018 | $ 3 |
| Thereafter | $ 9 |

The table below presents our rent expense charged to operations.

| Year ended December 31 (in millions) | **2013** | **2012** | 2011 |
|---|---|---|---|
| Rent expense | **$ 26** | $ 27 | $ 27 |

### Contingencies

In June 2010, the City of Detroit (the "City") initiated an action against us in the U.S. District Court for the Eastern District of Michigan in which the City sought a ruling that certain aspects of the Michigan Uniform Video Services Local Franchise Act were unlawful under the Federal Cable Communications Policy Act of 1984 and the Constitution of the State of Michigan. The City also sought declaratory relief as to our applicable cable franchise obligations and monetary relief for our alleged non-compliance. We appealed the U.S. District Court's ruling on summary judgment in favor of the City to the U.S. Court of Appeals for the Sixth Circuit in July 2013, and in October 2014 we resolved this action through mediation with the City. The effect of the resolution of this action was not material to our combined financial position, results of operations or cash flows.

We are subject to other legal proceedings and claims that arise in the ordinary course of our business. While the amount of ultimate liability with respect to such actions is not expected to materially affect our results of operations, cash flows or financial position, any litigation resulting from any such legal proceedings or claims could be time consuming and injure our reputation.

## Note 9: Supplemental Financial Information

For 2013, 2012 and 2011, our revenue was derived from the following sources:

| (in millions) | 2013 | 2012 | 2011 |
|---|---|---|---|
| Residential: | | | |
| Video | **$ 2,203** | $ 2,137 | $ 2,081 |
| High-speed Internet | **1,125** | 1,052 | 960 |
| Voice | **380** | 387 | 385 |
| Commercial services | **320** | 253 | 195 |
| Advertising | **237** | 257 | 226 |
| Other | **205** | 189 | 171 |
| Total | **$ 4,470** | $ 4,275 | $ 4,018 |

**Subsequent Events**

We have evaluated all subsequent event activity through October 24, 2014, which is the issue date of these combined financial statements, and concluded that no additional subsequent events have occurred that would require recognition in the combined financial statements or disclosure in the notes to the combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Condensed Combined Financial Statements as of June 30, 2014 and
for the Six Months Ended June 30, 2014 and 2013
(Unaudited)

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**
Index to Condensed Combined Financial Statements
(Unaudited)


| | Page |
|---|---|
| Condensed Combined Financial Statements: | |
| Condensed Combined Balance Sheet | F-1 |
| Condensed Combined Statement of Income | F-2 |
| Condensed Combined Statement of Cash Flows | F-3 |
| Condensed Combined Statement of Changes in Parent Company Net Investment | F-4 |
| Notes to Condensed Combined Financial Statements | F-5 |

## Comcast Cable Systems to be Contributed to Midwest Cable, Inc.

## Condensed Combined Balance Sheet
## (Unaudited)

| (in millions) | | June 30, 2014 | | December 31, 2013 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | $ | — | $ | — |
| Receivables, net | | 148 | | 150 |
| Programming receivables | | 9 | | 14 |
| Other current assets | | 11 | | 9 |
| Total current assets | | 168 | | 173 |
| Property and equipment, net | | 1,926 | | 1,944 |
| Franchise rights | | 5,561 | | 5,561 |
| Goodwill | | 1,241 | | 1,241 |
| Other intangible assets, net | | 75 | | 78 |
| Other noncurrent assets | | 2 | | 2 |
| **Total assets** | $ | 8,973 | $ | 8,999 |
| **Liabilities and Parent Company net investment** | | | | |
| Current Liabilities: | | | | |
| Accounts payable and accrued expenses related to trade creditors | $ | 272 | $ | 283 |
| Accrued payroll and employee benefits | | 45 | | 41 |
| Subscriber advance payments | | 18 | | 18 |
| Accrued expenses and other current liabilities | | 44 | | 37 |
| Total current liabilities | | 379 | | 379 |
| Deferred income taxes | | 2,836 | | 2,842 |
| Other noncurrent liabilities | | 57 | | 54 |
| Commitments and contingencies (See Note 4) | | | | |
| Parent Company net investment | | 5,701 | | 5,724 |
| **Total liabilities and Parent Company net investment** | $ | 8,973 | $ | 8,999 |

