ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

CEQUEL COMMUNICATIONS HOLDINGS I, LLC

1111 Stewart Avenue

Bethpage, New York

(516) 803-2300

Pursuant to:

(i) Section 4.12(a) of the indenture, dated as of October 25, 2012 (the “2020 Indenture”), by and among Cequel Communications Holdings I, LLC (“Cequel”) (as successor by merger to Cequel Communications Escrow I, LLC), Cequel Capital Corporation (“Cequel Capital” and, together with Cequel, the “Original Issuers”) (as successor by merger to Cequel Communications Escrow Capital Corporation), and U.S. Bank National Association, as trustee (the “Trustee”), relating to the 6.375% Senior Notes due 2020 (the “2020 Notes”),

(ii) Section 4.12(a) of the indenture, dated as of May 16, 2013 (the “2021 Indenture”), by and among Cequel, Cequel Capital, and the Trustee, relating to the 5.125% Senior Notes due 2021 (the “Initial 2021 Notes”),

(iii) Section 4.12(a) of the indenture, dated as of September 9, 2014 (the “2021 Mirror Indenture” and, together with the 2021 Indenture, the “2021 Indentures”), by and among Cequel, Cequel Capital, and the Trustee, relating to the Original Issuers’ 5.125% Senior Notes due 2021 (the “2021 Mirror Notes” and, together with the Initial 2021 Notes, the “2021 Notes”),

(iv) Section 4.10(a) of the indenture, dated as of June 12, 2015 (the "2023 Senior Secured Indenture"), by and among Altice US Finance I Corporation (the "Altice US Finance I") and Deutsche Bank Trust Company Americas, as trustee (the "New Trustee"), relating to the 5.375% Senior Secured Notes due 2023 (the "2023 Senior Secured Notes"),

(v) Section 4.10(a) of the indenture, dated as of June 12, 2015 (the "2025 Indenture"), by and among by and among Cequel (as successor by merger to Altice US Finance II Corporation) and the New Trustee, relating to the 7.75% Senior Notes due 2025 (the "2025 Senior Notes"), and

(vi) Section 4.10(a) of the indenture, dated as of April 26, 2016 (the "2026 Senior Secured Indenture" and, together with the 2020 Indenture, the 2021 Indentures, the 2023 Senior Secured Indenture, and 2025 Indenture, the "Indentures"), by and among Altice US Finance I and the New Trustee, relating to Altice US Finance I's 5.50% Senior Secured Notes due 2026 (the "2026 Senior Secured Notes" and, together with the 2020 Notes, the 2021 Notes, the 2023 Senior Secured Notes, and the 2025 Senior Notes, the "Notes"),

Cequel is furnishing the information contained herein to holders of the Notes.

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* The information required to be disclosed under Part III will be provided not later than 120 days after the close of the Company’s fiscal year.

PART I

As used in this Annual Report, the term "Cequel" refers to Cequel Communications Holdings I, LLC, a Delaware limited liability company organized in 2006; the term "Issuers" refers to Cequel and its wholly-owned subsidiaries, Cequel Capital Corporation and Altice US Finance 1 Corporation; the term "Cequel Holdings" refers to Cequel's parent company Cequel Communications Holdings, LLC, a Delaware limited liability company; the term "Cequel Corporation" refers to Cequel Holdings' parent company, Cequel Corporation, a Delaware corporation; the term "Suddenlink" refers to Cequel's wholly-owned indirect subsidiary, Cequel Communications, LLC, a Delaware limited liability company, doing business as Suddenlink Communications; the term "our former manager" refers to Cequel III, LLC, which provided certain management services to us pursuant to a management agreement prior to the Altice Acquisition (as defined herein); and unless otherwise indicated or the context otherwise requires, the terms the "Company," "we," "us," "our" or other similar terms refer to Cequel and its consolidated subsidiaries.

ITEM 1. BUSINESS

Introduction

We are a large cable system operator in the United States, making our services available over our advanced hybrid-fiber coaxial network to approximately 3.3 million homes in the United States as of December 31, 2016. We support the information, communication and entertainment demands of approximately 1.6 million customers as of December 31, 2016. Our customer base is clustered geographically with approximately 96% of our customers located in the ten states of Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, California, Missouri and Ohio, and 91% of our customers located within our top 20 primary systems.

We believe we are currently the leading integrated video communications provider in our coverage areas, serving approximately 1.0 million residential basic video customers as of December 31, 2016. Our video services include traditional basic and digital video service and, in most areas, advanced digital video services such as video on demand ("VOD"), high definition television ("HDTV") and both TiVo and traditional digital video recorders ("DVRs"). As of December 31, 2016, approximately 0.9 million of our basic video customers were also digital video customers and we had approximately 1.3 million residential high-speed Internet customers and approximately 0.6 million residential telephone customers. In addition to residential consumer subscription services, we provide communications services to commercial customers, sell advertising time on our systems and, in many markets, provide residential home automation and security services.

We have grown both organically and through acquisitions that either expanded our existing clusters or were large enough to form a new cluster of systems. We connected many of the acquired systems to our national backbone, which allows us to leverage our scale to efficiently deploy services to our customers.

The Altice Acquisition

On December 21, 2015, Altice N.V., a public company with limited liability (*naamloze vennootshcap*) under Dutch law ("Altice"), as successor in interest to Altice S.A., and certain other direct or indirect wholly-owned subsidiaries of Altice (the "Purchasers"), acquired approximately 70% of the total outstanding equity interests in Cequel Corporation (the "Altice Acquisition") from the direct and indirect stockholders of Cequel Corporation (the "Sellers"). Prior to the date thereof, Cequel Corporation was directly or indirectly owned by investment funds advised by BC Partners Limited ("BCP"), CPPIB-Suddenlink LP, a wholly owned subsidiary of Canada Pension Plan Investment Board ("CPPIB" and together with BCP, the "Sponsors"), and IW4MK Carry Partnership LP (the "Management Holder" and together with the Sponsors, the "Stockholders"). The consideration for the acquired equity interests was based on a total equity valuation for 100% of the capital and voting rights of Cequel Corporation of $4.1 billion (less $158 million cash reimbursed), which includes $3.0 billion of cash consideration (less $158 million cash reimbursed), $675.6 million of retained equity held by the Sponsors and $500 million funded by the issuance by an affiliate of Altice of a senior vendor note that was subscribed by the Sponsors. Following the closing of the Altice Acquisition, the Sponsors retained equity interests in Cequel Corporation represented, in the aggregate, 30% of Cequel Corporation's outstanding capital stock on a post-closing basis. In addition, the carry interest plans of the Stockholders were cashed out based on an agreement between the Sponsors and the Management Holder whereby payments were made to participants in such carry interest plans, including certain officers and directors of Cequel Communications Holdings I, LLC and Cequel Corporation.

In connection with the Altice Acquisition, certain Altice wholly-owned subsidiaries were transferred to Cequel Communications Holdings I, LLC. The carrying value of the net liabilities assumed and accumulated deficit was reported in the consolidated financial statements in the amount of approximately $28 million.

In June 2016, Cequel Corporation was contributed to Neptune Holding US Corporation, which is also the parent company of Cablevision Systems Corporation.

See Note 3 of the accompanying consolidated financial statements for additional information related to the Altice Acquisition.

Products and Services

Overview

We sell video, high-speed Internet and telephone services over our broadband network. Our video services include traditional cable video services and, for 93% of the homes located in the areas we serve, advanced digital video services, such as DVR, HDTV, VOD and pay-per-view. Our high-speed Internet services are provided with downstream speeds up to 1 gigabit per second ("Gbps"), and our telephone services are provided using voice over Internet protocol (“VoIP”) technology. Our video, high-speed Internet and telephone services are offered to residential and commercial customers on a monthly subscription basis. The prices we charge for our services vary based on the level of service or the number of services the customer chooses, the equipment taken and the geographic market. We offer reduced-price service for promotional periods in order to attract new customers, though there is no assurance that these customers will remain as subscribers when the promotional period expires. In addition to selling our services separately, we offer bundled services for a single price to both our residential and commercial customers and, increasingly, these customers subscribe to two or three of our services. Customers who subscribe to a bundle generally receive a discount from the price of buying each of these services separately, as well as the convenience of receiving multiple services from a single provider via a single connection, all on a single monthly bill.

We also sell advertising inventory to a variety of local, regional and national customers, offer residential home automation and security services to 44% of the homes in our market, and offer a variety of other services to commercial and carrier customers, such as cell tower backhaul, last mile Ethernet, Primary Rate Interface (“PRI”) and regional transport services.

Operation GigaSpeed

Starting in the second half of 2014 and extending through 2018, we are enhancing our Internet speeds in markets serving over 94% of our high-speed Internet customers to ultimately position our network to offer speeds of up to 1 Gbps in markets serving nearly 72% of our high-speed Internet customers. Internally known as "Operation GigaSpeed," this initiative includes expenditures to upgrade data network headend equipment, replace any remaining deployed Data over Cable Service Interface Specification (“DOCSIS”) 2.0 customer premises equipment with DOCSIS 3.0 equipment, and complete our all-digital video conversion. We expect to complete these enhancements in a phased, market-by-market approach, focusing first on our largest and most competitive markets. Once fully phased in, the plan calls for our flagship Internet speed to increase from 15 to 200 Mbps and our top Internet speed to increase from over 100 Mbps to 1 Gbps in a vast majority of our markets. We completed the initial phases of Operation GigaSpeed in 112 markets, which serve approximately 90% of our residential high-speed Internet customers. Those investments allowed us to increase the flagship Internet speed from 15 Mbps to 50 Mbps and to increase our top Internet speed to up to 150 Mbps in those markets, with top speeds in 28 markets increasing to 1 Gbps, which serve approximately 60% of our residential high-speed Internet customers. For the year ended December 31, 2016, we incurred approximately $31.5 million of capital expenditures related to Operation GigaSpeed. Since the inception of Operation GigaSpeed, we have incurred $148 million of capital expenditures related to this initiative. In November 2016, we announced we would build a fiber-to-the-home network capable of delivering speeds of up to 10Gbps across most of our footprint by the end of 2021.

Service Areas

As of December 31, 2016, we served approximately 1.5 million residential customers across our markets, with approximately 91% of our customers residing within our top 20 primary systems. Each primary system is designed to deliver services such as high-speed Internet, HDTV, VOD, telephone and other advanced services to a concentrated group of customers from a central delivery point, which we refer to as a master headend. We made our services available over our advanced hybrid-fiber coaxial network to approximately 3.3 million homes in the United States as of December 31, 2016.

Our business strategy has been to serve small and mid-sized cities that are not part of major metropolitan areas, and are the commercial, retail, educational and medical hubs for the surrounding communities. We believe we are the leading provider of bundled video, high-speed Internet and telephone service in the areas we serve.

The following table sets forth certain customer metrics. Our methodology of calculating these metrics may not be identical to those used by other companies offering similar services.

	December 31,			Net Increase (Decrease)	
	2016 (a)	2015	2014	2016	2015
	(in thousands, except per customer amounts)				
Total customer relationships (b)	1,611	1,565	1,517	46	48
Residential	1,505	1,467	1,427	38	40
Commercial	106	98	90	8	8
Residential customers:					
Video (c)	1,041	1,093	1,138	(52)	(45)
Digital video (d)	877	880	872	(3)	8
High-speed Internet (e)	1,288	1,223	1,149	65	74
Voice (f)	592	577	548	15	29
Percentage of residential triple product customers to total residential customer relationships (g)	28.0%	28.0%	27.8%	—%	0.2%
Residential homes passed:					
Video	3,254	3,210	3,159	44	51
High-speed Internet	3,150	3,129	3,082	21	47
Voice	2,737	2,709	2,645	28	64
Average monthly revenue per residential customer (h)	$ 117.00	$ 111.80	$ 108.82	$ 5.20	$ 2.98

(a) Beginning in September 2016, the Company changed the timing of when a customer is disconnected. The impact of this change resulted in an increase of approximately 6 thousand video customers, 5 thousand digital video customers, 8 thousand high-speed Internet customers, 2 thousand telephone customers and 10 thousand customer relationships during 2016 as compared to 2015.

(b) Represents number of households/businesses that receive at least one of the Company's video, high-speed Internet or voice services.

(c) Video customers include all residential customers who receive analog or digital video cable services. Also included are commercial or multi-dwelling accounts that are converted to equivalent basic units ("EBUs") by dividing the total bulk billed basic revenues of a particular system by the most prevalent retail rate paid by non-bulk basic customers in that market for a comparable level of service.

(d) Digital video customers include all customers that have one or more digital set-top boxes or cable cards deployed.

(e) High-speed Internet customers include all residential customers who subscribe to our high-speed Internet service.

(f) Voice customers include all residential customers who subscribe to our telephone service. Residential customers who take multiple telephone lines are only counted once in the total.

(g) Represents the number of residential customers that subscribe to three of our cable services divided by total residential customer relationships.

(h) Calculated by dividing the average monthly revenue for the fourth quarter of each year presented derived from the sale of video, high-speed data and voice services to residential customers for the respective quarter by the average number of total residential customers for the same period.

Video

We currently offer a variety of video programming services, which include traditional cable video services, such as basic service, expanded basic service and digital service, and advanced digital video services, such as VOD, HDTV, DVR and

pay-per-view, to residential and commercial markets. We design our channel line-ups for each system according to demographics, programming preferences, channel capacity, competition, price sensitivity and local regulation. Additionally, Suddenlink2GO enables customers to watch movies, shows and clips from over 50 networks on a PC once authenticated via the Suddenlink customer portal. We also have our Suddenlink2GO mobile application which offers our video customers select TV shows and movies on their mobile devices, as well as the ability to manage their account, view and pay their bill, view scheduled appointments, and more. Monthly subscription rates and related charges vary according to the type of services and equipment selected by customers. For the year ended December 31, 2016, video services, as described below, represent approximately 42% of our total revenues.

Basic Service. All of our video customers receive our basic service, for a monthly fee, which generally includes a combination of approximately 7 to 41 channels, including local broadcast network and independent stations, limited programming, home shopping and local public, government and leased access channels.

Expanded Basic Service. Our expanded basic service includes, for an additional monthly fee, a combination of approximately 20 to 74 additional channels such as CNN, ESPN, Lifetime, Discovery Channel, USA Network, TBS, Food Network, History, TLC, HGTV, A&E, Fox News and TNT.

Digital Service. We currently offer several programming packages that can include a combination of one of our tiers of digital service, multichannel premium services, sports channels, digital music channels, an interactive on-screen program guide and, in most markets, full access to our VOD library of up to approximately 30,000 hours of content. Currently, digital customers can receive up to 303 digital channels, depending on the market and level of service selected. A digital converter or cable card is required to receive our digital and other advanced digital video services. Customers pay a monthly fee for digital video service, which varies according to the type and number of services taken and the number of digital converters in the home.

Advanced Digital Video Services:

- *Digital Video Recorders.* We make digital converters available to our customers, the majority of which are HDTV-capable and have video recording capability. DVR services require the use of an advanced digital converter for which we charge a monthly fee. As of December 31, 2016, approximately 45.9% of our digital customers utilized DVR services. We offer TiVo HD/DVR and TiVo HD-only converters, which use the award winning TiVo user interface integrated into the converter. The TiVo relationship also delivers multi-room DVR capability, using TiVo Mini devices, that allows a customer to pause and replay live TV, manage recordings from different television locations and play them back throughout the home. In addition, we offer TiVo Stream service to complement our already deployed TiVo DVRs. TiVo Stream allows customers to stream live TV channels and recorded programming wirelessly throughout their home to Android and iOS devices, and download previously recorded content to these devices so that it can be viewed outside the home. In addition, we provide our video customers seamless access to Netflix through their TiVo devices, eliminating the need for multiple devices, remote controls and inputs. Approximately 55.7% of our customers who utilize DVR services do so with a TiVo device. As of December 31, 2016, we had deployed over 450,000 combined TiVo, TiVo Mini and TiVo Stream devices to approximately 223,000 customers.
- *High-Definition Television.* HDTV features high-resolution picture quality, digital sound quality and a wide-screen, theater-like display when using an HDTV set and an HD-capable converter. Our channel lineups include an average of 110 high-definition channels, which represent the most widely watched programming, including all major broadcast networks, as well as most leading national cable networks, premium channels and regional sports networks. We also continue to launch additional high-definition channels to continuously improve our customer's viewing experience. As of December 31, 2016, approximately 89.9% of our digital customers utilized HDTV services.
- *Video-On-Demand.* Our VOD service provides on-demand access to movies, special events, free primetime content and general interest titles. We have VOD capacity to allow for up to 30,000 hours of content, including VOD content from all four major broadcast networks. Subscription-based VOD premium content such as HBO, Showtime and Starz! is included when customers subscribe to one of our premium programming packages. Our customers enjoy full two-way functionality, including the ability to start the programs at whatever time is convenient, as well as pause, rewind and fast forward both standard definition and high definition VOD

programming. As of December 31, 2016, VOD services were available to approximately 93% of our basic customers, and we offered over 7,700 high-definition titles on-demand.

- *Pay-Per-View Service.* Our pay-per-view service allows customers to pay to view single showings of programming on an unedited, commercial-free basis, including feature films, live sporting events, concerts and other special events. As of December 31, 2016, pay-per-view services were available to all of our digital customers.

High-Speed Internet

We offer residential high-speed Internet services with downstream speeds up to 1 Gbps. Our high-speed Internet services also include an interactive portal, multiple e-mail addresses, personal web space and local community content. At December 31, 2016, 94.8% of our high-speed Internet customers had provisioned download speeds of 15 Mbps or greater, and 89.9% of our high-speed Internet customers had provisioned download speeds of 50 Mbps or greater. Our WiFi@Home networking service uses DOCSIS 3.0 wireless routers, whereby customers can connect up to 20 devices in their home. Our service uses a standard configuration approach that simplifies the support of the wireless devices.

For small and medium-sized commercial customers (generally 100 employees or less), we offer high-speed data services with speeds up to 1 Gbps, as well as managed services, including business e-mail, hosted private branch exchange, web space storage and network security monitoring. For enterprise and larger commercial customers, we offer high capacity data services, including wide area networking and dedicated data access, and advanced services such as wireless mesh networks. We also offer wholesale transport services to wireless telephone providers for cell tower backhaul and to wireline telecommunications service providers to connect to customers that their own networks do not reach. Our commercial services are offered on a stand-alone basis or in bundles that are developed specifically for our commercial customers. In addition, DOCSIS 3.0 technology allows us to expand our high-speed Internet bandwidth and offer enhanced service features to our commercial customers.

Telephone Services

We offer, through our VoIP telephone service, unlimited local, regional and long-distance calling within the United States, Puerto Rico, the U.S. Virgin Islands and Guam for a flat monthly rate, including popular calling features such as Caller ID with name and number, call waiting, three-way calling, enhanced Emergency 911 dialing and TV Caller ID. We also offer additional options designed to meet our customers' needs, including directory assistance, voice mail services and international calling.

We offer business customers enterprise class telephone services which include traditional multi-line phone service over DOCSIS and trunking solutions via Session Initiated Protocol ("SIP") for our PRI and SIP trunking applications.