See accompanying notes to condensed combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Condensed Combined Statement of Income
(Unaudited)

| Six months ended June 30 (in millions) | | **2014** | | 2013 |
|---|---|---|---|---|
| **Revenue** | **$** | **2,299** | $ | 2,224 |
| Costs and Expenses: | | | | |
| Programming | | **517** | | 483 |
| Other operating and administrative | | **733** | | 711 |
| Advertising, marketing and promotion | | **169** | | 165 |
| Share asset usage charge | | **63** | | 62 |
| Depreciation | | **258** | | 260 |
| Amortization | | **10** | | 20 |
| | | **1,750** | | 1,701 |
| Income before income taxes | | **549** | | 523 |
| Income tax expense | | **(215)** | | (205) |
| **Net income** | **$** | **334** | **$** | **318** |

See accompanying notes to condensed combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Condensed Combined Statement of Cash Flows
(Unaudited)

| Six months ended June 30 (in millions) | 2014 | 2013 |
|---|---|---|
| **Operating Activities** | | |
| Net income | **$ 334** | $ 318 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | **268** | 280 |
| Shared asset usage charge | **63** | 62 |
| Share-based compensation | **3** | 3 |
| Deferred income taxes | **(6)** | 3 |
| Changes in operating assets and liabilities: | | |
| Change in receivables, net | **2** | (5) |
| Change in accounts payable and accrued expenses related to trade creditors | **(21)** | 19 |
| Change in other operating assets and liabilities | **18** | 8 |
| **Net cash provided by operating activities** | **661** | 688 |
| **Investing Activities** | | |
| Capital expenditures | **(221)** | (204) |
| Cash paid for intangible assets | **(7)** | (6) |
| **Net cash used in investing activities** | **(228)** | (210) |
| **Financing Activities** | | |
| Change in Parent Company net investment | **(433)** | (478) |
| **Net cash used in financing activities** | **(433)** | (478) |
| Increase (decrease) in cash and cash equivalents | **—** | — |
| Cash and cash equivalents, beginning of period | **—** | — |
| **Cash and cash equivalents, end of period** | **$ —** | $ — |

See accompanying notes to condensed combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**

Condensed Combined Statement of Changes in Parent Company Net Investment
(Unaudited)

| (in millions) | | Parent Company Net Investment |
|---|---|---|
| Balance, January 1, 2013 | $ | 5,753 |
| Transactions with Parent Company, net | | (409) |
| Net income | | 318 |
| Balance, June 30, 2013 | $ | 5,662 |
| Balance, January 1, 2014 | $ | 5,724 |
| **Transactions with Parent Company, net** | | **(357)** |
| **Net income** | | **334** |
| **Balance, June 30, 2014** | **$** | **5,701** |

See accompanying notes to condensed combined financial statements.

**Comcast Cable Systems to be Contributed to Midwest Cable, Inc.**
Notes to Condensed Combined Financial Statements
(Unaudited)

## Note 1: Basis of Presentation

---

**Background**

On April 25, 2014, Comcast Corporation ("Comcast") entered into a transactions agreement with Charter Communications, Inc. ("Charter") to satisfy its undertaking in the merger agreement with Time Warner Cable, Inc. ("TWC") with respect to the divestiture of subscribers. Among other things, the transactions agreement contemplates a spin-off of cable systems serving approximately 2.5 million existing Comcast video subscribers into Midwest Cable, Inc., a newly formed entity and currently a wholly-owned subsidiary of Comcast ("Midwest Cable," "SpinCo," "we," "us," "our"). Midwest Cable, LLC was formed in the state of Delaware as a limited liability company in May 2014 and converted to Midwest Cable, Inc., a Delaware corporation, in September 2014.