Advertising Sales

We generate revenues from selling advertising time to national, regional and local customers. As part of the agreements under which we acquire video programming, we typically receive an allocation of scheduled advertising time during such programming, generally two minutes per hour, into which our systems can insert commercials, subject, in some instances, to certain subject matter limitations. Our advertising sales infrastructure includes in-house production facilities, production and administrative employees and a locally-based sales force. In a few of our markets, we have entered into agreements commonly referred to as "interconnects" with other cable operators to jointly sell local advertising, simplifying our clients' purchase of local advertising and expanding their geographic reach. In some of these markets, we represent the advertising sales efforts of other cable operators; in other markets, other cable operators represent us. Additionally, national and regional representation agreements have been negotiated to simplify the purchase of advertising time by our clients and expand the share of viewers that we reach. We also offer advanced advertising technologies to our customers, including interactive TV advertising, and online advertising, including display and pre-roll video, on thousands of the most popular websites. For the year ended December 31, 2016, advertising sales represented approximately 3% of our total revenues.

ConnectedHome

We offer ConnectedHome, a next-generation home automation and monitoring service, which includes state-of-the-art equipment and 24/7 professional monitoring, and features that include email alert notification and access to streaming video from in-home cameras to any computer or Internet-enabled mobile device. A branded companion app (iOS and

Android) enables monitoring and home automation control from anywhere. We believe that our existing customer relationships provide a solid base from which to grow our home automation business, and that our ConnectedHome service is distinguished from many of our competitors by our local presence and brand recognition. For the year ended December 31, 2016, our ConnectedHome service represented less than 1% of our total revenues.

Sales and Marketing

Sales are managed centrally and multiple sales channels are leveraged to reach current and potential customers, including in-bound customer care centers, outbound telemarketing, Suddenlink stores, field technician sales and door-to-door sales. Ecommerce is also managed centrally on behalf of the organization and is a growing and dynamic part of our business and is our fastest growing sales channel. We use mass media, including broadcast television, digital media, radio, newspaper and outdoor advertising, to attract customers and direct them to our in-bound customer care centers or website. Our sales and service employees use a variety of sales tools as they work to match customers' needs with our best-in-class products, with a focus on building and enhancing customer relationships.

Because of our local presence and market knowledge, we invest heavily in targeted marketing. Our strategic focus is on building new customer relationships and bundling video, high-speed Internet, and telephone. We strive to follow our "Easy to do business with" operating philosophy with superior service from motivated employees. Our promotional materials and message focus on the ease with which a customer can order our products and services, and highlight the differentiated convenience of one call, one connection and one bill. We offer discounted pricing for our bundled services compared to the cost of individual services. In addition, customers who subscribe to video, high-speed Internet and telephone services through our "triple play" bundle are recognized through our "VIP Perks" program. Much of our advertising is developed centrally and customized for our regions. Among other factors, we monitor customer perceptions, marketing efforts, and competition, to increase our responsiveness and the effectiveness of our efforts.

Our footprint has several large college markets where we market specialized products and services to students for multiple dwelling units ("MDUs"), such as dormitories and apartment complexes.

Customer Care

We believe that customer service is the cornerstone of our business. Accordingly, we make a concerted effort to continually improve each customer's experience and have made significant investments in our people, processes and technology to enhance our customers' experience and to reduce customer contacts. The insights from operational metrics help us focus our improvement efforts.

Our customer care centers are managed and operated locally, with the deployment and execution of end-to-end care strategies and initiatives conducted on a site-by-site basis. We have residential and commercial customer care centers located in Tyler, TX; Parkersburg, WV; Lubbock, TX; and Lake Havasu, AZ. Our customer care centers function as an integrated system and utilize software programs that provide increased efficiencies and limited wait-times for customers requiring support. Our field technicians and schedulers utilize the same software programs for customers requiring in-person support. We provide service to our customers 24 hours a day, seven days a week, and we have systems that allow our customer care centers to be accessed and managed remotely in the event that systems functionality is temporarily lost, which provides our customers access to customer service with limited disruption.

We also utilize our customer portal to enable our customers to view and pay their bills online, obtain useful information and perform various equipment troubleshooting procedures. Our customers may also obtain support through our on-line chat, e-mail functionality and social media websites, including Twitter and Facebook.

Network Technology

Our cable systems are generally designed with a hybrid-fiber coaxial architecture that has proven to be highly flexible in meeting the increasing needs of our customers. We deliver our signals via laser-fed fiber optic cable from control centers known as headends and hubs to individual nodes. Each node is connected to the individual homes we serve by coaxial cable and/or fiber-to-the-home. A primary benefit of this design is that it pushes fiber optics closer to our customers' homes, which allows us to subdivide our systems into smaller service groups and make capital investments only in service groups experiencing higher than average service growth.

As of December 31, 2016, approximately 82.2% of our customers were served by systems with capacity of at least 750 MHz. We operate 118 primary systems, with approximately 91% of our customers served by our top 20 primary systems.

More than 99.4% of our residential high-speed Internet customers are connected to our national backbone with a presence in major carrier access points in Dallas, Chicago, San Jose, Washington D.C. and Phoenix. This presence allows us to avoid significant Internet "drain," or transit costs, by establishing peering relationships with major Internet service and content providers enabling direct connectivity with them at these access points. We also have a networking caching architecture that places highly viewed Internet traffic from the largest Internet based content providers, at the edge of the network closest to the customer to reduce bandwidth requirements across our national backbone thus reducing operating expense. This collective network architecture also provides us with the capability to manage traffic across several Internet access points, thus helping to ensure Internet access redundancy and quality of service for our customers. Additionally, our national backbone connects our primary systems, which allows for an efficient and economical deployment of services from our centralized platforms that include telephone, VOD, network DVR, common digital video content, high-speed Internet, hosted business solutions, provisioning, email and other related services.

We have also focused on system reliability and disaster recovery as part of our national backbone and primary system strategy. For example, to help ensure a high level of reliability in our services, we implemented redundant power capability, as well as fiber route and carrier diversity in our networks serving most of our customers. With respect to disaster recovery, we invested in our telephone platform architecture for geo-redundancy to minimize downtime in the event of a disaster to any single facility.

In addition, we have expanded and refined our bandwidth utilization in capacity constrained systems in order to meet demand for new and improved advanced services. A key component to reclaim bandwidth was the digital delivery of video channels that were previously distributed in analog through the launch of digital simulcast, which duplicates analog channels as digital channels. Additionally, the deployment of lower-cost digital customer premises equipment, such as HD-DTAs, enabled the use of more efficient digital channels instead of analog channels, thus allowing the reclamation of expanded basic analog bandwidth in the targeted systems. This reclaimed analog bandwidth could then be re-purposed for other advanced services such as additional HDTV services and faster Internet access speeds. This technology has the added benefit of providing improved picture and sound quality to customers for most of their video programming.

In addition, see discussion of Operation GigaSpeed above.

Suppliers

Video Programming

We offer a variety of video programming services, which include traditional cable video services, such as basic service, expanded basic service and digital service, and advanced digital video services, such as VOD, HDTV, DVR and pay-per-view. We design our channel line-ups for each system according to demographics, programming contract requirements, market research, local programming preferences, channel capacity, competition, price sensitivity and local regulation. We believe that offering a wide variety of programming influences a customer's decision to subscribe to and retain our video services. We obtain programming, including basic, expanded basic, digital, high-definition, VOD and broadband content, from a number of suppliers, including broadcast and cable networks.

We generally carry cable networks pursuant to written programming contracts, which continue for a fixed period of time, usually from three to five years, and are subject to negotiated renewal. Cable network programming is usually made available to us for a license fee, which is generally paid based on the number of customers who subscribe to the level of service that provides such programming. Such license fees may include "volume" discounts available for higher numbers of customers, as well as discounts for channel placement or service penetration. Where possible, we negotiate volume discount pricing structures. In addition, we purchase approximately 2% of our programming through the National Cable Television Cooperative ("NCTC") which, in certain cases, provides for more favorable pricing or terms than we could negotiate independently with programmers. For home shopping channels, we receive a percentage of the revenue attributable to our customers' purchases, as well as, in some instances, incentives for channel placement.

In every year we have operated, our cable programming costs have increased in excess of customary inflationary and cost-of-living type increases. We expect programming costs to continue to increase due to a variety of factors including annual increases imposed by programmers and additional programming being provided to customers, including high-definition and VOD programming. In particular, sports programming costs have increased significantly over the past several years. In addition, contracts to purchase sports programming sometimes provide for optional additional programming to be available on a surcharge basis during the term of the contract.

We were unable to reach agreement with Viacom on acceptable economic terms for a long-term contract renewal, and effective October 1, 2014, all Viacom networks were removed from our channel lineups, and we launched alternative networks offered by other programmers under new long-term contracts.

We carry local broadcast stations pursuant to either the Federal Communications Commission ("FCC") "must carry" rules or a written retransmission consent agreement with the relevant station owner. Local broadcast stations must choose between "must carry" or "retransmission consent" generally on three year cycles. We successfully completed negotiations for continued carriage of all local broadcast stations that were to expire on December 31, 2016. When negotiating retransmission consent agreements, broadcast stations generally require us to pay them a consent fee and/or carry one or more of their affiliated stations.

We have programming contracts that have expired and others that will expire at or before the end of 2017. We will seek to renegotiate the terms of these agreements, but there can be no assurance that these agreements will be renewed on favorable or comparable terms. To the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable, we have been, and may in the future be, forced to remove such programming channels from our line-up, which may result in a loss of customers. For more information, see "Risk Factors - Programming costs are increasing and we may not have the ability to pass these increases on to our subscribers. Disputes with programmers, or the inability to retain or obtain popular programming, can adversely affect our relationship with subscribers and lead to subscriber losses."

Set-top Boxes and Network Equipment

We purchase set-top boxes and other customer premises equipment from a limited number of vendors because each of our cable systems uses one or two proprietary technology schemes. We also buy HD, HD/DVRs and VOD equipment, routers and other network equipment from a limited number of suppliers.

High-speed Internet and Telephone Connectivity

We deliver high-speed Internet and telephone services through our hybrid-fiber coaxial network. We use circuits that are either owned by us or leased from third parties to connect to the Internet and the public switched telephone network. We pay fees for leased circuits based on the amount of capacity available to it and pay for Internet connectivity based on the amount of IP-based traffic received from and sent over the other carrier's network.

Franchises

As of December 31, 2016, our systems operated pursuant to a total of approximately 932 franchises, permits and similar authorizations issued by state and local governmental authorities. Most franchises are subject to termination proceedings in the event of a material breach. In addition, most franchises require us to pay the granting authority a franchise fee of up to 5.0% of revenues as defined in the various agreements, which is the maximum amount that may be charged under the applicable federal law. We are entitled to and generally do pass this fee through to our customers.

Prior to the scheduled expiration of most franchises, we generally initiate renewal proceedings with the granting authorities. This process usually takes less than three years but can take a longer period of time. The Communications Act of 1934, as amended ("Communications Act"), which is the primary federal statute regulating interstate communications, provides for an orderly franchise renewal process in which granting authorities may not unreasonably withhold renewals. In connection with the franchise renewal process, many governmental authorities require the cable operator to make certain commitments, such as building out certain franchise areas, meeting customer service requirements and supporting and carrying public access channels. Historically we have been able to renew our franchises without incurring significant costs, although any particular franchise may not be renewed on commercially favorable terms or otherwise. Our failure to obtain renewals of our franchises, especially in our largest primary systems where we have the most customers, could have a material adverse effect on our consolidated financial condition, results of operations and liquidity. For more information, see "Risk Factors - Our cable system franchises are subject to non-renewal or termination. The failure to renew a franchise in one or more key markets could adversely affect our business." Approximately 2.6% of our franchises, covering approximately 3% of our video customers, had expired as of December 31, 2016. Approximately 3% of additional franchises, covering approximately 5% of additional video customers, will expire on or before December 31, 2017, if not renewed prior to expiration; approximately half of which are subject to replacement by state issued franchises. We expect to renew or continue to operate under all or substantially all of these franchises.

Proposals to streamline cable franchising recently have been adopted at both the federal and state levels. These franchise reforms are primarily intended to facilitate entry by new competitors, particularly telephone companies, but they often include substantive relief for incumbent operators as well. In many states, the local franchising process under which we have historically operated has been replaced by a streamlined state certification process.

Competition

We face intense competition from a variety of alternative information and entertainment delivery sources, principally from direct broadcast satellite ("DBS") providers, certain telephone companies and increasingly from video services delivered over the Internet. DBS providers and telephone companies offer a broad range of services and provide features and functions comparable to those offered by us. In addition, technological advances and product innovations have increased and will likely continue to increase the number of alternatives available to our customers from other providers and intensify the competitive environment. We cannot predict the impact on us, if any, of broadband services offered by our competitors.

Principal Competitors

Broadcast Television. Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an "off-air" antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through "off-air" reception, compared to the services provided by the local cable system. Traditionally, cable television has provided higher picture quality and more channel offerings than broadcast television. However, the use of digital spectrum now provides traditional broadcasters with the ability to deliver high-definition television pictures and multiple digital-quality program streams.

Direct Broadcast Satellite. Our video services face competition from DBS services, such as DirecTV (a subsidiary of AT&T Inc.) and DISH. DirecTV and DISH offer one-way satellite-delivered pre-packaged programming services that are received by relatively small and inexpensive receiving dishes. While we continue to believe that the initial investment by a DBS customer exceeds that of a cable customer, the up-front equipment cost for DBS has decreased substantially because of aggressive marketing offers to new customers, which include discounted or free equipment, installation and multiple units. DBS providers are also able to offer service nationwide and are therefore able to establish a national image and branding with standardized offerings. DBS providers are also able to avoid franchise fees of up to 5% of revenues and property tax, which leads to greater efficiencies and lower costs. Our ability to compete with these DBS providers is affected by the quality and quantity of programming available to us and to them. DirecTV has exclusive arrangements with the National Football League that give it access to programming that we cannot offer. AT&T also has an agreement to acquire Time Warner Inc., which owns a number of cable networks, including TBS, CNN and HBO, and Warner Bros. Entertainment, which produces television, film and home video content. DirecTV's access to Time Warner programming could allow DirecTV to offer competitive and promotional packages that could negatively affect our ability to maintain or increase our existing customers and revenue. However, we believe that cable-delivered VOD services, which include high-definition programming, offer a competitive advantage to DBS service because cable headends can provide two-way communication to deliver many titles which customers can access and control independently, whereas DBS technology can only make available a much smaller number of titles with DVR-like customer control. Each of these competitors has significantly greater financial resources than we do. See "Regulation" for a discussion of regulatory and legislative issues.

Telephone Companies. Our telephone service competes directly with established telephone companies and other carriers, including wireless providers, as an increasing number of homes are replacing their traditional telephone service with wireless telephone service, and Internet-based VoIP providers (see "Internet Delivered Services" below), for telephone service customers. The telecommunications industry is highly competitive and includes competitors with greater financial and personnel resources, strong brand name recognition, and long-standing relationships with regulatory authorities and customers.

Most telephone companies, which already have wired networks, an existing customer base and other operational functions in place (such as billing and service personnel), offer DSL service. We believe DSL service competes with our high-speed Internet service and is often offered at prices lower than our Internet services. However, DSL is often offered at speeds lower than the speeds we offer. In addition, DSL providers may currently be in a better position to offer Internet services to businesses since their networks tend to be more complete in commercial areas. They may also have the ability to combine video services with telephone and Internet services on an increasing basis to their customers, particularly as

telephone companies enter into co-marketing agreements with other service providers. In addition, the continuing deployment of fiber optics into telephone companies' networks will enable them to provide even higher bandwidth Internet services.

Telephone companies, including AT&T, CenturyLink, Frontier and Verizon, and utility companies are capable of offering video and other services in competition with us, and we expect they will increasingly do so in the future. In addition, where available, AT&T's U-verse, which is an affiliate of AT&T, offers high-speed Internet service at speeds comparable to ours. These services are offered at prices similar to those for our services. Based on our internal estimates and surveys, AT&T U-verse offers these services in areas serving approximately 5.7% of our estimated homes passed as of December 31, 2016. Additional upgrades and service launches are expected in markets in which we operate. Verizon does not currently offer FiOS service in any of our service areas. Moreover, in July 2015, AT&T completed its acquisition of DirecTV, the nation's largest DBS provider and in connection with that acquisition, AT&T committed to expand fiber to the premises to more locations. This transaction created an even larger competitor for our video services that has the ability to expand its video services offerings to include bundled wireless offerings.

In addition to obtaining or seeking to obtain traditional franchises or alternative authorizations to provide video services, telephone companies have been successful in some states in reducing or streamlining the franchising requirements applicable to them. As a result, such telephone companies have enhanced their competitive posture in the provision of video services relative to cable operators like us. The large scale entry of major telephone companies as direct competitors in the video marketplace could adversely affect the profitability and valuation of our cable systems.

Overbuilds. Cable systems are operated under non-exclusive franchises historically granted by local authorities. More than one cable system may legally be built in the same area, which is referred to as an overbuild. It is possible that a franchising authority might grant a second franchise to another cable operator and that such franchise might contain terms and conditions more favorable than those afforded to us. Although entry into the cable industry involves significant cost barriers and risks, well-financed businesses from outside the cable industry, such as public utilities that already possess fiber optic and other transmission lines in the areas they serve, may over time become competitors. In addition, there are a few cities that have constructed their own cable systems, in a manner similar to city-provided utility services, and private cable companies not affiliated with established local exchange carriers have also demonstrated an interest in constructing overbuilds. We believe that for any potential competitor to be successful, such competitor's overbuild would need to be able to serve the homes and businesses in the overbuilt area with equal or better service quality, on a more cost-effective basis than we can.

We believe that the markets we serve are not significantly overbuilt. However, the FCC and some state regulatory commissions direct certain subsidies to entities deploying broadband to areas deemed to be "unserved" or "underserved." We have not applied for any of these funds, but many other organizations did, including broadband services competitors and new entrants into such services. Further, we have generally opposed such subsidies when directed to areas that we serve and have deployed broadband capable networks. Despite those efforts, we could be placed at a competitive disadvantage if recipients use these funds to subsidize services that compete with our broadband services. As of December 31, 2016, we were aware of overbuilds impacting approximately 9.6%, including AT&T U-Verse, of our estimated homes passed.

Internet Delivered Services. High-speed Internet access facilitates the streaming of video and the use of VoIP telephone technology in homes and businesses, thus resulting in the Company's residential video service facing competition from a number of different sources, including services such as Hulu.com, iTunes, AmazonPrime, Netflix and YouTube, that deliver movies, television shows, and other video programming over broadband Internet connections, as well as the Company's telephone services facing competition with national providers of IP-based telephony services, such as Vonage, Skype and magicJack. Increasingly, content owners are utilizing Internet-based delivery of content or services directly to consumers, some without charging a fee for access to the content or services. Furthermore, due to consumer electronics innovations, consumers are able to watch such Internet-delivered content on television sets and mobile devices, such as smartphones and tablets. In 2015, HBO and CBS began selling their programming direct to consumers over the Internet without requiring a pay-TV subscription. Furthermore, DISH launched SlingTV, a service that offers a small selection of popular major cable channels, including ESPN, delivered over the Internet to smart TVs and mobile devices, and Sony launched Playstation Vue which includes 85+ TV channels. If customers were to choose to receive video over the Internet rather than through our basic, expanded basic or digital video services or receive telephone services using IP-

based technology other than our telephone services, we could experience a decline in our video or telephone customers or a reduction in our video or telephone revenues.

Private Cable. Additional competition is posed by satellite master antenna television systems ("SMATV"), serving MDUs, such as condominiums, apartment complexes and private residential communities. Private cable systems can offer improved reception of local television stations, and many of the same satellite-delivered program services that are offered by cable systems. SMATV systems currently benefit from operating advantages not available to franchised cable systems, including fewer regulatory burdens.

Utilities. We are subject to competition from utilities that possess fiber optic transmission lines capable of transmitting signals with minimal signal distortion. In some cases, the local municipalities that regulate us also own cable systems that compete with us. Certain utilities are also developing broadband over power line technology, which may allow the provision of Internet and other broadband services to homes and offices. We are not aware of any utilities that have deployed broadband over power line technology in our markets.

Other Competitors. We also face competition:

- for our commercial services from local incumbent telephone companies, especially AT&T, CenturyLink, Frontier and Verizon, as well as from a variety of other national and regional business services competitors.
- for our advertising sales from traditional and non-traditional media outlets, including television and radio stations, traditional print media and the Internet.
- for our security services from nationwide security providers, such as ADT (part of Tyco International, Ltd.) and Protection One, Inc., and numerous local and regional companies that operate within our service areas.

In addition, cable systems compete with all other sources of leisure, news, information and entertainment, including movies, sporting or other live events, radio broadcasts, home video services, console games, print media and the Internet. In general, we also face competition from other media for advertising dollars.

Regulation and Legislation

The following summary addresses the key regulatory and legislative developments affecting the cable industry and our video, high-speed Internet and telephone services. Cable system operations are extensively regulated by the federal government (primarily the FCC), certain state governments and many local governments. Our business can be dramatically impacted by changes to the existing regulatory framework, whether triggered by legislative, administrative or judicial rulings.

Video Service

Cable Rate Regulation. Federal law strictly limits the potential scope of cable rate regulation. Pursuant to federal law, all video offerings are universally exempt from rate regulation, except for the minimum level of video programming service, referred to as "basic service," and associated equipment. Rate regulation of basic service and associated equipment operates pursuant to a federal formula, with state and local governments, commonly referred to as franchising authorities primarily responsible for implementing rate regulation. Franchising authorities must be certified by the FCC in order to regulate rates. The vast majority of our local franchising authorities have never certified to regulate basic service cable rates. In 2015, the FCC adopted an order (which is now under appeal) reversing its historic approach to rate regulation certifications and requiring a local franchise authority interested in regulating cable rates to first make an affirmative showing that there is no "effective competition" (as defined under federal law) in the community. As none of our franchise authorities have filed the necessary rate regulation certification, none of our video services customers are currently subject to rate regulation. Although our franchise authorities generally retain the right to certify in the future, the FCC's 2015 order should make it more difficult for such entities to do so.

There have been frequent calls to impose further rate regulation on the cable industry. It is possible that Congress or the FCC may adopt new constraints on the retail pricing or packaging of cable programming. For example, there has been legislative and regulatory interest in requiring cable operators to offer historically bundled programming services on an à la carte basis. In addition, the FCC recently initiated a proceeding exploring how programming practices involving multichannel video programming distributors ("MVPDs") affect the availability of diverse and independent programming. As we attempt to respond to a changing marketplace with competitive marketing and pricing practices, we may face regulations that impede our ability to compete.

Must Carry/Retransmission Consent. There are two alternative legal methods for carriage of local broadcast television stations on cable systems. Federal "must carry" regulations require cable systems to carry local broadcast television stations upon the request of the local broadcaster. Alternatively, federal law includes "retransmission consent" regulations, by which commercial television stations can prohibit cable (and DBS) carriage unless the provider first negotiates for the station's consent, which may be conditioned on significant payments or other concessions. Broadcast stations must elect "must carry" or "retransmission consent" every three years.

In the most recent retransmission consent negotiations, popular television stations have demanded substantial compensation increases, thereby increasing our operating costs. Due to changes in the markets for video programming distribution, disputes in the retransmission consent negotiation process have increased in frequency and have become more visible in the industry. Congress passed legislation in 2014 prohibiting local television stations from coordinating retransmission consent negotiations with other television stations in the same market unless the stations are commonly owned and directing the FCC to review aspects of its existing retransmission consent rules. Additionally, a rulemaking proceeding on retransmission consent initiated by the FCC in March 2011 remains open. We are unable to predict what rules, if any, the FCC might adopt in connection with retransmission consent.

Program Access. The program access rules prohibit a cable operator from unduly or improperly influencing the decision of a satellite-delivered cable programming service in which a cable operator holds an attributable interest, to sell to an unaffiliated distributor, or from discriminating in the prices, terms, and conditions of sale to an unaffiliated distributor where the purpose or effect of such influence or discrimination is to unfairly and significantly hinder or prevent the competitor from providing satellite cable programming. FCC rules allow a competing distributor to bring complaint against a cable-affiliated terrestrially-delivered programming service or its affiliated cable operator, for acts or practices that the competitor alleges are unfair or deceptive and that significantly hinder or prevent the competitor from providing satellite cable programming.

Program Carriage. The FCC's program carriage rules prohibit us from requiring that an unaffiliated programming service grant us a financial interest or exclusive carriage rights as a condition of its carriage on our cable systems, and we may not discriminate against such programming services in the terms and conditions of carriage on the basis of their affiliation or nonaffiliation with us.

Access Channels. Franchise agreements often require cable operators to set aside certain channels for public, educational and governmental access programming. Federal law also requires cable systems to designate up to 15% of their channel capacity for commercial leased access by unaffiliated third parties. The FCC adopted revised rules several years ago mandating a significant reduction in the rates that operators can charge commercial leased access users. The effect of these rules was stayed, however, by a federal court, pending a cable industry appeal. This matter currently remains pending and the revised rules are not yet in effect. Although commercial leased access activity historically has been relatively limited, increased activity in this area could further burden the channel capacity of our cable system.

Ownership Limitations. Federal regulation of the communications field traditionally included a host of ownership restrictions, which limited the size of certain media entities and restricted their ability to enter into competing enterprises. Through a series of legislative, regulatory, and judicial actions, most of these restrictions have been either eliminated or substantially relaxed. Changes in this regulatory area could alter the business environment in which we operate.

Pole Attachments. The Communications Act requires most utilities to provide cable systems with access to poles and conduits and subjects the rates charged for this access to either federal or state regulation. In 2011 and again in 2015, the FCC amended its existing pole attachment rules to promote broadband deployment. The 2011 order allows for new penalties in certain cases involving unauthorized attachments, but generally strengthens the cable industry's ability to access investor-owned utility poles on reasonable rates, terms and conditions. Additionally, the 2011 order reduces the federal rate formula previously applicable to "telecommunications" attachments to closely approximate the more favorable rate formula applicable to "cable" attachments. The 2015 order (which may still be appealed by utility pole owners) continues this rate reconciliation, effectively closing the remaining "loophole" that potentially allowed for significantly higher rates for telecommunications attachments in certain scenarios. Neither the 2011 order nor the 2015 order directly effects the rate in states that self-regulate (rather than allow the FCC to regulate) pole rates, but many of those states have substantially the same rate for cable and telecommunications attachments. Adverse changes to the pole attachment rate structure, rate, and classifications could significantly increase our annual pole attachment costs.

Cable Equipment. In December 2014, Congress repealed an existing prohibition on cable operators offering set-top boxes with integrated security and navigational features (effective December 4, 2015), but also directed the FCC to establish a working group of "technical experts" to identify downloadable security design options to facilitate consumer use of retail navigation devices in lieu of set-top boxes provided by cable operators. The group issued its report in August 2015. In February 2016, the FCC initiated a new rulemaking proceeding that proposed new rules that would to require us (and other MVPDs) to enable customer-owned third party devices to access our video services in lieu of our leased set-top boxes. That proposal has not advanced, but if adopted, such new regulations could increase our cost for equipment, affect our relationship with our customers and programmers, and/or enable third parties to try to offer equipment that accesses disaggregated cable content merged with other services delivered over the Internet to compete with our service offerings.

MDUs/Inside Wiring. The FCC has adopted a series of regulations designed to spur competition to established cable operators in MDU complexes. These regulations allow our competitors to access certain existing cable wiring inside MDUs. The FCC also adopted regulations limiting the ability of established cable operators, like us, to enter into exclusive service contracts for MDU complexes.

Other FCC Regulatory Matters. FCC regulations cover a variety of additional areas, including, among other things: equal employment opportunity obligations, customer service standards, technical service standards, mandatory blackouts of certain network and syndicated programming, restrictions on political advertising, restrictions on advertising in children's programming, licensing of systems and facilities, maintenance of public files, emergency alert system, encryption, disability access, including requirements governing video-description and closed-captioning, and other reporting and filing requirements. Each of these regulations restricts our business practices to varying degrees. The FCC can aggressively enforce compliance with its regulations and consumer protection policies, including the imposition of substantial monetary sanctions. It is possible that Congress or the FCC will expand or modify its regulations of cable systems in the future, and we cannot predict at this time how that might impact our business.

Copyright. Cable systems are subject to a federal compulsory copyright license covering carriage of television and radio broadcast signals. The possible modification or elimination of this compulsory copyright license is the subject of continuing legislative and administrative review and could adversely affect our ability to obtain desired broadcast programming. The Copyright Office adopted final rules in 2014 implementing formal procedures for copyright owners to conduct audits of the compulsory copyright payments made by cable operators. Copyright clearances for non-broadcast programming services are arranged through private negotiations. Cable operators also must obtain music rights for locally originated programming and advertising from the major music performing rights organizations. These licensing fees have been the source of litigation in the past, and we cannot predict with certainty whether license fee disputes may arise in the future.

Franchise Matters. Cable systems generally are operated pursuant to nonexclusive franchises granted by a municipality or other state or local government entity in order to utilize and cross public rights-of-way. Cable franchises generally are granted for fixed terms and in many cases include monetary penalties for noncompliance and may be terminable if the franchisee fails to comply with material provisions. The specific terms and conditions of cable franchises vary significantly between jurisdictions. Cable franchises generally contain provisions governing cable operations, franchise fees, system construction, maintenance, technical performance, customer service standards and changes in the ownership of the franchisee. A number of states subject cable systems to the jurisdiction of centralized state government agencies, such as public utility commissions. Although local franchising authorities have considerable discretion in establishing franchise terms, certain federal protections benefit cable operators. For example, federal law caps local franchise fees at 5% of cable service revenues and includes renewal procedures designed to protect incumbent franchisees from arbitrary denials of renewal and the imposition of unreasonable conditions to renewal. Even if a franchise is renewed, however, the local franchising authority may seek to impose new and more onerous requirements as a condition of renewal. Similarly, if a local franchising authority's consent is required for the purchase or sale of a cable system, the local franchising authority may attempt to impose more burdensome requirements as a condition for providing its consent.

The traditional cable franchising regime is undergoing significant change as a result of various federal and state actions. The FCC has adopted rules that streamline entry for new competitors (such as those affiliated with telephone companies) and reduce certain franchising burdens for these new entrants. The FCC adopted more modest relief for existing cable operators.

At the same time, a substantial number of states have adopted new franchising laws. Again, these new laws were principally designed to streamline entry for new competitors, and they often provide advantages for these new entrants that are not immediately available to existing cable operators. In some instances, however, incumbent cable operators have the ability to immediately "opt into" the new franchising regime, which can provide significant regulatory relief. The exact nature of these state franchising laws, and their varying application to new and existing video providers, will impact our franchising obligations and our competitive position.

Internet Service

On February 26, 2015, the FCC adopted a new "network neutrality" or "open Internet" Order that: (1) reclassified broadband Internet access service as a Title II common carrier service, (2) applied certain existing Title II provisions and associated regulations (including requiring that rates and practice be just, reasonable, and nondiscriminatory, allowing complaints in court and before the FCC, imposing privacy and disability obligations, and providing broadband providers with access to poles and conduits); (3) forbore from applying a range of other existing Title II provisions and associated regulations, but to varying degrees indicated that this forbearance may be only temporary, and (4) issued new rules expanding disclosure requirements and prohibiting blocking, throttling, paid prioritization, and unreasonable interference with the ability of end users and edge providers to reach each other. The Order also subjected broadband providers' Internet traffic exchange rates and practices to potential FCC oversight and created a mechanism for third parties to file complaints regarding these matters. The Order has been appealed by multiple parties, but the rules are currently in effect. The Order could have a material adverse impact on our business.

As the Internet has matured, it has become the subject of increasing regulatory interest beyond the "net neutrality" issue. Congress and federal regulators have adopted a wide range of measures directly or potentially affecting Internet use, including, for example, consumer privacy, copyright protections, defamation liability, taxation, obscenity and unsolicited commercial e-mail. Our high-speed Internet services are subject to the Communications Assistance for Law Enforcement Act ("CALEA") requirements regarding law enforcement surveillance. The FCC is currently exploring the transition of communications networks from circuit-switched to packet-switched technology, including the issue of IP interconnection. To that end, the FCC initiated a proceeding to determine whether to expand existing interconnection rights in a manner that would permit competitive telephone companies to interconnect their IP networks with incumbent telephone companies' IP networks. The expansion of such interconnection rules to our IP networks could also result in new obligations imposed upon us to interconnect with other providers, which could affect our ability to compete in the provision of voice services. Pending and future legislation in this area could adversely affect our operations as an Internet service provider and our relationship with our Internet customers. Additionally, the FCC and Congress are considering subjecting high-speed Internet access services to Universal Service Fund contribution requirements. Any contribution requirements adopted for Internet access services would impose significant new costs on our high-speed Internet service. At the same time, the FCC is changing the manner in which Universal Service funds are distributed. By focusing on broadband and wireless deployment, rather than traditional telephone service, the changes could assist some of our competitors in more effectively competing with our service offerings. State and local governmental organizations have also adopted Internet-related regulations. These various governmental jurisdictions are also considering additional regulations in these and other areas, such as privacy, taxation, pricing, service and product quality and intellectual property ownership.

The FCC and some state regulatory commissions direct certain subsidies to telephone companies deploying broadband to areas deemed to be "unserved" or "underserved." We have generally opposed such subsidies when directed to areas that we serve and have deployed broadband capable networks. Despite those efforts, future subsidies may be directed to areas we serve, which could result in subsidized competitors operating in our service territories.

On January 29, 2015, the FCC, in a nation-wide proceeding evaluating whether "advanced broadband" is being deployed in a reasonable and timely fashion, increased the minimum connection speeds required to qualify as advanced broadband service to 25 Mbps for downloads and 3 Mbps for uploads. As a result, the FCC concluded that advanced broadband was not being sufficiently deployed and initiated a new inquiry into what steps it might take to encourage broadband deployment. This action may lead the FCC to adopt additional measures affecting our business.

The FCC recently granted petitions from municipalities in North Carolina and Tennessee seeking preemption of state laws that restrict the ability of municipalities to deploy broadband systems in competition with private offerings. Municipalities in other states may seek similar relief, as there are approximately 20 such state laws now in effect. FCC preemption is predicated on the belief that such state laws are impeding the nation-wide deployment of broadband

service. The FCC rulings have been appealed and are pending in the 6th Circuit Court of Appeals. If the FCC rulings are upheld, it could lead to increased competition from municipal provided broadband.

Telephone Service

We offer telephone services using interconnected VoIP technology. Although traditional providers of circuit-switched telephone service are generally subject to significant regulation, it is unclear whether, and to what extent, federal and state regulators will subject VoIP services to the same regulations as traditional telephone services provided by incumbent local exchange carriers. Some states have begun proceedings to subject cable VoIP services to state level regulation. The FCC has already determined that certain providers of telephone services using Internet Protocol technology like us must comply with 911 emergency service rules, requirements for accommodating law enforcement wiretaps under CALEA, Universal Service Fund contributions, disability access, customer privacy, Customer Proprietary Network Information requirements, disability access, network outage reporting, rural call competition reporting, number porting, battery back-up and other regulatory requirements.

In 2011, the FCC released an order that significantly changed the rules governing intercarrier compensation for the origination and termination of telephone traffic between carriers. That change resulted in a substantial decrease in intercarrier compensation that we pay to other carriers and the amounts that we receive from other carriers, and those amounts will continue to decrease. The schedule and magnitude of these decreases, however, will vary depending on the nature of the carriers and the telephone traffic at issue, and if the FCC initiates further rule changes. We cannot predict with certainty the impact on our revenues and expenses for voice services at particular times over this multi-year period.

Commercial Networking and Transport Services

Entities providing point-to-point and other transport services, like those offered by us, generally have been subjected to various kinds of regulation. In particular, state regulatory authorities commonly require providers of intrastate transport services to obtain and maintain certificates of public convenience and necessity and to file tariffs setting the service's rates, terms and conditions, which typically must be just, reasonable and non-discriminatory. Interstate transport services are governed by similar federal regulations, except that tariffs are not required. In addition, providers generally may not transfer assets or ownership without receiving prior approval from, or providing notice to, state and federal authorities. Finally, providers of point-to-point and similar transport services, like those offered by us, are generally required to contribute to various state and federal regulatory funds, including the Federal Universal Service Fund.

The FCC has recently collected extensive data from providers of point to point transport ("special access") services, including from Cequel's operating subsidiaries. The FCC will use the data to evaluate whether the market for such services is competitive, or whether the market should be subject to further regulation, which may increase our costs or constrain our ability to compete in this market.

Privacy and Information Security Regulation

The Communications Act limits our ability to collect and disclose customers' personally identifiable information and also provides requirements to safeguard such information. We are also subject to other federal, state and local laws and regulations that impose additional customer and employee privacy restrictions. Further, the FCC, the Federal Trade Commission ("FTC") and many states now regulate and restrict the telemarketing practices of cable operators, including telemarketing and online marketing efforts. Efforts are also underway in Congress and in various federal agencies to adopt significant new privacy restrictions affecting the use of personal and profiling data for online and behavioral advertising.

We are also subject to federal and state laws governing information security, including rules requiring customer notification in the event of an information security breach. Such rules may require consumer and government agency notification and may result in regulatory enforcement actions with the potential of substantial monetary forfeitures. The FCC recently brought enforcement actions against two communications companies (including one cable company) for failing to protect customer data from unauthorized access by, and disclosure to, third parties, which resulted in settlements ranging from over $500,000 to $25 million. Similarly, the FTC and state attorneys general regularly bring enforcement actions against companies related to information security breaches and privacy violations. Congress and several state legislatures are considering the adoption of new data security and cyber security legislation that could result in additional network and information security requirements for our business.

On February 12, 2014, the National Institute for Standards and Technologies (NIST), in cooperation with other federal agencies and owners and operators of U.S. critical infrastructure, released a voluntary framework that provides a model for organizations to identify and manage cyber risks. The NIST cybersecurity framework was designed to supplement, not supersede, existing cybersecurity regulations and requirements. Several government agencies have encouraged compliance with the NIST cybersecurity framework, including the FCC, which is also considering expansion of its cybersecurity guidelines or the adoption of new cybersecurity requirements.

Environmental Regulations

Our business operations are subject to environmental laws and regulations, including regulations governing the use, storage, disposal of, and exposure to, hazardous materials, the release of pollutants into the environment and the remediation of contamination. In part as a result of the increasing public awareness concerning the importance of environmental regulations, these regulations have become more stringent over time. Amended or new regulations could impact our operations and costs.

Intellectual Property

We rely on our copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. We believe we own or have the right to use all of the intellectual property that is necessary for the operation of our business as we currently conduct it.

Employees

As of December 31, 2016, we had 5,671 employees, including 37 part-time employees. None of our employees are represented by labor unions. We consider our relations with our employees to be good.

Available Information and Website

We make available free of charge, through our investor relations section at our website, www.alticeusa.com our Annual, Quarterly and Current Reports.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

We operate in a very competitive business environment which could materially adversely affect our business, financial condition, results of operations and liquidity.

We operate in a highly competitive industry. In some instances, we compete against companies with fewer regulatory burdens, easier access to financing, greater resources, operating capabilities and efficiencies of scale, stronger brand name recognition, longstanding relationships with regulatory authorities and customers and greater access to programming or other services.