Following the closing date of the Comcast/TWC merger, Comcast will distribute all of the shares of our common stock on a pro rata basis to holders of Comcast Class A common stock, Class A Special common stock and Class B common stock ("Comcast common stock") as of the record date (the "spin-off"). Immediately prior to the spin-off, Comcast will contribute to us systems currently owned by Comcast serving approximately 2.5 million video subscribers in the Midwestern and Southeastern United States (the "SpinCo systems"), together with the related subscribers, the assets and liabilities primarily related to the SpinCo systems and certain other assets and liabilities, including certain bank debt and/or term loans, a portion of the proceeds of which will have been distributed to Comcast prior to such contribution. In connection with such contribution and prior to the spin-off, we will issue notes and stock to Comcast. The consummation of the spin-off is subject to a number of closing conditions, including, among others, completion of the Comcast/TWC merger, the receipt of certain regulatory approvals, approval by Charter's stockholders in connection with the SpinCo merger (as described below) and certain conditions relating to the financing for the spin-off.

Following the spin-off, Charter will reorganize such that a new publicly-traded entity, New Charter, will become the parent of Charter. Another newly formed, wholly-owned subsidiary of New Charter will merge with and into us, with us being the surviving entity (the "SpinCo merger"). Upon consummation of the SpinCo merger, we expect to change our legal name to GreatLand Connections Inc. It is intended that the spin-off, together with the related transactions described in the preceding paragraph, will qualify as a tax-free reorganization and a tax-free distribution and that the SpinCo merger will qualify as a tax-free transaction. Following consummation of the SpinCo merger, holders of Comcast common stock (as of the record date) will own approximately 67% of our common stock, New Charter will own the remaining approximately 33% and Comcast will have no remaining interest in us.

We offer a variety of video, high-speed Internet and voice services ("cable services") over our geographically-aligned cable distribution system to residential and commercial customers located in the Midwestern and Southeastern United States. As of June 30, 2014, we served 2.5 million video customers, 2.3 million high-speed Internet customers and 1.2 million voice customers.

**Basis of Presentation**

We are currently part of Comcast's Cable Communications ("Comcast Cable") reportable segment, and our assets and liabilities consist of those that Comcast considers to be primarily related to the cable systems that comprise our operations. Comcast may also transfer certain other assets or liabilities in connection with the closing of the transactions that are not primarily related to our operations, which are not reflected in our condensed combined balance sheet. Our operations are conducted by various indirect subsidiaries of Comcast. The accompanying condensed combined financial statements have been derived from Comcast's historical accounting records.

The condensed combined statement of income includes all revenue and expenses directly attributable to our business. Expenses include costs for facilities, functions and services that we use at shared sites and costs for certain functions and services performed by centralized Comcast operations and directly charged to us based on usage. The condensed combined statement of income also includes allocations of costs for administrative functions and services performed on our behalf by other centralized functions within Comcast. These costs were primarily allocated based on the relative proportion of our video customer relationships to total Comcast Cable video customer relationships. All of the allocations and estimates reflected in the condensed combined financial statements are based on assumptions that management believes are reasonable. However, these allocations and estimates are not necessarily indicative of the costs and expenses that would have resulted if we had been operated as a separate entity. Following the spin-off, we will incur costs to replace Comcast support and to allow us to function

as an independent, publicly-traded company. In particular, we will be required to obtain new programming arrangements, primarily through Charter, as well as through some direct relationships with programmers. See Note 3 for additional information on our allocations.

We present our operations in one reportable business segment, as management has historically evaluated our performance and allocated resources on a combined basis as a part of Comcast Cable.

We have prepared the condensed combined financial statements based on Securities and Exchange Commission rules that permit reduced disclosure for interim periods. These financial statements include all adjustments that are necessary for a fair presentation of the combined results of operations, financial condition and cash flows for the periods shown, including normal, recurring accruals and other items. The combined results of operations for the interim periods presented are not necessarily indicative of results for the full year.

The year-end condensed combined balance sheet was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles in the United States of America ("GAAP"). For a more complete discussion of our accounting policies and certain other information, refer to our audited combined financial statements included elsewhere in this prospectus.