The loss of customers due to competition has adversely affected our business and financial results and may continue to do so. The effects of competition may adversely affect our ability to service our debt and our liquidity. These risks are heightened by the rapid technological change inherent in our business and the need to acquire, develop and adopt new technology to differentiate our products and services from our competitors. We may need to anticipate far in advance which technology we should use for the development of new products and services or the enhancement of existing products and services. In addition, changes in the regulatory and legislative environments may result in changes to the competitive landscape.

We operate in an intensely competitive environment, competing with a variety of video, data and voice providers and delivery systems, including telephone companies, wireless data and voice providers, satellite-delivered video signals, Internet-delivered video content and broadcast television signals available to homes within our market by over-the-air reception.

We face competition from two major DBS providers in our service area, DISH Network and DirecTV (a subsidiary of AT&T), each with significantly higher numbers of subscribers than we have. These companies each offer video programming that is substantially similar to the video service that we offer, at competitive prices. Our ability to compete with these DBS services is affected by the quality and quantity of programming available to us and to them. DirecTV has exclusive arrangements with the National Football League that gives it access to programming that we cannot offer. DBS operators also have marketing arrangements with certain phone companies in which the DBS provider's video services are sold together with the phone company's high-speed Internet and phone services. Each of these competitors has significantly greater financial resources than we do.

We also face competition from Frontier and CenturyLink who offer video service, as well as high speed data and VoIP services.

This competition affects our ability to add and retain customers and creates pressure upon the pricing of our services. Competition has negatively impacted our revenues and caused subscriber declines in our service areas. To the extent DISH Network, DirecTV, CenturyLink, Frontier and other competitors continue to offer competitive and promotional packages, our ability to maintain or increase our existing customers and revenue will continue to be negatively impacted.

Another source of competition for our video services is the delivery of video content over the Internet directly to subscribers. This competition comes from a number of different sources, including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Netflix, Google's "YouTube" and Amazon's "Prime." DISH Network has a product offering Internet delivery of a number of cable networks called Sling TV. Increasingly, content owners are utilizing Internet-based delivery of content directly to consumers, some without charging a fee for access to the content. Consumers are also able to watch such Internet-delivered content on television and mobile devices. The availability of these services has and will continue to adversely affect customer demand for our video services, including premium and on-demand services. Our video service also faces competition from broadcast television stations, entities that make digital video recorded movies and programs available for home rental or sale, satellite master antenna television ("SMATV") systems, which generally serve large multiple dwelling units under an agreement with the landlord and service providers and "open video system" ("OVS") operators. There can be no assurance that these or other existing, proposed, or as yet undeveloped technologies will not become dominant in the future and render our video service offering less profitable or even obsolete.

Internet access services are also offered by providers of wireless services, including traditional cellular phone carriers and others focused solely on wireless data services. The FCC is likely to continue to make additional radio spectrum available for these wireless Internet access services.

Our VoIP service also faces competition from other competitive providers of voice services, including wireless voice providers, as well as VoIP providers like Vonage that do not own networks but can provide service to any person with a broadband connection.

We also operate in a competitive business telecommunications market and compete against incumbent local exchange carriers ("ILEC"), other competitive local exchange carriers ("CLEC") and long distance voice service companies for commercial and enterprise customers. More specifically, we face competition from CenturyLink and Frontier which are the dominant providers of local telephone and broadband services in their respective service areas. To the extent these competitors decide to reduce their prices, future success of our business may be negatively impacted.

We face significant risks as a result of rapid changes in technology and consumer expectations and behavior.

The telecommunications services industry has undergone significant technological development over time and these changes continue to affect our business, financial condition and results of operations. Such changes have had, and will continue to have, a profound impact on consumer expectations and behavior. Our video business faces technological change risks as a result of the continuing development of new and changing methods for delivery of programming content such as Internet based delivery of movies, shows and other content which can be viewed on televisions, wireless devices and other developing mobile devices. A proliferation of delivery systems for video content can adversely affect our ability to attract and retain subscribers and the demand for our services and it can also decrease advertising demand on our delivery systems. Our high-speed data business faces technological challenges from rapidly evolving wireless Internet solutions. Our voice service offerings face technological developments in the proliferation of voice delivery systems including those based on Internet and wireless delivery. If we do not develop or acquire and successfully implement new technologies, we will limit our ability to compete effectively for subscribers, content and advertising. In addition, we may be required to make material capital and other investments to anticipate and to keep up with technological change. These challenges could adversely affect our business financial condition and results of operations.

Programming costs are increasing and we may not have the ability to pass these increases on to our subscribers. Disputes with programmers, or the inability to retain or obtain popular programming, can adversely affect our relationship with subscribers and lead to subscriber losses.

Programming costs are one of our largest categories of expenses. In recent years, the cost of programming in the cable and satellite video industries has increased significantly and is expected to continue to increase, particularly with respect to costs for sports programming and broadcast networks. We may not be able to pass programming cost increases on to our subscribers due to the increasingly competitive environment. If we are unable to pass these increased programming costs on to our subscribers, our operating results would be adversely affected.

We attempt to control our programming costs and, therefore, the cost of our video services to our customers by negotiating favorable terms for the renewal of our affiliation agreements with programmers. On certain occasions in the past, such negotiations have led to disputes with programmers that have resulted in temporary periods where we were not carrying a particular broadcast network or programming service or services. In addition, to the extent we are unable to reach agreement with certain programmers on terms we believe are reasonable, we may be forced, or determine for strategic or business reasons, to remove such programming channels from our line-up and may decide to replace them with other programming, which may not be available on acceptable terms or be as attractive to customers. Such disputes, or the removal or replacement of programming, may inconvenience some of our subscribers and can lead to customer dissatisfaction and, in certain cases, the loss of customers.

We were unable to reach agreement with Viacom on acceptable economic terms for a long-term contract renewal, and effective October 1, 2014, all Viacom networks were removed from our channel lineups. The removal of other programming in the future could materially adversely affect our business, operating results or financial condition.

We also may be subject to increasing financial and other demands by broadcast stations for carriage of other services or payments to those broadcasters in order to obtain the required consent for the retransmission of broadcast programming. Federal law allows commercial television broadcast stations to make an election between "must-carry" rights and an alternative "retransmission consent" regime. When a station opts for the latter, cable operators are not allowed to carry the station's signal without the station's permission. In 2017, some of our retransmission agreements are scheduled to expire. Several companies own significant percentages of these broadcast stations, and our negotiations could affect some or all of these stations. Upon expiration of these agreements, we may carry some stations under short-term arrangements while we attempt to negotiate new long-term retransmission agreements. In connection with our negotiation

of new retransmission agreements, we expect that we may be subject to increasing costs associated with such agreements, which costs we may not be able to pass on to our customers. To the extent that we cannot pass on increased or additional retransmission agreement costs to customers or offset such costs through the sale of additional services, our business, financial condition, results of operations and liquidity could be materially adversely affected. In addition, if negotiations with these broadcasters prove unsuccessful, we may be required, or determine for strategic or business reasons, to cease carrying their signals, possibly for an indefinite period. Any loss of broadcast stations could make our video service less attractive to customers, which could result in a loss of customers, which could have a material adverse effect on our business, financial condition, results of operations and liquidity. There can be no assurance that our expiring retransmission agreements will be renewed on favorable or comparable terms or at all.

We have substantial indebtedness and we are highly leveraged, which reduces our capability to withstand adverse developments or business conditions.

We have incurred substantial amounts of indebtedness to finance the Altice Acquisition, operations, upgrade our cable plant and acquire other cable systems, sources of programming and other businesses. We have also incurred substantial indebtedness in order to offer new or upgraded services to our current and potential customers. At December 31, 2016, our total aggregate principal amount of indebtedness was approximately $6.8 billion. Because of our substantial indebtedness, we are highly leveraged and we will continue to be highly leveraged. This means that our payments on our borrowings are significant in relation to our revenues and cash flow. This leverage exposes us to significant risk in the event of downturns in our businesses (whether through competitive pressures or otherwise), in our industries or in the economy generally, because although our cash flows would decrease in this scenario, our required payments in respect of indebtedness would not.

Our overall leverage and the terms of our financing arrangements could:

- make it more difficult for us to satisfy obligations under our outstanding indebtedness;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures or acquisitions;
- limit our ability to refinance our indebtedness on terms acceptable to us or at all;
- limit our ability to adapt to changing market conditions;
- restrict us from making strategic acquisitions or cause us to make non-strategic divestitures;
- require us to dedicate a significant portion of our cash flow from operations to paying the principal of and interest on our indebtedness, thereby limiting the availability of our cash flow to fund future capital expenditures, working capital and other corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the communications industry generally;
- place us at a competitive disadvantage compared with competitors that have a less significant debt burden; and
- make us more vulnerable to economic downturns and limit our ability to withstand competitive pressures.

In addition, a portion of our indebtedness bears interest at variable rates. If market interest rates increase, variable-rate debt will have higher debt service requirements, which could adversely affect our cash flow and results of operations. While we may enter into agreements limiting our exposure to higher interest rates, these agreements may not offer complete protection from this risk.

Despite our indebtedness levels, we may be able to incur substantially more debt. Any such indebtedness could further exacerbate the risks associated with our substantial indebtedness.

We may be able to incur substantial additional indebtedness in the future. If new debt is added to our current debt levels, the related risks we could face would be magnified. Any decrease in our revenues or an increase in operating costs (and corresponding reduction in our cash flow) would further increase our leverage and would adversely affect our ability to pay our indebtedness as it comes due.

We have in past periods incurred substantial losses from continuing operations, and we may do so in the future, which may reduce our ability to raise needed capital.

We have in the past incurred substantial losses from continuing operations and we may do so in the future. Significant losses from continuing operations could adversely affect our ability to comply with the covenants and restrictions in our debt agreements and could limit our ability to raise needed financing, or to do so on favorable terms, as such losses could be taken into account by potential investors, lenders and the organizations that issue investment ratings on our indebtedness.

The financial markets are subject to volatility and disruptions, which have in the past, and may in the future, adversely affect our business, including by affecting the cost of new capital, our ability to refinance our scheduled debt maturities, our ability to meet our other obligations as they come due, and our ability to fund acquisitions or other strategic transactions.

The capital and credit markets experience volatility and disruption. At times, the markets have exerted extreme downward pressure on stock prices and upward pressure on the cost of new debt capital and have severely restricted credit availability for most issuers.

We rely on the capital markets, particularly for offerings of debt securities, as well as the credit markets, to meet our financial commitments and liquidity needs and to fund acquisitions and other strategic transactions. Disruptions or volatility in the capital and credit markets could adversely affect our ability to refinance on satisfactory terms, or at all, our scheduled debt maturities and could adversely affect our ability to draw on our revolving credit facility.

Market disruptions in the past were accompanied by a broader economic downturn, which led to lower demand for our products, such as video services, as well as lower levels of television advertising, and increased incidence of customers' inability to pay for the services we provide. A recurrence of those conditions may further adversely impact our business, financial condition and results of operations.

Economic downturns may impact our ability to comply with the covenants and restrictions in our indentures, credit facilities and agreements governing our other indebtedness and may impact our ability to pay or refinance our indebtedness as it comes due. If we do not repay or refinance our debt obligations when they become due and do not otherwise comply with the covenants and restrictions in our indentures, credit facilities and agreements governing our other indebtedness, we would be in default under those agreements and the debt incurred under those agreements could then be declared immediately due and payable. In addition, any default under our indentures, credit facilities or agreements governing our other indebtedness could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross-default provisions. If the indebtedness under our indentures, credit facilities and our other debt instruments were accelerated, we would not have sufficient assets to repay amounts due thereunder. To avoid a default, we could be required to defer capital expenditures, sell assets, seek strategic investments from third parties or otherwise reduce or eliminate discretionary uses of cash. However, if such measures were to become necessary, there can be no assurance that we would be able to sell sufficient assets or raise strategic investment capital sufficient to meet our scheduled debt maturities as they come due. In addition, any significant reduction in necessary capital expenditures could adversely affect our ability to retain our existing customer base and obtain new customers, which would adversely affect our business, financial condition and results of operations.

Disruptions in the capital and credit markets can also result in higher interest rates on publicly issued debt securities and increased costs under credit facilities. Such disruptions would increase our interest expense, adversely affecting our business, financial condition and results of operations.

Our access to funds under our revolving credit facility is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our revolving credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer term, volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our businesses. Such disruptions could require us to take measures to

conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

A lowering or withdrawal of the ratings assigned to our subsidiaries' debt securities by ratings agencies may further increase our future borrowing costs and reduce our access to capital.

The debt ratings for our subsidiaries' debt securities are below the "investment grade" category, which results in higher borrowing costs as well as a reduced pool of potential purchasers of that debt as some investors will not purchase debt securities that are not rated in an investment grade rating category. In addition, there can be no assurance that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency, if in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of a rating may further increase our future borrowing costs and reduce our access to capital.

Our ability to meet our respective obligations under our indebtedness may be restricted by limitations on our subsidiaries' ability to send funds.

Our principal subsidiaries include various entities that own cable systems and other businesses. Our ability to pay interest and principal on our respective outstanding indebtedness is dependent upon the operations of our subsidiaries and the distributions or other payments of the cash they generate to us and our other subsidiaries in the form of distributions, loans or advances. Our subsidiaries are separate and distinct legal entities and, unless any such subsidiaries have guaranteed the underlying indebtedness, have no obligation, contingent or otherwise, to pay any amounts due on our or our other subsidiaries' indebtedness or to make any funds available to us or our other subsidiaries to do so. These subsidiaries may not generate enough cash to make such funds available to our indebted subsidiaries and in certain circumstances legal and contractual restrictions may also limit their ability to do so. Also, our subsidiaries' creditors, including trade creditors, in the event of a liquidation or reorganization of any subsidiary, would be entitled to a claim on the assets of such subsidiaries, including any assets transferred to those subsidiaries, prior to any of our claims as a stockholder and those creditors are likely to be paid in full before any distribution is made to us. To the extent that we are a creditor of a subsidiary, our claims could be subordinated to any security interest in the assets of that subsidiary and/or any indebtedness of that subsidiary senior to that held by us.

Our ability to incur debt and the use of our funds are limited by significant restrictive covenants in financing agreements.

Our credit facilities and debt instruments contain various financial and operating covenants that, among other things, require the maintenance of financial ratios and restrict the relevant borrower's ability to incur debt from other sources and to use funds for various purposes, including investments in some subsidiaries and payment of dividends. We are also subject to certain affirmative covenants contained in certain of the indentures, credit facilities and agreements governing our other indebtedness, which require us to maintain as specified financial ratio upon the outstanding utilizations exceeding certain thresholds. Our ability to meet these financial ratios may be affected by events beyond our control and, as a result, we cannot assure you that we will be able to meet these ratios. Violation of these covenants could result in a default that would permit the parties who have lent money under such credit facilities and such other debt instruments to:

- restrict the ability to borrow undrawn funds under such credit facilities, and
- require the immediate repayment of the borrowings thereunder.

These events would be likely to have a material adverse effect on the value of our debt and equity securities.

We will need to raise significant amounts of funding over the next several years to fund capital expenditures, repay existing obligations and meet other obligations and the failure to do so successfully could adversely affect our business. We may also engage in extraordinary transactions that involve the incurrence of large amounts of debt.

Our business is very capital intensive. Operating and maintaining our cable systems requires significant amounts of cash payments to third parties. Capital expenditures were $327.2 million, $478.4 million and $420.6 million in 2016, 2015 and 2014, respectively, and primarily include payments for customer premise equipment, such as new digital video cable boxes and modems, as well as infrastructure and capital expenditures related to our networks, in addition to the capital requirements of our other businesses.

Starting in the second half of 2014 we began our "Operation Gigaspeed" initiative to upgrade data network headend equipment, replace any remaining deployed Data over Cable Service Interface Specification ("DOCSIS") 2.0 customer premises equipment with DOCSIS 3.0 equipment, and complete our all-digital video conversion. We expect to complete these enhancements in a phased, market-by-market approach, focusing first on our largest and most competitive markets. Once fully phased in, the plan calls for our flagship Internet speed to increase from 15 to 200 Mbps and our top Internet speed to increase from over 100 Mbps to 1 Gbps in a vast majority of our markets. We completed the initial phases of Operation GigaSpeed in 112 markets, which serve approximately 90% of our residential high-speed Internet customers. As of December 31, 2016, we incurred $148 million, in capital expenditures related to this initiative. In November 2016, we announced we would build a fiber-to-the-home network capable of delivering speeds of up to 10Gbps across a portion of our footprint by the end of 2021. We may incur greater than anticipated capital expenditures in connection with this initiative, fail to realize anticipated benefits, experience business disruptions or encounter other challenges in the completion of its execution as planned.

We expect capital expenditures to continue to be significant as we further enhance our service offerings. We may have substantial future capital commitments in the form of long-term contracts that require substantial payments over a period of time. We will not be able to generate sufficient cash internally to fund anticipated capital expenditures, meet these obligations and repay our indebtedness at maturity. Accordingly, we will have to do one or more of the following:

- refinance existing obligations to extend maturities;
- raise additional capital, through debt or equity issuances or both;
- cancel or scale back current and future spending programs; or
- sell assets or interests in one or more of our businesses.

However, we may not be able to refinance existing obligations or raise any required additional capital or to do so on favorable terms. Borrowing costs related to future capital raising activities may be significantly higher than our current borrowing costs and we may not be able to raise additional capital on favorable terms, or at all, if unsettled conditions in financial markets recur. If we are unable to pursue our current and future spending programs, we may be forced to cancel or scale back those programs. Our choice of which spending programs to cancel or reduce may be limited. Failure to successfully pursue our capital expenditure and other spending plans could materially and adversely affect our ability to compete effectively. It is possible that in the future we may also engage in extraordinary transactions and such transactions could result in the incurrence of substantial additional indebtedness.

We rely on network and information systems for our operations, and a disruption or failure of those systems may disrupt our operations.

Network and information systems are essential to our ability to deliver our services to our customers. We have in place multiple security systems designed to protect against intentional or unintentional disruption, failure, misappropriation or corruption of our network and information systems. A problem of this type might be caused by events such as computer hacking, computer viruses, worms and other destructive or disruptive software, "cyber attacks" and other malicious activity, as well as natural disasters, power outages, terrorist attacks and similar events. Such events could have an adverse impact on us and our customers, including degradation of service, service disruption, excessive call volume to call centers and damage to our plant, equipment and data. Operational or business delays may result from the disruption of network or information systems and the subsequent remediation activities. Moreover, these events may create negative publicity resulting in reputation or brand damage with customers and our results of operations could suffer. We also use certain vendors to supply some of the hardware, software and support of our network. If these vendors are unable to provide equipment or service for any reason, for example due to breach of contract, operational difficulties or financial difficulties or if we are not able to negotiate renewals or extensions of existing agreements with these vendors, our ability to replace these vendors may be limited, which could negatively impact our operations.

We have expended, and expect to continue to spend in the future, significant amounts to protect our network and information systems; however, there can be no assurance that these efforts will prevent any of the problems identified above.

If we experience a significant data security breach or fail to detect and appropriately respond to a significant data security breach, our results of operations and reputation could suffer.

The nature of our business involves the receipt and storage of information about our customers and employees. We have procedures in place to detect and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems or facilities. If our efforts to protect the security of information about our customers and employees are unsuccessful, a significant data security breach may result in costly government enforcement actions, private litigation and negative publicity resulting in reputation or brand damage with customers, and our results of operations could suffer.

Significant unanticipated increases in the use of bandwidth-intensive Internet-based services could increase our costs.

The rising popularity of bandwidth-intensive Internet-based services poses risks for our high-speed Internet services. Examples of such services include peer-to-peer file sharing services, gaming services and the delivery of video via streaming technology and by download. If heavy usage of bandwidth-intensive services grows beyond our current expectations, we may need to incur more expenses than currently anticipated to expand the bandwidth capacity of our systems or our customers could have a suboptimal experience when using our high-speed Internet service. In order to continue to provide quality service at attractive prices, we need the continued flexibility to develop and refine business models that respond to changing consumer uses and demands and to manage bandwidth usage efficiently. Our ability to do these things could be restricted by regulatory and legislative efforts to impose so-called "net neutrality" requirements on cable operators like us that provide high-speed Internet services. See discussion under "Item 1, Regulation and Legislation".

Our business depends on intellectual property rights and on not infringing on the intellectual property rights of others.

We rely on our copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. Third parties have in the past, and may in the future, assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the rapid rate of issuance of new patents, we believe it is not possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers, or customers, alleging infringement of their proprietary rights with respect to our existing or future products and/or services or components of those products and/or services.

Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to modify our business, develop a non-infringing technology, use alternate technology or enter into license agreements. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to modify our business, develop non-infringing technology, use alternate technology or license the proprietary rights on commercially reasonable terms and conditions, our business, results of operations and financial condition could be materially adversely affected.

We may be liable for the material that content providers distribute over our networks.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our

networks. Claims could challenge the accuracy of materials on our network or could involve matters such as defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks or are required to defend ourselves against such claims, our business, financial condition and results of operations could be materially adversely affected.

A significant amount of our book value consists of intangible assets that may not generate cash in the event of a voluntary or involuntary sale.

At December 31, 2016, we reported approximately $10.3 billion of consolidated total assets, of which approximately $7.9 billion were intangible. Intangible assets primarily include franchises from city and county governments to operate cable television systems, goodwill, subscriber relationships, and trade names. While we believe that the carrying values of our intangible assets are recoverable, we may not receive any cash from the voluntary or involuntary sale of these intangible assets, particularly if we were not continuing as an operating business. We urge you to read carefully our consolidated financial statements contained herein, which provide more detailed information about these intangible assets.

We may seek acquisitions and other strategic transactions and the integration of acquisitions could materially adversely affect our business, financial condition and results of operations.

Our business has grown as a result of acquisitions. Acquisitions entail numerous risks, including:

- strain on our financial, management and operational resources, including the distraction of our management team in identifying potential acquisition targets, conducting due diligence and negotiating acquisition agreements;
- difficulties in integrating the operations, personnel, products, technologies and systems of acquired businesses;
- difficulties in enhancing our customer support resources to adequately service our existing customers and the customers of acquired businesses;
- the potential loss of key employees or customers of the acquired businesses;
- unanticipated liabilities or contingencies of acquired businesses;
- unbudgeted costs which we may incur in connection with pursuing potential acquisitions which are not consummated;
- failure to achieve projected cost savings or cash flow from acquired businesses;
- fluctuations in our operating results caused by incurring considerable expenses to acquire businesses before receiving the anticipated revenues expected to result from the acquisitions; and
- difficulties in obtaining regulatory approvals required to consummate acquisitions.

If we make acquisitions or other strategic transactions in the future, we may incur more debt, contingent liabilities and amortization expenses, which could materially adversely affect our business, financial condition and results of operations. We could also issue substantial additional equity which could dilute existing stockholders.

If our acquisitions do not result in the anticipated operating efficiencies, are not effectively integrated, or result in costs which exceed our expectations, our business, financial condition and results of operations could be materially adversely affected.

If we are unable to retain key employees, our ability to manage our business could be adversely affected.

Our operational results have depended, and our future results will depend, upon the retention and continued performance of our management team. The competitive environment for management talent in the broadband communications industry could adversely impact our ability to retain and hire new key employees for management positions. The loss of the services of key members of management and the inability or delay in hiring new key employees could adversely affect our ability to manage our business and our future operational and financial results.

Our overlapping executives may result in the diversion of corporate opportunities and other potential conflicts.

Our board of directors has adopted a policy that acknowledges that directors and officers of the Company may also be serving as directors, officers, employees or agents of Altice N.V. and its subsidiaries other than us and that we may engage in material business transactions with such entities. The Company renounced its rights to certain business opportunities and the new policy provides that no director or officer of the Company who is also serving as a director, officer, employee or agent of Altice N.V. and its other subsidiaries will be liable to the Company for breach of any fiduciary duty that would otherwise exist by reason of the fact that any such individual directs a corporate opportunity (other than certain limited types of opportunities set forth in the policy) to Altice N.V. and its other subsidiaries instead of the Company, or does not refer or communicate information regarding such corporate opportunities to the Company. The policy expressly validates certain contracts, agreements, assignments and transactions (and amendments, modifications or terminations thereof) between the Company and Altice N.V. and/or any of its other subsidiaries and, to the fullest extent permitted by law, provides that the actions of the overlapping directors or officers in connection therewith are not breaches of fiduciary duties owed to the Company or any of its subsidiaries.

Risks Related to Regulatory and Legislative Matters

Our business is subject to extensive governmental legislation and regulation, which could adversely affect our business, increase our operational and administrative expenses and limit our revenues.

Regulation of the cable industry has increased cable operators' operational and administrative expenses and limited their revenues. Cable operators are subject to, among other things:

- rules governing the provisioning and marketing of cable equipment and compatibility with new digital technologies;
- rules and regulations relating to customer and employee privacy;
- rules establishing limited rate regulation of video service;
- rules governing the copyright royalties that must be paid for retransmitting broadcast signals;
- rules governing when a cable system must carry a particular broadcast station and when it must first obtain retransmission consent to carry a broadcast station;
- rules governing the provision of channel capacity to unaffiliated commercial leased access programmers;
- rules limiting the ability to enter into exclusive agreements with MDUs, and control inside wiring;
- rules, regulations and regulatory policies relating to the provision of high-speed Internet service, including new "net neutrality" requirements;
- rules, regulations and regulatory policies relating to the provision of voice communications;
- rules for franchise renewals and transfers; and
- other requirements covering a variety of operational areas such as equal employment opportunity, emergency alert systems, disability access, technical standards and customer service and consumer protection requirements.

Additionally, many aspects of these regulations are currently the subject of judicial proceedings and administrative or legislative proposals. There are also ongoing efforts to amend or expand the federal, state and local regulation of some of our cable systems, which may compound the regulatory risks we already face, and proposals that might make it easier for our employees to unionize. The federal Internet Tax Freedom Act, which prohibited many taxes on Internet access service, but was subject to periodic renewals, was recently modified so that the collection of taxes on Internet service is now permanently prohibited. Certain states and localities are considering new cable and telecommunications taxes that could increase operating expenses. Certain states are also considering adopting energy efficiency regulations governing the operation of equipment that we use, which could constrain innovation. Congress is considering whether to rewrite the entire Communications Act of 1934, as amended (the "Communications Act") to account for changes in the communications marketplace or to adopt more focused changes. In response to recent data breaches and increasing concerns regarding the protection of consumers' personal information, Congress and regulatory agencies are considering the adoption of new privacy and data security laws and regulations that could result in additional privacy, as well as

network and information security, requirements for our business. These new laws, as well as existing legal and regulatory obligations, could require significant expenditures.

Our cable system franchises are subject to non-renewal or termination. The failure to renew a franchise in one or more key markets could adversely affect our business.

Our cable systems generally operate pursuant to franchises, permits and similar authorizations issued by a state or local governmental authority controlling the public rights-of-way. Some franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. In many cases, franchises are terminable if the franchisee fails to comply with significant provisions set forth in the franchise agreement governing system operations. Franchises are generally granted for fixed terms and must be periodically renewed. Franchising authorities may resist granting a renewal if either past performance or the prospective operating proposal is considered inadequate. Franchise authorities often demand concessions or other commitments as a condition to renewal. In some instances, local franchises have not been renewed at expiration, and we have operated and are operating under either temporary operating agreements or without a franchise while negotiating renewal terms with the local franchising authorities. Approximately 2.6% of our franchises, covering approximately 3% of our video customers, had expired as of December 31, 2016. Approximately 3% of additional franchises, covering approximately 5% of additional video customers, will expire on or before December 31, 2017, if not renewed prior to expiration, approximately half of which are subject to replacement by state issued franchises. We expect to renew or continue to operate under all or substantially all of these franchises.

The traditional cable franchising regime is currently undergoing significant change as a result of various federal and state actions. Some state franchising laws do not allow incumbent operators like us to immediately opt into favorable statewide franchising as quickly as new entrants, and often require us to retain certain franchise obligations that are more burdensome than those applied to new entrants.

We cannot assure you that we will be able to comply with all significant provisions of our franchise agreements and certain of our franchisors have from time to time alleged that we have not complied with these agreements. Additionally, although historically we have renewed our franchises without incurring significant costs, we cannot assure you that we will be able to renew, or to renew on terms as favorable, our franchises in the future. A termination of or a sustained failure to renew a franchise in one or more key markets could adversely affect our business in the affected geographic area.

Our cable system franchises are non-exclusive. Accordingly, local and state franchising authorities can grant additional franchises and create competition in market areas where none existed previously, resulting in overbuilds, which could adversely affect results of operations.

Our cable system franchises are non-exclusive. Consequently, local and state franchising authorities can grant additional franchises to competitors in the same geographic area or operate their own cable systems. In some cases, local government entities and municipal utilities may legally compete with us without securing a local franchise or on more favorable franchise terms. There are federal legislative and regulatory proposals now pending regarding the ability of municipalities to construct and deploy broadband facilities that could compete with our cable systems. In addition, certain telephone companies are seeking authority to operate in communities without first obtaining a local franchise. As a result, competing operators may build systems in areas in which we hold franchises. The FCC has adopted rules that streamline entry for new competitors (including those affiliated with telephone companies) and reduce franchising burdens for these new entrants. At the same time, a substantial number of states have adopted new franchising laws. Again, these laws were principally designed to streamline entry for new competitors, and they often provide advantages for these new entrants that are not immediately available to existing operators. As a result of these new franchising laws and regulations, we have seen an increase in the number of competitive cable franchises or operating certificates being issued, and we anticipate that trend to continue.

The FCC also administers a program that collects Universal Service Fund contributions from telecommunications service providers and uses them to subsidize the provision of telecommunications services in high-cost areas and to low-income consumers and the provision of Internet and telecommunications services to schools, libraries and certain health care providers. The FCC has begun to redirect some of this funding to broadband deployment in ways that could assist competitors in competing with our services.

Local franchising authorities have the ability to impose additional regulatory constraints on our business, which could reduce our revenues or increase our expenses.

In addition to the franchise agreement, local franchising authorities in some jurisdictions have adopted cable regulatory ordinances that further regulate the operation of cable systems. This additional regulation increases the cost of operating our business. For example, some local franchising authorities impose minimum customer service standards on our operations. There are no assurances that the local franchising authorities will not impose new and more restrictive requirements. Local franchising authorities who are certified to regulate rates generally have the power to reduce rates and order refunds on the rates charged for basic service and equipment, which could reduce our revenues.

Further regulation of the cable industry could restrict our marketing options or impair our ability to raise rates to cover our increasing costs.

The cable industry has operated under a federal rate regulation regime for approximately two decades. Currently, rate regulation is strictly limited to the basic service tier and associated equipment and installation activities. Our franchise authorities have not certified to exercise this limited rate regulation authority, and they would now need to demonstrate that absence of "effective competition" (as defined under federal law) as part of any rate regulation certification. However, the FCC and Congress continue to be concerned that cable rate increases are exceeding inflation. It is possible that either the FCC or Congress will adopt more extensive rate regulation for our video services or regulate our other services, such as high-speed Internet and telephone services, which could impede our ability to raise rates, or require rate reductions. To the extent we are unable to raise our rates in response to increasing costs, or are required to reduce our rates, our business, financial condition, results of operations and liquidity will be materially adversely affected. There has been legislative and regulatory interest in requiring cable operators to offer historically bundled programming services on an á la carte basis. It is possible that new marketing restrictions could be adopted in the future. These restrictions could affect how we provide, and limit, customer equipment used in connection with our service and how we provide access to video programming beyond conventional cable delivery. A recent FCC proposal that would require multichannel video programming distributors ("MVPDs") to accommodate third-party devices through the provision of multiple "information flows" to third-party devices could adversely affect our relationship with our customers and programmers and our operations. It is also possible that regulations will be adopted affecting the negotiations between MVPDs (like us) and programmers. While these regulations might provide us with additional rights and protections in our programming negotiations, they might also limit our flexibility in ways that adversely affect our operations.

We may be materially adversely affected by regulatory changes related to pole attachment costs.

Pole attachments are cable wires that are attached to utility poles. Cable system pole attachments to utility poles historically have been regulated at the federal or state level, generally resulting in favorable pole attachment rates for attachments used to provide cable service. Any changes in the current pole attachment approach could result in a substantial increase in our pole attachment costs.

Changes in channel carriage regulations could impose significant additional costs on us.

Cable operators also face significant regulation affecting the carriage of broadcast and other programming channels. We can be required to devote substantial capacity to the carriage of programming that we might not otherwise carry voluntarily, including certain local broadcast signals; local public, educational and governmental access programming; and unaffiliated, commercial leased access programming (channel capacity designated for use by programmers unaffiliated with the cable operator). Regulatory changes in this area could disrupt existing programming commitments, interfere with our preferred use of limited channel capacity and limit our ability to offer services that would maximize our revenue potential. It is possible that other legal restraints will be adopted limiting our discretion over programming decisions.

Increasing regulation of our Internet service product could adversely affect our ability to provide new products and services.

On February 26, 2015, the FCC adopted a new "network neutrality" or "open Internet" Order that: (1) reclassified broadband Internet access service as a Title II common carrier service, (2) applied certain existing Title II provisions and associated regulations; (3) forbore from applying a range of other existing Title II provisions and associated regulations, but to varying degrees indicated that this forbearance may be only temporary, and (4) issued new rules expanding disclosure requirements and prohibiting blocking, throttling, paid prioritization, and unreasonable interference

with the ability of end users and edge providers to reach each other. The Order also subjected broadband providers' Internet traffic exchange rates and practices to potential FCC oversight and created a mechanism for third parties to file complaints regarding these matters. The Order has been appealed by multiple parties, but the rules are currently in effect. The Order could limit our ability to efficiently manage our cable systems and respond to operational and competitive challenges.

Offering telephone services may subject us to additional regulatory burdens, causing us to incur additional costs.

We offer telephone services over our broadband network and continue to develop and deploy interconnected VoIP services. The FCC has ruled that competitive telephone companies that support VoIP services, such as those that we offer to our customers, are entitled to interconnect with incumbent providers of traditional telecommunications services, which ensures that our VoIP services can operate in the market. However, the scope of these interconnection rights are being reviewed in a current FCC proceeding, which may affect our ability to compete in the provision of voice services or result in additional costs. It remains unclear precisely to what extent federal and state regulators will subject VoIP services to traditional telephone service regulation. Expanding our offering of these services may require us to obtain certain authorizations, including federal and state licenses. We may not be able to obtain such authorizations in a timely manner, or conditions could be imposed upon such licenses or authorizations that may not be favorable to us. The FCC has already extended certain traditional telecommunications requirements, such as E911 capabilities, Universal Service Fund contribution, Communications Assistance for Law Enforcement Act ("CALEA"), measures to protect Customer Proprietary Network Information and customer privacy, disability access, number porting, battery back-up, network outage reporting, rural call completion reporting, and other regulatory requirements to many VoIP providers such as us. If additional telecommunications regulations are applied to our VoIP service, it could cause us to incur additional costs and may otherwise materially adversely impact our operations. In 2011, the FCC released an order significantly changing the rules governing intercarrier compensation for the origination and termination of telephone traffic between interconnected carriers. These rules have resulted in a substantial decrease in interstate compensation payments over a multi-year period. Further, the FCC's initiative to collect data concerning certain point to point transport ("special access") services we provide could result in additional regulatory burdens and additional costs.

We may be materially adversely affected by regulatory, legal and economic changes relating to our physical plant.

Our systems depend on physical facilities, including transmission equipment and miles of fiber and coaxial cable. Significant portions of those physical facilities occupy public rights-of-way and are subject to local ordinances and governmental regulations. Other portions occupy private property under express or implied easements, and many miles of the cable are attached to utility poles governed by pole attachment agreements. No assurances can be given that we will be able to maintain and use our facilities in their current locations and at their current costs. Changes in governmental regulations or changes in these relationships could have a material adverse effect on our business and our results of operations.

ITEM 2. PROPERTIES

Our principal physical assets consist of cable operating plant and equipment, including signal receiving, encoding and decoding devices, headend facilities, fiber optic transport networks, coaxial and distribution systems and equipment at or near customers' homes or places of business for each of the systems. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headend facilities are located near the receiving devices. Our distribution system consists primarily of coaxial and fiber optic cables and related electronic equipment. Customer premise equipment consists of set-top devices, cable modems, wireless devices and media terminal adapters for telephone. Our cable plant and related equipment generally are attached to utility poles under pole rental agreements with local public utilities; although in some areas the distribution cable is buried in underground ducts or directly in trenches. The physical components of the cable systems require maintenance and periodic upgrading to improve system performance and capacity. In addition, we operate a network operations center that monitors our network 24 hours a day, seven days a week, helping to ensure a high quality of service and reliability for both our residential and commercial customers.

We own or lease the real property housing our regional call centers, corporate facilities, business offices and warehouses throughout our operating areas. Our headend facilities and signal reception sites are located on owned and leased parcels of land. We own most of our service vehicles. We believe that our properties, both owned and leased, are in good condition and are suitable and adequate for our operations.

ITEM 3. LEGAL PROCEEDINGS

Refer to Note 15 to our consolidated financial statements included in this Annual Report for a discussion of our legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no public trading market for Cequel's common equity securities, all of which are held by Cequel Holdings.

ITEM 6. SELECTED FINANCIAL DATA

The information in the following table should be read together with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and accompanying notes included in Item 8. "Financial Statements and Supplementary Data". The following selected financial historical financial data have been derived from our audited consolidated financial statements.

As a result of the application of push down accounting in connection with the Altice Acquisition, our financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: the periods up to the acquisition date, January 1, 2015 through December 20, 2015 and the years ended December 31, 2014, 2013 and 2012 labeled "Predecessor" and the periods from the acquisition date, December 21, 2015 through December 31, 2015 and the year ended December 31, 2016 labeled "Successor". The Predecessor periods represent the financial information of the Company prior to the Altice Acquisition, while the Successor period represents the financial information of the Company subsequent to the Altice Acquisition. The accompanying selected financial data includes a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial statements for the Predecessor periods and for the Successor periods are not comparable. We believe that the combined results of operations for the twelve months ended December 31, 2015 provided are more meaningful as it allows the results of operations to be analyzed to a comparable period in 2016.

The following table details selected historical financial data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 (dollars in thousands).