## Note 2: Recent Accounting Pronouncements

**Revenue Recognition**

In May 2014, the Financial Accounting Standards Board and the International Accounting Standards Board updated the accounting guidance related to revenue recognition. The updated accounting guidance provides a single, contract-based revenue recognition model to help improve financial reporting by providing clearer guidance on when an entity should recognize revenue, and by reducing the number of standards to which entities have to refer. The updated accounting guidance will be effective for us on January 1, 2017, and early adoption is not permitted. The updated accounting guidance allows for either a full retrospective adoption or modified retrospective adoption. We are currently in the process of determining the impact that the updated accounting guidance will have on the combined financial statements and our method of adoption.

## Note 3: Related Party Transactions

**Shared Asset Usage Charge**

We share certain operating and administrative sites with Comcast, such as its national backbone. These shared assets are not included in the condensed combined balance sheet; however, the shared asset usage charge represents the depreciation of these sites that has been allocated to us based on our relative usage of the respective facilities.

**Shared Services and Other Allocated Costs**

The condensed combined financial statements include transactions involving shared services (including expenses primarily related to personnel, logistics, advertising and marketing, other overhead functions, IT support, and network communications support) and certain corporate administrative services (including charges for services such as accounting matters, investor relations, tax, treasury and cash management, insurance, legal, and risk management) that were provided to us by Comcast. These allocated costs are included in other operating and administrative expenses and advertising, marketing and promotion costs in the condensed combined statement of income, and are presented in the condensed combined balance sheet as a reduction in Parent Company net investment. These costs were primarily allocated based on the relative proportion of our video customer relationships to total Comcast Cable and represent management's reasonable estimate of the costs incurred. However, these amounts are not necessarily representative of the costs required for us to operate as an independent, publicly-traded company.

Amounts recorded in other operating and administrative expenses for these services during the six months ended June 30, 2014 and 2013 were $102 million and $84 million, respectively. Amounts recorded in advertising, marketing and promotion costs for these services during the six months ended June 30, 2014 and 2013 were $53 million and $47 million, respectively.

**Transactions with NBCUniversal and Other Affiliates**

We enter into transactions in the ordinary course of our operations, including purchases of programming and purchases and sales of advertising, with NBCUniversal Media, LLC ("NBCUniversal"), a consolidated subsidiary of Comcast, and other affiliates of Comcast. The following tables present transactions with NBCUniversal and its consolidated subsidiaries and other affiliates of Comcast that are included in the condensed combined financial statements.

Condensed Combined Balance Sheet

| (in millions) | **June 30, 2014** | December 31, 2013 |
|---|---|---|
| Receivables, net | **$ 27** | $ 26 |
| Accounts payable and accrued expenses related to trade creditors | **21** | 25 |

Condensed Combined Statement of Income

| Six months ended June 30 (in millions) | **2014** | 2013 |
|---|---|---|
| Revenue | **$ 35** | $ 30 |
| Costs and Expenses: | | |
| Programming | **65** | 70 |
| Other operating and administrative | **4** | 3 |
| Advertising, marketing and promotion | **3** | 2 |

## Note 4: Commitments and Contingencies

**Contingencies**

In June 2010, the City of Detroit (the "City") initiated an action against us in the U.S. District Court for the Eastern District of Michigan in which the City sought a ruling that certain aspects of the Michigan Uniform Video Services Local Franchise Act were unlawful under the Federal Cable Communications Policy Act of 1984 and the Constitution of the State of Michigan. The City also sought declaratory relief as to our applicable cable franchise obligations and monetary relief for our alleged non-compliance. We appealed the U.S. District Court's ruling on summary judgment in favor of the City to the U.S. Court of Appeals for the Sixth Circuit in July 2013, and in October 2014 we resolved this action through mediation with the City. The effect of the resolution of this action was not material to our combined financial position, results of operations or cash flows.

We are subject to other legal proceedings and claims that arise in the ordinary course of our business. While the amount of ultimate liability with respect to such actions is not expected to materially affect our results of operations, cash flows or financial position, any litigation resulting from any such legal proceedings or claims could be time consuming and injure our reputation.

## Note 5: Subsequent Events

We have evaluated all subsequent event activity through October 24, 2014, which is the issue date of these condensed combined financial statements, and concluded that no additional subsequent events have occurred that would require recognition in the condensed combined financial statements or disclosure in the notes to the condensed combined financial statements.