	Successor		Successor	Predecessor			
					Years ended December 31,		
	2016 (a)	Combined 2015 (b)	December 21, 2015 to December 31, 2015	January 1, 2015 to December 20, 2015 (c)	2014	2013	2012
Revenues	$ 2,573,160	$ 2,420,312	$ 72,943	$ 2,347,369	$ 2,330,697	$ 2,183,301	$ 2,054,784
Operating expenses	2,187,873	2,371,076	89,321	2,281,755	2,072,198	1,998,633	1,728,730
Operating income (loss)	385,287	49,236	(16,378)	65,614	258,499	184,668	326,054
Other income (expense):							
Interest expense, net	(408,452)	(248,032)	(10,707)	(237,325)	(230,156)	(243,270)	(287,002)
Loss on termination of derivative instruments	—	—	—	—	—	—	(6,565)
Loss on interest rate swap contracts	(72,961)	—	—	—	—	—	—
Loss on extinguishment of debt	(24,755)	—	—	—	—	(6,525)	(33,147)
Other expenses	—	—	—	—	—	—	(46,045)
Income (loss) before income taxes	(120,881)	(198,796)	(27,085)	(171,711)	28,343	(65,127)	(46,705)
Income tax benefit (expense)	(107,555)	(28,257)	9,969	(38,226)	(8,861)	16,691	3,428
Net income (loss)	$ (228,436)	$ (227,053)	$ (17,116)	$ (209,937)	$ 19,482	$ (48,436)	$ (43,277)
Balance Sheet Data:							
Cash	$ 184,933	$ 80,456	$ 80,456	$ —	$ 146,922	$ 192,014	$ 208,482
Total assets (d) (e)	10,293,622	10,554,845	10,554,845	—	7,008,079	7,165,267	7,429,485
Debt (e)	6,558,648	6,138,820	6,138,820	—	5,092,870	4,750,929	4,906,821

(a) Includes additional deferred income tax expense of $153,694.

(b) Combined results for 2015 include the accounts of Predecessor and Successor.
(c) Includes share-based compensation expense of $287,691.
(d) Total assets as of December 31, 2015 includes the step up to fair value resulting from the Altice Acquisition (see Note 3 of the accompanying consolidated financial statements).
(e) Years ended December 31, 2015, 2014, 2013 and 2012 have been restated to reflect the adoption of Accounting Standards Update ("ASU") 2015-03, Simplifying the Presentation of Debt Issuance Costs.

The following table sets forth certain customer metrics. Our methodology of calculating these metrics may not be identical to those used by other companies offering similar services.

	December 31,			Net Increase (Decrease)	
	2016 (a)	2015	2014	2016	2015
	(in thousands, except per customer amounts)				
Total customer relationships (b)	1,611	1,565	1,517	46	48
Residential	1,505	1,467	1,427	38	40
Commercial	106	98	90	8	8
Residential customers:					
Video (c)	1,041	1,093	1,138	(52)	(45)
Digital video (d)	877	880	872	(3)	8
High-speed Internet (e)	1,288	1,223	1,149	65	74
Voice (f)	592	577	548	15	29
Percentage of residential triple product customers to total residential customer relationships (g)	28.0%	28.0%	27.8%	—%	0.2%
Residential homes passed:					
Video	3,254	3,210	3,159	44	51
High-speed Internet	3,150	3,129	3,082	21	47
Voice	2,737	2,709	2,645	28	64
Average monthly revenue per residential customer (h)	$ 117.00	$ 111.80	$ 108.82	$ 5.20	$ 2.98

(a) Beginning in September 2016, the Company changed the timing of when a customer is disconnected. The impact of this change resulted in an increase of approximately 6 thousand video customers, 5 thousand digital video customers, 8 thousand high-speed Internet customers, 2 thousand telephone customers and 10 thousand customer relationships during 2016 as compared to 2015.

(b) Represents number of households/businesses that receive at least one of the Company's video, high-speed Internet or voice services.

(c) Video customers include all residential customers who receive analog or digital video cable services. Also included are commercial or multi-dwelling accounts that are converted to equivalent basic units ("EBUs") by dividing the total bulk billed basic revenues of a particular system by the most prevalent retail rate paid by non-bulk basic customers in that market for a comparable level of service.

(d) Digital video customers include all customers that have one or more digital set-top boxes or cable cards deployed.

(e) High-speed Internet customers include all residential customers who subscribe to our high-speed Internet service.

(f) Voice customers include all residential customers who subscribe to our telephone service. Residential customers who take multiple telephone lines are only counted once in the total.

(g) Represents the number of residential customers that subscribe to three of our cable services divided by total residential customer relationships.

(h) Calculated by dividing the average monthly revenue for the fourth quarter of each year presented derived from the sale of video, high-speed data and voice services to residential customers for the respective quarter by the average number of total residential customers for the same period.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All dollar amounts, except per customer and per share data, included in the following discussion under this Item 7, are presented in thousands.

This Annual Report contains statements that constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. In this Annual Report there are statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenue;
- competition for subscribers from existing competitors (such as telephone companies, direct broadcast satellite ("DBS") distributors, and Internet-based providers) and new competitors entering our franchise areas;
- demand for our video, high-speed data and voice services, which is impacted by competition from other services and changes in technology and consumer expectations and behavior;
- the level of our expenses, including the cost of programming;
- the level of our capital expenditures;
- changes in the laws or regulations under which we operate;
- general economic conditions in the areas in which we operate;
- the state of the market for debt securities and bank loans;
- market demand for new services;
- demand for advertising on our cable television systems;
- industry conditions;
- the disruption or failure of our network, information systems or technologies as a result of computer hacking, computer viruses, "cyber attacks," misappropriation of data, outages, natural disasters and other material events;
- the outcome of litigation and other proceedings, including the matters described under Item 3. Legal Proceedings;
- future acquisitions and dispositions of assets;
- whether pending uncompleted transactions, if any, are completed on the terms and at the times set forth (if at all);
- other risks and uncertainties inherent in our cable and other telecommunications services businesses, and our other businesses;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate; and
- the factors described herein, including under the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Annual Report is posted on our website (www.alticeusa.com). We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in our expectations or otherwise.

Summary

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our businesses effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers. See "Item 1A. Risk Factors".

The Altice Acquisition

On December 21, 2015, Altice N.V., a public company with limited liability (*naamloze vennootshcap*) under Dutch law ("Altice"), as successor in interest to Altice S.A., and certain other direct or indirect wholly-owned subsidiaries of Altice (the "Purchasers"), acquired approximately 70% of the total outstanding equity interests in Cequel Corporation (the "Altice Acquisition") from the direct and indirect stockholders of Cequel Corporation (the "Sellers"). Prior to the date thereof, Cequel Corporation was directly or indirectly owned by investment funds advised by BC Partners Limited ("BCP"), CPPIB-Suddenlink LP, a wholly owned subsidiary of Canada Pension Plan Investment Board ("CPPIB" and together with BCP, the "Sponsors"), and IW4MK Carry Partnership LP (the "Management Holder" and together with the Sponsors, the "Stockholders"). The consideration for the acquired equity interests was based on a total equity valuation for 100% of the capital and voting rights of Cequel Corporation of $4,132,000 (less $158,500 of cash reimbursed) which includes $2,956,400 of cash consideration (less $158,500 of cash reimbursed), $675,600 of retained equity held by the Sponsors and $500,000 funded by the issuance by an affiliate of Altice of a senior vendor note that was subscribed by the Sponsors. Following the closing of the Altice Acquisition, the Sponsors retained equity interests in Cequel Corporation representing, in the aggregate, 30% of Cequel Corporation's outstanding capital stock on a post-closing basis. In addition, the carry interest plans of the Stockholders were cashed out based on an agreement between the Sponsors and the Management Holder whereby payments were made to participants in such carry interest plans, including certain officers and directors of Cequel and Cequel Corporation.

In connection with the Altice Acquisition, on June 12, 2015, affiliates of Altice issued (i) $320,000 principal amount of senior Holdco notes due 2025 (the "Holdco Notes"), (ii) $300,000 principal amount of senior notes due 2025 (the "2025 Senior Notes") and (iii) $1,100,000 principal amount of senior secured notes (the "2023 Senior Secured Notes"), the proceeds from which were placed in escrow, to finance a portion of the purchase price for the Altice Acquisition. The Holdco Notes were issued by Altice US Finance S.A. (the "Holdco Notes Issuer"), an indirect subsidiary of Altice, bear interest at a rate of 7.75% per annum and were issued at a price of 98.275%. The 2025 Senior Notes were issued by Altice US Finance II Corporation (the "2025 Senior Notes Issuer"), an indirect subsidiary of Altice, bear interest at a rate of 7.75% per annum and were issued at a price of 100.00%. The 2023 Senior Secured Notes were issued by Altice US Finance I Corporation (the "Senior Secured Notes Issuer"), an indirect subsidiary of Altice, bear interest at a rate of 5.375% per annum and were issued at a price of 100.00%. Interest on the Holdco Notes, the 2025 Senior Notes and the 2023 Senior Secured Notes is payable semi-annually on January 15 and July 15. The Holdco Notes were automatically exchanged into an equal aggregate principal amount of 2025 Senior Notes at Cequel during the second quarter of 2016. Following the consummation of the Altice Acquisition and related transactions, (i) the indirect parent of the Holdco Notes Issuer owned 70% of Cequel Corporation, (ii) the 2025 Senior Notes Issuer merged into Cequel, the Senior Notes became the obligations of Cequel and Cequel Capital Corporation became the co-issuer of the 2025 Senior Notes, and (iii) the equity interests in the Senior Secured Notes Issuer were contributed through one or more intermediary steps to Suddenlink, and the Senior Secured Notes were guaranteed by Cequel Communications Holdings II LLC, Suddenlink and certain of the subsidiaries of Suddenlink and are secured by certain assets of Cequel Communications Holdings II LLC, Suddenlink and its subsidiaries.

In connection with the Altice Acquisition, we received consent from holders of the 2020 Notes to, among other things, waive any obligation that the Issuers may have under the 2020 Indenture to repurchase the 2020 Notes as a result of the consummation of the Altice Acquisition and make certain related changes to the 2020 Indenture (the "Indenture Amendments"), and the Original Issuers entered into a first supplemental indenture to the 2020 Indenture with U.S. Bank National Association, as trustee (the "First Supplemental Indenture"), containing the Indenture Amendments. In exchange for this consent, we paid holders who consented to these amendments an aggregate fee of approximately $26,300 at the closing of the Altice Acquisition, at which time the Indenture Amendments become effective.

In connection with the Altice Acquisition, we received consent from lenders under the credit and guaranty agreement, dated February 14, 2012, entered into by Cequel Communications, LLC, Cequel Communications Holdings II, LLC, certain subsidiaries of Cequel Communications, LLC and a syndicate of lenders, as amended, which provided for up to $2,700,000 of loans in the aggregate, consisting of a $2,200,000 term loan facility funded at closing and a $500,000 revolving credit facility (collectively, the "Old Credit Facility"), to amend the definition of change of control and certain other related definitions therein so that the consummation of the Altice Acquisition did not constitute a change of control and corresponding event of default thereunder (the "Old Credit Facility Amendments"), and we entered into a Second Amendment and Consent to the Old Credit Facility (the "Second Amendment and Consent") with the lenders thereunder,

containing, among other things, the Old Credit Facility Amendments. In exchange for this consent, we paid lenders who consented to these amendments an aggregate fee of approximately $6,800.

In addition, lenders holding (a) $290,000 of loans and commitments under the existing revolving credit facility under the Old Credit Facility and (b) approximately $815,400 of loans under the existing term loan facility under the Old Credit Facility consented to roll over, on a cashless basis, such lenders' loans and commitments under the Old Credit Facility into loans and commitments of the same amount under a new credit facility (the "New Credit Facility") made available to Altice US Finance I Corporation effective upon the consummation of the Altice Acquisition (the "Roll Consents"). Upon the closing of the Altice Acquisition, the $290,000 of loans and commitments under the existing revolving credit facility under the Old Credit Facility that lenders elected to rollover into the New Credit Facility, plus $60,000 of new revolving commitments from other lenders, formed a new $350,000 revolving credit facility under the New Credit Facility, and all remaining commitments under the then existing $500,000 revolving credit facility under the Old Credit Facility were terminated.

Overview

We derive revenue principally through monthly charges to residential subscribers of our video, high-speed data and VoIP services. These monthly charges include fees for video programming, high-speed data and VoIP services, as well as equipment rental, digital video recorder ("DVR"), video-on-demand, pay-per-view, installation and home shopping commissions. Our video, high-speed Internet and telephone services accounted for 42%, 32% and 6%, respectively, of our consolidated revenue for the year ended December 31, 2016. We also derive revenue from the sale of telecommunication services to commercial customers and from the sale of video, high-speed Internet and telephone services to small and medium-sized businesses, which accounted for 16% our consolidated revenue. In addition, we derive revenues from the sale of advertising time available on the programming carried on our cable television systems. Advertising revenue accounted for 3% of our consolidated revenue for the year ended December 31, 2016. Our other revenue which accounted for approximately 1% of our consolidated revenue includes equipment sales, wire maintenance charges, security revenues and other miscellaneous revenue streams.

Revenue increases are derived from rate increases, increases in the number of subscribers to our services, including additional services sold to our existing subscribers, programming package upgrades by our video customers, speed tier upgrades by our high-speed Internet customers, and acquisition transactions that result in the addition of new subscribers.

Viacom Contract

We were unable to reach agreement with Viacom on acceptable economic terms for a long-term programming contract renewal, and effective October 1, 2014, all Viacom networks were removed from our channel lineups, and we launched alternative networks offered by other programmers under new long-term contracts.

Operation Reliant

Under a multi-year agreement that expired in December 2014, a third-party provider performed certain functions and services necessary to provide our telephone service, such as carrying traffic to and from destinations outside our network via the public switched telephone network, delivering E911 service and assisting in local number portability and long-distance traffic carriage. In March 2013, we began "Operation Reliant," an initiative to replace our use of the third-party provider with our own internal platform and resources. The majority of the migration activity relating to Operation Reliant began in the third quarter of 2014, and we substantially migrated all residential and commercial lines by the end of 2014. We significantly reduced telephone operating expenses upon completion of Operation Reliant.

Operation GigaSpeed

Starting in the second half of 2014 and extending through 2018, we are enhancing our Internet speeds in markets serving over 94% of our high-speed Internet customers to ultimately position our network to offer speeds of up to 1 Gbps in markets serving nearly 72% of our high-speed Internet customers. Internally known as "Operation GigaSpeed," this initiative includes expenditures to upgrade data network headend equipment, replace any remaining deployed Data over Cable Service Interface Specification ("DOCSIS") 2.0 customer premises equipment with DOCSIS 3.0 equipment, and complete our all-digital video conversion. We expect to complete these enhancements in a phased, market-by-market approach, focusing first on our largest and most competitive markets. Once fully phased in, the plan calls for our flagship Internet speed to increase from 15 to 200 Mbps and our top Internet speed to increase from over 100 Mbps to 1 Gbps in a vast majority of our markets. We completed the initial phases of Operation GigaSpeed in 112 markets, which serve

approximately 90% of our residential high-speed Internet customers. Those investments allowed us to increase the flagship Internet speed from 15 Mbps to 50 Mbps and to increase our top Internet speed to up to 150 Mbps in those markets, with top speeds in 28 markets increasing to 1 Gbps, which serve approximately 60% of our residential high-speed Internet customers. For the year ended December 31, 2016, we incurred approximately $31,464 of capital expenditures related to Operation GigaSpeed. Since the inception of Operation GigaSpeed, we have incurred $147,981 of capital expenditures related to this initiative. In November 2016, we announced we would build a fiber-to-the-home network capable of delivering speeds of up to 10Gbps across most of our footprint by the end of 2021.

Certain Transactions

On January 2, 2014, we acquired three cable systems from Northland Communications ("Northland") for approximately $40,600 using cash on hand (the "Northland Acquisition"). The cable systems involved in the Northland Acquisition serve nearly 12,000 residential and more than 500 commercial customers and are located in Texas near our existing markets, which allowed efficient integration with our existing systems.

On October 1, 2014, the Company acquired two cable systems in Nevada from NewWave Communications ("New Wave") for $6,100, using cash on hand (the "New Wave Acquisition"). The cable systems involved in the New Wave Acquisition serve nearly 3,000 residential and less than 100 commercial customers and are located in Nevada near our existing markets, which allowed efficient integration with our existing systems.

Critical Accounting Policies

In preparing its financial statements, the Company is required to make certain estimates, judgments and assumptions that it believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies, which we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

Business Combinations

The Company applied business combination accounting for the Altice Acquisition, which resulted in a new accounting basis in the identifiable assets and liabilities. Accordingly, the consolidated financial statements on or after December 21, 2015 are not comparable to the consolidated financial statements prior to that date. The financial statements for the periods ended prior to December 21, 2015 do not include the effect of any changes in the Company's corporate structure or changes in the fair value of assets and liabilities as a result of business combination accounting.

Business combination accounting requires that the assets acquired and liabilities assumed be recorded at the date of the Altice Acquisition at their respective estimated fair values. The excess purchase price over fair value is recorded as goodwill. In determining estimated fair values, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, discount rates, remaining useful lives of long-lived assets, useful lives of identified intangible assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges in certain instances if the asset becomes impaired, and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain. See Note 3 for a summary of the application of business combination accounting.

Impairment of Long-Lived and Indefinite-Lived Assets

The Company's long-lived and indefinite-lived assets at December 31, 2016 include goodwill of $2,153,741, other intangible assets of $5,758,127 ($4,906,506 of which are indefinite-lived intangible assets), and $2,006,787 of property, plant and equipment. Such assets accounted for approximately 96% of the Company's consolidated total assets. Goodwill and identifiable indefinite-lived intangible assets, which primarily represent the Company's cable television franchises are tested annually for impairment during the fourth quarter ("annual impairment test date") and upon the occurrence of certain events or substantive changes in circumstances.

The Company is operated as a single reporting unit for the goodwill impairment test and operates a single unit of accounting for the indefinite-lived asset impairment test. We assess qualitative factors and other relevant events and circumstances that affect the fair value of the reporting unit and its identifiable indefinite-lived intangible assets, such as:

- macroeconomic conditions;
- industry and market conditions;
- cost factors;
- overall financial performance;
- changes in management, strategy or customers;
- relevant specific events such as a change in the carrying amount of net assets, a more-likely-than-not expectation of selling or disposing all, or a portion, of a reporting unit or unit of accounting; and
- sustained decrease in share price, as applicable.

The Company assesses these qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that the reporting unit's fair value is less than its carrying amount.

When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the Company is required to determine goodwill impairment using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of the reporting unit with its carrying amount, including goodwill utilizing an enterprise-value based premise approach. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill that would be recognized in a business combination.

The Company assesses the qualitative factors discussed above to determine whether it is necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that a unit of accounting's fair value is less than its carrying amount. When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the impairment test for identifiable indefinite-lived intangible assets requires a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. At December 31, 2016 the Company had indefinite-lived cable television franchises of $4,906,506, reflecting agreements we have with state and local governments that allow us to construct and operate a cable business within a specified geographic area and allow us to solicit and service potential customer in the service areas defined by the franchise rights currently held by the Company.

For other long-lived assets, including intangible assets that are amortized such as customer relationships and trade names, the Company evaluates assets for recoverability when there is an indication of potential impairment. If the undiscounted cash flows from a group of assets being evaluated is less than the carrying value of that group of assets, the fair value of the asset group is determined and the carrying value of the asset group is written down to fair value.

In assessing the recoverability of the Company's goodwill and other long-lived assets, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. These estimates and assumptions could have a significant impact on whether an impairment charge is recognized and also the magnitude of any such charge. Fair value estimates are made at a specific point in time, based on relevant information. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Estimates of fair value are primarily determined using discounted cash flows and comparable market transactions. These valuations are based on estimates and assumptions including projected future cash flows, discount rate, determination of appropriate market comparables and determination of whether a premium or discount should be applied to comparables. These valuations also include assumptions for average annual revenue per customer, number of serviceable passings, operating margin and market penetration as a percentage of serviceable passings, among other assumptions. Further, the projected cash flow assumptions consider contractual relationships, customer attrition, eventual development of new technologies and market competition. If these estimates or material related assumptions change in the future, the Company may be required to record impairment charges related to its long-lived assets.

During the fourth quarter of 2016, the Company assessed the qualitative factors described above to determine whether it is necessary to perform the two-step quantitative goodwill impairment test and concluded that it is not more likely than not that the reporting unit's fair value is less than its carrying amount. The Company also assessed these qualitative factors to determine whether it is necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test and concluded that it is not more likely than not that the unit of accounting's fair value is less than its carrying amount.

Valuation of Deferred Tax Assets

Deferred tax assets have resulted primarily from our future deductible temporary differences and net operating loss carry forwards ("NOLs"). In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax asset will not be realized. Our ability to realize our deferred tax assets depends upon the generation of sufficient future taxable income and tax planning strategies to allow for the utilization of our NOLs and deductible temporary differences. If such estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets, resulting in additional income tax expense in our consolidated statement of operations. We evaluate the realizability of the deferred tax assets and the need for additional valuation allowances quarterly. At this time, based on current facts and circumstances, we believe that it is more likely than not that we will realize benefit for our gross deferred tax assets, except those deferred tax assets against which a valuation allowance has been recorded which relate to certain state NOLs. We increased the valuation allowance by $191 and $303 in the period from January 1 through December 20, 2015 and for the year ended December 31, 2014, respectively. During 2015 and 2014, certain state NOLs either expired or could not be utilized in the future.

Plant and Equipment

Property, plant and equipment are recorded at cost, including all material, labor and certain indirect costs associated with the construction of the Company's cable systems including line extensions to, and upgrade of, the Company's hybrid fiber/coaxial infrastructure and headend facilities. These costs consist of materials, subcontractor labor, direct consulting fees, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the plant (12 to 20 years) and headend facilities (7 to 10 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred.

Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are also capitalized. Costs capitalized as part of new customer installations include materials, subcontractor costs and internal direct labor costs, including service technicians and internal overhead costs incurred to connect the customer to the plant from the time of installation scheduling through the time service is activated and functioning. The internal direct labor cost capitalized is based on a combination of the actual and estimated time to complete the installation. Overhead capitalized consists mainly of employee benefits, such as payroll taxes and health insurance, directly associated with that portion of the capitalized labor and vehicle operating costs related to capitalizable activities. New connections are amortized over the estimated useful lives of 4-8 years for customer wiring and feeder cable to the home. The portion of departmental costs related to disconnecting services, reconnection of a customer, and repair and maintenance are expensed as incurred.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively.

Refer to Note 2 to our consolidated financial statements included in this Annual Report for a discussion of our accounting policies.

Recently Issued But Not Yet Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business, which amends Topic 805 to interpret the definition of a business by adding guidance to assist in evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The new guidance becomes effective for the Company on January 1, 2019 with early adoption permitted and will be applied prospectively.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. ASU No. 2016-01 modifies how entities measure certain equity investments and also modifies the recognition of changes in the fair value of financial liabilities measured under the fair value option. Entities will be required to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. For financial liabilities measured using the fair value option, entities will be required to record changes in fair value caused by a change in instrument-specific credit risk (own credit risk) separately in other comprehensive income. ASU No. 2016-01 becomes effective for us on January 1, 2018. We have not yet completed the evaluation of the effect that ASU No. 2016-01 will have on our consolidated financial statements.

Non-GAAP Financial Measures

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, loss on extinguishment of debt, gain (loss) on interest rate swap contracts, interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses. We present Adjusted EBITDA as a measure of our ability to service our debt and make continuing investments, including in our capital infrastructure. We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as the most important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with U.S. generally accepted accounting principles ("GAAP"). Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies. Each presentation of Adjusted EBITDA in this Annual Report includes a reconciliation of Adjusted EBITDA to net income (loss).

Consolidated Results of Operations

As a result of the application of push down accounting in connection with the Altice Acquisition, our financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: the periods up to the acquisition date, January 1, 2015 through December 20, 2015 and the years ended December 31, 2014, 2013 and 2012 labeled “Predecessor” and the periods from the acquisition date, December 21, 2015 through December 31, 2015 and the year ended December 31, 2016 labeled “Successor”. The Predecessor periods represent the financial information of the Company prior to the Altice Acquisition, while the Successor period represents the financial information of the Company subsequent to the Altice Acquisition. The accompanying selected financial data includes a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial statements for the Predecessor periods and for the Successor periods are not comparable.

We are presenting the combined results for the 2015 period for discussion purposes as we believe the combined results of operations are more meaningful as it allows the results of operations to be analyzed to a comparable period in 2016 and 2014. Exceptions to this include depreciation and amortization, interest expense, net, and income tax expense, which had significant impacts as a result of the application of push down accounting in connection with the Altice Acquisition, but are separately discussed below.

Certain reclassifications have been made in the consolidated financial statements in the 2014 and 2015 financial statements to conform to the 2016 presentation.

	Years Ended December 31,			2016 to 2015 Favorable (Unfavorable)	% Change 2016 to 2015	2015 to 2014 Favorable (Unfavorable)	% Change 2015 to 2014
	Successor 2016	Combined 2015 (a)	Predecessor 2014				
Revenue:				(dollars in thousands)			
Residential:							
Video	$ 1,083,820	$ 1,081,223	$ 1,111,982	$ 2,597	— %	$ (30,759)	(3)%
High-speed Internet	823,057	690,279	592,130	132,778	19 %	98,149	17 %
Telephone	150,085	158,219	166,432	(8,134)	(5)%	(8,213)	(5)%
Business Services	402,825	377,520	334,936	25,305	7 %	42,584	13 %
Advertising	88,371	87,666	101,197	705	1 %	(13,531)	(13)%
Other	25,002	25,405	24,020	(403)	(2)%	1,385	6 %
Total Revenue	2,573,160	2,420,312	2,330,697	152,848	6 %	89,615	4 %
Operating expenses:							
Programming and other direct cost	735,069	712,715	738,106	(22,354)	(3)%	25,391	3 %
Other operating expenses	688,186	1,018,010	718,845	329,824	32 %	(299,165)	(42)%
Restructuring and other expenses (credits)	27,977	83,420	16,511	55,443	66 %	(66,909)	(405)%
Depreciation and amortization (including impairments)	736,641	556,931	598,736	(179,710)	(32)%	41,805	7 %
Operating income	385,287	49,236	258,499	336,051	683 %	(209,263)	(81)%
Other income (expense):							
Interest expense, net	(408,452)	(248,032)	(230,156)				
Loss on interest rate swap contracts	(72,961)	—	—				
Loss on extinguishment of debt and write-off of deferred financing costs	(24,755)	—	—				
Income (loss) from continuing operations before income taxes	(120,881)	(198,796)	28,343				
Income tax expense	(107,555)	(28,257)	(8,861)				
Net income (loss)	$ (228,436)	$ (227,053)	$ 19,482				

The following is a reconciliation of net income (loss) to Adjusted EBITDA:

	Years Ended December 31,			2016 Favorable (Unfavorable)	2015 Favorable (Unfavorable)
	Successor 2016	Combined 2015 (a)	Predecessor 2014		
Net income (loss)	$ (228,436)	$ (227,053)	$ 19,482	$ (1,383)	$ (246,535)
Income tax expense	107,555	28,257	8,861	79,298	19,396
Loss on interest rate swap contracts	72,961	—	—	72,961	—
Loss on extinguishment of debt and write-off of deferred financing costs	24,755	—	—	24,755	—
Interest expense, net	408,452	248,032	230,156	160,420	17,876
Depreciation and amortization (including impairments)	736,641	556,931	598,736	179,710	(41,805)
Restructuring and other expense (b)	27,977	83,420	16,511	(55,443)	66,909
Share-based compensation	5,204	287,691	30,681	(282,487)	257,010
Adjusted EBITDA	$ 1,155,109	$ 977,278	$ 904,427	$ 177,831	$ 72,851

(a) Represents the combined Predecessor and Successor results.

(b) Includes transaction costs of $657, $83,420 and $16,511 for 2016, 2015 and 2014, respectively.

The following table sets forth certain customer metrics:

	December 31,			Net Increase (Decrease)	
	2016 (a)	2015	2014	2016	2015
	(in thousands, except per customer amounts)				
Total customer relationships	1,611	1,565	1,517	46	48
Residential	1,505	1,467	1,427	38	40
Commercial	106	98	90	8	8
Residential customers:					
Video	1,041	1,093	1,138	(52)	(45)
Digital video	877	880	872	(3)	8
High-speed Internet	1,288	1,223	1,149	65	74
Voice	592	577	548	15	29
Percentage of residential triple product customers to total residential customer relationships	28.0%	28.0%	27.8%	—%	0.2%
Residential homes passed:					
Video	3,254	3,210	3,159	44	51
High-speed Internet	3,150	3,129	3,082	21	47
Voice	2,737	2,709	2,645	28	64
Average monthly revenue per residential customer (b)	$ 117.00	$ 111.80	$ 108.82	$ 5.20	$ 2.98

(a) Beginning in September 2016, the Company changed the timing of when a customer is disconnected. The impact of this change resulted in an increase of approximately 6 thousand video customers, 5 thousand digital video customers, 8 thousand high-speed Internet customers, 2 thousand telephone customers and 10 thousand customer relationships during 2016 as compared to 2015.

(b) Calculated by dividing the average monthly revenue for the fourth quarter of each year presented derived from the sale of video, high-speed data and voice services to residential and small and medium business customers for the respective quarter by the average number of total residential and small and medium business customers for the same period.

Video Revenue

Video revenue increased $2,597 for the year ended December 31, 2016 as compared to the prior year due primarily to increases in revenue resulting from certain rate increases (including an increase for retransmission programming and sports programming charges), the impact of incremental video service level changes and an increase in HD/DVR service revenue, offset by a decline in video customers, a decrease in premium, pay-per-view and VOD purchases, and a decrease in converter rental revenue as compared to the combined 2015 period.

Video revenue decreased $30,759 (3)% for the year ended December 31, 2015 as compared to the prior year due primarily to a decline in video customers, decreases in premium and VOD purchases and a decrease in converter rental revenue as compared to December 31, 2014. Offsetting these decreases were increases in revenue resulting from certain rate increases (including an increase for retransmission programming and sports programming charges), the impact of incremental video service level changes and an increase in HD/DVR service revenue.

We believe our video customer declines noted in the table above are largely attributable to competition from DBS providers and from companies that deliver video content over the Internet directly to customers. Competition is expected to continue to impact our ability to maintain or increase our existing customers and revenue in the future.

High-speed Internet Revenue

Internet revenue increased $132,778 (19%) and $98,149 (17%) for the year ended December 31, 2016 and 2015, respectively, as compared to the prior years due to primarily to a continued increase in high-speed Internet customers, an increase in rates, an increase resulting from the impact of service level changes and an increase in residential home networking revenue.

Telephone Revenue

Telephone revenue decreased $8,134 (5%) and $8,213 (5%) for the years ended December 31, 2016 and 2015, respectively, as compared to the prior period due primarily to lower rates offered to customers.

Business Services Revenue

Business services revenues increased $25,305 (7%) for the year ended December 31, 2016 as compared to the prior year primarily due to higher commercial rates and customers for high-speed Internet services, higher commercial rates and higher customers for telephone services, an increase in certain video rates (including an increase for retransmission programming charges), and an increase in revenue from premium, pay-per-view and VOD purchases. Offsetting these increases was a decrease in high-speed commercial carrier services.

Business services revenues increased $42,584 (13%) for the year ended December 31, 2015 as compared to the prior year primarily due to higher commercial rates for high speed Internet services, higher commercial rates and customers for telephone services, an increase in high-speed commercial carrier services revenue, an increase in certain video rates (including an increase for retransmission programming charges and an increase in revenue from premium, pay-per-view and VOD purchases.

Advertising Revenue

Advertising revenue increased slightly by $705 (1%) for the year ended December 31, 2016 as compared to the prior year due primarily to an increase in national advertising sales primarily from political advertising and direct advertising buys from programmers, partially offset by a decrease in local ad sales.

Advertising revenue decreased $13,531 (13%) for the year ended December 31, 2015 as compared to the prior year due primarily to a decline in national advertising sales primarily from political advertising, local ad sales ($2,400), and interconnect revenue.

Other Revenue

Other revenue decreased $403 (2%) for the year ended December 31, 2016 as compared to the prior year primarily due to a decrease in tower construction management services revenue and equipment sales revenues, partially offset by an increase in administrative fee revenue.

Other revenue increased $1,385 (6%) for the year ended December 31, 2015 as compared to the prior year primarily due to an increase in tower construction management services and equipment sales revenues, partially offset by a decrease in site development revenue.

Programming and Other Direct Costs

Programming and other direct costs include cable programming costs, which are costs paid to programmers (net of amortization of any incentives received from programmers for carriage) for cable content (including costs of video-on-demand and pay-per-view) and are generally paid on a per-subscriber basis. These costs typically rise due to increases in contractual rates and new channel launches and are also impacted by changes in the number of customers receiving certain programming services. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers. These costs also include franchise fees which are payable to the state governments and local municipalities where we operate and are primarily based on a percentage of certain categories of revenue derived from the provision of cable television service over our cable systems, which vary by state and municipality. These costs change in relation to changes in such categories of revenues or rate changes.

Programming and other direct costs increased $22,354 (3%) in 2016 as compared to 2015 and decreased $25,391 (3%) in 2015 as compared to 2014. The net increase (decrease) is attributable to the following:

	Successor 2016	Combined 2015
In 2016, increase is due to an increase in basic programming costs and retransmission costs due primarily to contractual rate increases, partially offset by lower video customers. In 2015, the increase is due to an increase in retransmission costs, partially offset by a decrease in video customers and the removal of Viacom programming from our channel line-up	$ 42,325	$ 12,188
Decrease from digital programming, premium channels and pay-per-view	(8,932)	(12,469)
Increase (decrease) in costs associated with carrier circuits and local exchange carrier costs	(7,015)	13,719
Decrease in subscriber line costs associated with Operation Reliant	(330)	(34,855)
Other net decreases	(3,694)	(3,974)
	$ 22,354	$ (25,391)

Net programming costs amounted to approximately $589,568 in 2016, $557,915 for the combined 2015 period and $561,690 in 2014. The 2015 and 2014 amounts were revised to exclude franchise and copyright fees to conform to the 2016 presentation. Our programming costs increased 6% in 2016 due primarily to an increase in contractual programming rates, partially offset by a decrease in video customers. Our programming costs in 2017 will continue to be impacted by changes in programming rates, which we expect to increase by high single digits, and by changes in the number of video customers.

Other Operating Expenses

Other operating expenses include staff costs and employee benefits including salaries of company employees and related taxes, benefits and other employee related expenses. Other operating expenses also include network management and field service costs, which represent costs associated with the maintenance of our broadband network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers which are impacted by general cost increases for contractors, insurance and other various expenses.

Customer installation and repair and maintenance costs, may fluctuate as a result of changes in level of activities and the utilization of contractors as compared to employees. Also, customer installation costs fluctuate as the portion of our expenses that we are able to capitalize changes. Network repair and maintenance and utility costs also fluctuate as capitalizable network upgrade and enhancement activity changes.

Other operating expenses also include costs related to the operation and maintenance of our call center facilities that handle customer inquiries and billing and collection activities and sales and marketing costs, which include advertising production and placement costs associated with acquiring and retaining customers. These costs vary period to period and may increase with competition. Additionally, other operating expenses include various other administrative costs, including wages and benefits for our corporate personnel, legal fees, and product development costs.

Other operating expenses decreased $329,824 (32%) in 2016 as compared to 2015 and increased $299,165 (42%) in 2015 as compared to 2014. The net increase (decrease) is attributable to the following:

	Successor 2016	Combined 2015
Increase (decrease) relating to share-based compensation expense, primarily resulting from the pay-out in 2015 in connection with the Altice Acquisition	$ (282,487)	$ 257,010
Increase (decrease) in employee salaries and benefits including bonus, overtime and other employee related costs. In 2016, the decrease in costs primarily relates to the decrease in headcount occurring subsequent to the Altice Acquisition	(17,984)	17,469
Increase in group health insurance costs	9,829	4,898
Decrease in the cost of residential customer installations	(10,120)	(1,227)
Increase in Altice management fee for certain executive services	9,704	296
Increase (decrease) in marketing costs	(9,424)	2,553
Increase (decrease) in consulting and professional fees	(9,598)	4,492
Increase (decrease) in general and administrative costs	(8,303)	6,295
Increase (decrease) in Cequel III management fee who provided certain executive, administrative and managerial services to the Company prior to the Altice Acquisition	(7,844)	142
Decrease in fleet operating costs	(2,261)	(3,471)
Increase (decrease) in facility costs	(971)	1,256
Increase (decrease) in customer service costs, primarily commissions	(855)	3,928
Other net increases	490	5,524
	$ (329,824)	$ 299,165

Depreciation and Amortization

Depreciation and amortization (including impairments) increased $179,710 (32%) for 2016 as compared to 2015 and decreased $41,805 for 2015 as compared to 2014. The net increase in 2016 is primarily due to depreciation and amortization expense recorded during the Successor period related to the step-up in the carrying value of property, plant and equipment and amortizable intangible assets (primarily subscriber relationships) recorded in connection with the Altice Acquisition, partially offset by certain assets being retired or becoming fully depreciated. The decrease in 2015 was primarily as a result of decreased amortization expenses for customer relationships, as well as a decrease in depreciation resulting from assets being fully depreciated.

Restructuring and Other Expense

Restructuring and other expense for the years ended December 31, 2016, 2015 and 2014 amounted to $27,977, $83,420, and $16,511, respectively. Restructuring expense for 2016 is primarily related to severance and other employee related costs resulting from headcount reductions related to initiatives which commenced in the Successor period that are intended to simplify the Company's organizational structure. In 2015, the other expense primarily relates to transaction and acquisition due diligence costs associated with the Altice Acquisition. In 2014, the Company incurred other expenses of $16,511 related to various transactions.

Adjusted EBITDA

Adjusted EBITDA increased $177,831 (18%) and $72,851 (8%) for 2016 and 2015, respectively, as compared to the prior year. The increase in 2016 is due primarily to an increase in revenue and a decrease in operating expenses (excluding depreciation and amortization, restructuring expense and other expenses and share-based compensation), as discussed above. The increase in 2015 is due primarily to an increase in revenue, partially offset by a decrease in operating expenses (excluding depreciation and amortization, restructuring expense and other expenses and share-based compensation), as discussed above.

Interest Expense, net

Interest expense, net increased $160,420 (65%) and $17,876 (8%) in 2016 and 2015, respectively, as compared to the prior year periods. The net increases are attributable to the following:

	Successor 2016	Combined 2015
Increase in weighted average debt outstanding	$ 86,773	$ 15,428
Increase in effective interest rate	36,094	(530)
Increase in amortization of debt issuance costs, discounts and deferred financing fees	37,680	3,003
Increase in interest income	(127)	(25)
	$ 160,420	$ 17,876

Loss on interest rate swap contracts

Loss on interest rate swap contracts amounted to $72,961 for the year ended December 31, 2016 and represents the decrease in fair value of the fixed to floating interest rate swaps entered into in June 2016. The objective of these swaps is to cover the exposure to changes in the market interest rate of the $1,500,000 principal amount of the 2026 Senior Secured Notes. These swap contracts are not designated as hedges for accounting purposes.

Loss on Extinguishment of Debt and Write-off of Deferred Financing Costs

Loss on extinguishment of debt amounted to $24,755 for the year ended December 31, 2016 relating to the write-off of unamortized deferred financing costs in connection with the amendment to the Company's term loan facility.

Income Tax Expense

Income tax expense amounted to $107,555 for the year ended December 31, 2016. In connection with the Altice Acquisition, the Company was required to re-measure its deferred taxes at a higher overall rate, resulting in additional deferred tax expense of $153,694. The impact of the nondeductible share-based compensation relating to the carry unit plan resulted in additional tax expense of $1,821. Absent these items, the effective tax rate would have been 40%.

Income tax expense of $28,257 for the year ended December 31, 2015, reflected an effective tax rate of 14.2% as compared to an income tax provision of $8,861 for current and deferred income taxes at an effective tax rate of 31.3% for the year ended December 31, 2014. The provision for current year taxes was materially impacted by the Texas Gross Margin tax of $4,600 which is reflected in the total. The Company's annual effective tax rate differs significantly from the statutory tax rate primarily due to the impact of the permanent differences associated with the accounting for non-cash equity compensation expense relative to the Company's earnings before income taxes, which causes an inverse impact on the effective income tax percentage.

Liquidity and Capital Resources

General

Our primary sources of liquidity and capital resources have been cash flow from operating and financing activities. We expect to utilize free cash flow and availability under the New Credit Facility as well as future refinancing transactions to further extend the maturities of, or reduce the principal on, our debt obligations. The timing and terms of any refinancing transactions will be subject to, among other factors, market conditions. Additionally, we may, from time to time, depending on market conditions and other factors, use cash on hand and the proceeds from other borrowings to repay the Notes through open market purchases, privately negotiated purchases, tender offers, or redemption provisions. We believe that existing cash balances, operating cash flows and availability under the revolving credit facility of the New Credit Facility will provide adequate funds to support our current operating plan, make planned capital expenditures and for debt service requirements for the next 12 months. However, our ability to fund our operations, make planned capital expenditures, make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. Further, there can be no assurance that we will be able to generate sufficient cash flows to repay our outstanding indebtedness. At December 31, 2016, we had approximately $184,933 of cash on hand and approximately $17,031 of outstanding letters of credit, which reduced the availability under the $350,000 revolving

credit facility of the New Credit Facility to approximately $332,969.

The Issuers are holding companies and conduct no operations. Accordingly, the Issuers will depend on the cash flow of their subsidiaries in order to make payments on, or repay or refinance, the Notes. The terms of the New Credit Agreement generally restrict Suddenlink and its restricted subsidiaries from making dividends and other distributions to the Issuers except under certain circumstances. The New Credit Agreement permits Suddenlink to make dividends and distributions to Cequel subject to satisfaction of certain conditions, including pro forma compliance with a maximum senior secured leverage ratio of 4.0x and that no event of default has occurred and is continuing, or would be caused by the making of such dividends or other distributions, and based on, among other things, a restricted payment basket. In addition, the New Credit Agreement permits Suddenlink to make dividends and distributions to Cequel for payment of regularly scheduled interest payments through maturity on indebtedness including the 2020 Notes, the 2021 Notes and the 2025 Senior Notes.

Long-Term Debt

The following table details debt and capital leases outstanding at December 31, 2016 (dollars in thousands):

	As of December 31, 2016		
	Principal Amount	**Carrying Value (a)**	**Scheduled Maturity Date**
Revolving credit facility (b)	$ —	$ —	November 30, 2021
Term loan (c)	815,000	812,903	January 15, 2025
6.375% Senior Notes	1,500,000	1,457,439	September 15, 2020
5.125% Senior Notes (d)	1,250,000	1,115,767	December 15, 2021
5.375% Senior Secured Notes	1,100,000	1,079,869	July 15, 2023
7.750% Senior Notes	620,000	602,925	July 15, 2025
5.50% Senior Secured Notes	1,500,000	1,486,933	May 15, 2026
Subtotal - credit facility and notes	6,785,000	6,555,836	
Capital leases	2,812	2,812	Varies
Total debt and capital leases	$ 6,787,812	$ 6,558,648	

(a) The unamortized discount and unamortized deferred financing costs amounted to $229,164 at December 31, 2016.

(b) See discussion below regarding the Second Amendment to the New Credit Agreement entered into in December 2016 which extended the maturity date. At December 31, 2016, $17,031 of the revolving credit facility was restricted for certain letter of credit issued on behalf of the Company and $332,969 of the facility was undrawn and available, subject to covenant limitations.

(c) See discussion below regarding the First Amendment to the New Credit Agreement entered into in October 2016 which extended the maturity date and amended the interest rate.

(d) Includes the Initial 2021 Notes and the 2021 Mirror Notes.

New Credit Facility

In connection with the Altice Acquisition, lenders holding (a) $290,000 of loans and commitments under the revolving credit facility under the Old Credit Facility and (b) approximately $815,400 of loans under the term loan facility under the Old Credit Facility consented to roll over, on a cashless basis, such lenders' loans and commitments under the Old Credit Facility into loans and commitments of the same amount under a new credit facility (the "New Credit Facility") made available to Altice US Finance I Corporation effective upon the consummation of the Altice Acquisition (the "New Credit Agreement"). Upon the closing of the Altice Acquisition, the $290,000 of loans and commitments under the revolving credit facility under the Old Credit Facility that lenders elected to rollover into the New Credit Facility, plus $60,000 of new revolving commitments from other lenders, formed a new $350,000 revolving credit facility under the New Credit Facility, and all remaining commitments under the then existing $500,000 revolving credit facility under the Old Credit Facility were terminated.

The revolving credit facility under the New Credit Facility is scheduled to mature on December 21, 2020 (see below). The term loan facility under the New Credit Facility will mature on December 14, 2022 (see below), or sooner if certain

amounts of the 2020 Notes, the 2021 Notes or the Senior Secured Notes remain outstanding at certain future dates (as early as June 2020). The interest rate on the term loans outstanding under the New Credit Facility equal the prime rate plus 2.25% or the LIBOR rate plus 3.25%, with a LIBOR floor of 1.00%, while the interest rate on the revolver loans equal the prime rate plus 2.25% or the LIBOR rate plus 3.25%. The term loan facility requires quarterly repayments in annual amounts equal to 1.00% of the original principal amount, which commenced on March 31, 2016, with the remainder due at maturity. The debt under the New Credit Agreement is secured by a first priority security interest in the capital stock of Suddenlink and substantially all of the present and future assets of Suddenlink and its restricted subsidiaries, and is guaranteed by the Parent Guarantor, as well as all of Suddenlink's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the New Credit Agreement. The New Credit Agreement contains customary representations, warranties and affirmative covenants. In addition, the New Credit Agreement contains restrictive covenants that limit, among other things, the ability of Suddenlink and its subsidiaries to incur indebtedness, create liens, engage in mergers, consolidations and other fundamental changes, make investments or loans, engage in transactions with affiliates, pay dividends, and make acquisitions and dispose of assets. The New Credit Agreement also contains a maximum senior secured leverage maintenance covenant of 5.0 times EBITDA as defined in the New Credit Agreement. Additionally, the New Credit Agreement contains customary events of default, including failure to make payments, breaches of covenants and representations, cross defaults to other indebtedness, unpaid judgments, changes of control and bankruptcy events. The lenders' commitments to fund amounts under the revolving credit facility are subject to certain customary conditions.

Amendments to New Credit Agreement

On October 25, 2016, the Company entered into the First Amendment to the New Credit Agreement, amending the credit agreement dated June 12, 2015, between the Company and certain lenders party thereto pursuant to which the applicable margin for the term loans outstanding under the New Credit Facility was lowered by 25 basis points, the LIBOR floor for the term loans outstanding under the New Credit Facility was lowered by 25 basis points and the maturity date for the term loans outstanding under the New Credit Facility was extended to January 15, 2025. The proceeds of $815,000 from the new term loan were used to repay the amount outstanding under the existing term loan of $809,327 and related fees and expenses. In connection with the extinguishment of the existing term loan, the Company recorded a loss on extinguishment of debt of $4,807, representing primarily the write-off of deferred financing costs related to the term loan. In connection with the First Amendment to the New Credit Agreement, the Company recorded deferred financing costs of $2,092, which are being amortized to interest expense over the term of the loan.

On December 9, 2016, the Company entered into the Second Amendment to the New Credit Agreement which extended the maturity on the revolver to November 30, 2021.

Repayment of Previous Credit Facility

On April 26, 2016, the $1,477,200 remaining balance under the previous credit facility was repaid with the proceeds from the issuance of the 2026 Senior Secured Notes discussed below. In connection with the repayment of the remaining balance under the previous credit facility, we recognized a loss on extinguishment of debt of $19,948.

Senior Secured Notes

On June 12, 2015, Altice US Finance I Corporation, an indirect subsidiary of Altice, issued $1,100,000 principal amount of senior secured notes (the "2023 Senior Secured Notes"), the proceeds from which were placed in escrow to finance a portion of the purchase price for the Altice Acquisition. The 2023 Senior Secured Notes bear interest at a rate of 5.375% per annum and were issued at a price of 100.00%. Interest on the 2023 Senior Secured Notes is payable semi-annually on January 15 and July 15 of each year. Following the consummation of the Altice Acquisition and related transactions the equity interests in Altice US Finance I Corporation were contributed through one or more intermediary steps to Suddenlink, and the Senior Secured Notes were guaranteed by Cequel Communications Holdings II LLC, Suddenlink and certain of the subsidiaries of Suddenlink and are secured by certain assets of Cequel Communications Holdings II LLC, Suddenlink and its subsidiaries.

On April 26, 2016, Altice US Finance I Corporation issued $1,500,000 aggregate principal amount of senior secured notes (the "2026 Senior Secured Notes"). The proceeds from the sale were used to repay the $1,477,200 remaining balance under the Old Credit Facility and to pay related fees and expenses (see discussion above). The 2026 Senior Secured Notes mature on May 15, 2026 and bear interest at a rate of 5.50% annually. Interest on the 2026 Senior Secured Notes is payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 2016. Deferred

financing costs recorded in connection with the issuance of these notes amounted to $13,773 and are being amortized over the term of the notes.

Senior Notes

On October 25, 2012, the Original Issuers issued $500,000 aggregate principal amount of the 2020 Notes, and on December 28, 2012, the Original Issuers issued $1,000,000 aggregate principal amount of the 2020 Notes. The 2020 Notes mature on September 15, 2020. Interest is payable on the 2020 Notes semi-annually on March 15 and September 15 of each year.

In connection with the Altice Acquisition, we received consent from holders of the 2020 Notes to, among other things, waive any obligation that the Issuers may have under the 2020 Indenture to repurchase the 2020 Notes as a result of the consummation of the Altice Acquisition and make certain related changes to the 2020 Indenture (the "Indenture Amendments"), and the Original Issuers entered into a first supplemental indenture to the 2020 Indenture with U.S. Bank National Association, as trustee, containing the Indenture Amendments. In exchange for this consent, we paid holders who consented to these amendments an aggregate fee of approximately $26,300 at the closing of the Altice Acquisition, at which time the Indenture Amendments become effective.

On May 16, 2013, the Original Issuers issued $750,000 aggregate principal amount of the Initial 2021 Notes. The Initial 2021 Notes mature on December 15, 2021. Interest is payable on the Initial 2021 Notes semi-annually on June 15 and December 15 of each year.

On September 9, 2014, the Original Issuers issued $500,000 aggregate principal amount of the 2021 Mirror Notes. The proceeds from the sale, plus cash on hand, were used to make a distribution in the amount of $600,000 to our parent and pay related fees and expenses. The 2021 Mirror Notes have the same maturity date and substantially the same terms as the Initial 2021 Notes.

On June 12, 2015, Altice US Finance II Corporation, an indirect subsidiary of Altice, issued $300,000 principal amount of the 2025 Senior Notes, the proceeds from which were placed in escrow, to finance a portion of the purchase price for the Altice Acquisition. The 2025 Senior Notes were issued by the 2025 Senior Notes Issuer, an indirect subsidiary of Altice, bear interest at a rate of 7.75% per annum and were issued at a price of 100.00%. Interest on the 2025 Senior Notes is payable semi-annually on January 15 and July 15 of each year. Following the consummation of the Altice Acquisition and related transactions, the 2025 Senior Notes Issuer merged into Cequel, the 2025 Senior Notes became the obligations of Cequel and Cequel Capital Corporation became the co-issuer of the 2025 Senior Notes.

On June 12, 2015, Altice US Finance S.A., an indirect subsidiary of Altice issued $320,000 principal amount of the 7.75% Senior Notes due 2025 (the "Holdco Notes"), the proceeds from which were placed in escrow, to finance a portion of the purchase price for the Altice Acquisition. The Holdco Notes bear interest at a rate of 7.75% per annum and were issued at a price of 98.275%. Interest on the Holdco Notes is payable semi-annually on January 15 and July 15 of each year. The Holdco Notes were automatically exchanged into an equal aggregate principal amount of 2025 Senior Notes at Cequel during the second quarter of 2016. The exchange resulted in a decrease to member's equity of approximately $315,352.

The Issuers have no ability to service interest or principal on the Notes, other than through any dividends or distributions received from Suddenlink. Suddenlink is restricted in certain circumstances, from paying dividends or distributions to the Issuers by the terms of the New Credit Agreement. However, the New Credit Agreement permits Suddenlink to make dividends and distributions subject to satisfaction of certain conditions, including pro forma compliance with a maximum senior secured leverage ratio, and that no event of default has occurred and is continuing, or would be caused by the making of such dividends or other distributions, and based on, among other things, availability under a restricted payment basket. The 2020 Notes, the 2021 Notes and the 2025 Senior Notes are unsecured and are not guaranteed by any subsidiaries of the Original Issuers, including Suddenlink.

The Indentures contain certain covenants, agreements and events of default which are customary with respect to non-investment grade debt securities, including limitations on our ability to incur additional indebtedness, pay dividends on or make other distributions or repurchase our capital stock, make certain investments, enter into certain types of transactions with affiliates, create liens and sell certain assets or merge with or into other companies.

The Company's debt agreements include restrictive covenants such as restrictions on additional indebtedness. The New Credit Agreement also requires the Company to satisfy a financial maintenance covenant. The Company was in

compliance with its debt covenants as of December 31, 2016.

Recent Event

On March 15, 2017, Altice US Finance I Corporation priced $1,265,000 of 8.25-year senior secured term loans with institutional investors. The new senior secured term loans will bear interest at 2.25% over LIBOR. The closing of the new financing is subject to closing conditions and the proceeds will be used to refinance the $815,000 principal amount of loans under the term loan facility that matures in January 2025 and redeem $450,000 of the 2020 Notes.

Contractual Obligations and Off Balance Sheet Commitments

Our contractual obligations to affiliates and non-affiliates as of December 31, 2016, which consist primarily of our debt obligations and the effect such obligations are expected to have on our liquidity and cash flow in future periods, are summarized in the following table:

	Payments Due by Period				
	Total	Year 1	Years 2-3	Years 4-5	More than 5 years
Off balance sheet arrangements:					
Purchase obligations (a)	$ 1,849,563	$ 499,456	$ 776,320	$ 566,491	$ 7,296
Operating lease obligations (b)	86,059	18,660	35,114	30,693	1,592
Letters of credit (c)	17,031	—	—	17,031	—
	1,952,653	518,116	811,434	614,215	8,888
Contractual obligations reflected on the balance sheet:					
Debt obligations (d)	9,371,812	395,355	777,972	3,431,150	4,767,335
Capital lease obligations (e)	4,162	1,320	1,055	375	1,412
Taxes (f)	—	—	—	—	—
	9,375,974	396,675	779,027	3,431,525	4,768,747
Total	$ 11,328,627	$ 914,791	$ 1,590,461	$ 4,045,740	$ 4,777,635

(a) Purchase obligations primarily include contractual commitments with various programming vendors to provide video services to our customers and minimum purchase obligations to purchase goods or services. Future fees payable under contracts with programming vendors are based on numerous factors, including the number of subscribers receiving the programming. Amounts reflected above related to programming agreements are based on the number of subscribers receiving the programming as of December 2016 multiplied by the per subscriber rates or the stated annual fee, as applicable, contained in the executed agreements in effect as of December 31, 2016. See Note 2 to our consolidated financial statements for a discussion of our program rights obligations.

(b) Operating lease obligations represent primarily future minimum payment commitments on various long-term, noncancelable leases, at rates now in force, for primarily office and storage space and rental space on utility poles for our cable operations. See Note 15 to our consolidated financial statements for a discussion of our operating leases.

(c) Represent letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. Payments due by period for these arrangements represent the year in which the commitment expires although payments under these arrangements are required only in the event of nonperformance.

(d) Includes interest and principal payments due on our credit facility debt and senior notes and debentures. See Note 8 to our consolidated financial statements for a discussion of our debt.

(e) Reflects the principal amount of capital lease obligations, including related interest.

(f) Represents tax liabilities, including accrued interest, relating to uncertain tax positions. See Note 11 to our consolidated financial statements for a discussion of our income taxes.

The table above does not include obligations for payments required to be made under multi-year franchise agreements based on a percentage of revenues generated from video service per year. Franchise fees and other franchise-related costs included in the accompanying consolidated statements of operations was $48,185 for the successor year ended

December 31, 2016, $1,408 for the successor period December 21 to December 31, 2015, $46,168 for the predecessor period January 1, 2015 to December 20, 2015 and $48,245 for the predecessor year ended December 31, 2014.

We do not expect significant payments related to our deferred tax liabilities to be made within the next twelve months. We are not able to estimate the timing of future payments relating to these non-current obligations, and thus, have not included these within the 'Contractual Obligations and Off Balance Sheet Commitments' table above.

Distributions to Parent

The Credit Agreements and the Indentures permit in certain instances distributions to holders of equity interests in Cequel Holdings and Cequel Corporation.

In December 2016 and October 2016, the Company made cash distributions to the Company's parent entities in the amount of $149,650 and $168,000, respectively, which was used to redeem certain debt outstanding at the parent entities.

In January 2016, the Company distributed approximately $14,744 to Cequel Corporation, which was used to pay the quarterly interest payment on the Holdco Notes.

CASH FLOW DISCUSSION

Operating Activities

Net cash provided by operating activities increased $110,068 from $661,756 for the combined year ended December 31, 2015 to $771,824 for the year ended December 31, 2016, primarily due to an increase in income before depreciation and amortization and other non-cash items, partially offset by a decrease resulting from changes in working capital, including the timing of payments and collections of accounts receivable, among other items.

Net cash provided by operating activities decreased $28,907 from $690,663 for the year ended December 31, 2014 to $661,756 for the combined year ended December 31, 2015, primarily due to financing and other transaction expenses associated with the Altice acquisition, offset in part by improved operating results.

Investing Activities

Net cash used in investing activities decreased $154,325 from $480,287 for the combined year ended December 31, 2015 to $325,962 for the year ended December 31, 2016, which is primarily due to a decrease in capital expenditures.

Net cash used in investing activities increased $14,654 from $465,633 for year ended December 31, 2014 to $480,287 for the combined year ended December 31, 2015, which is primarily due to increased capital expenditures, offset in part by the acquisition of Northland in 2014 that did not occur in 2015.

Financing Activities

Net cash used in financing activities was $341,385, $260,916 and $270,122 for the year ended December 31, 2016, the combined year ended December 31, 2015 and the year ended December 31, 2014, respectively. The net cash used in financing activities of $341,385 in 2016 primarily included distributions to our parent of $332,878, payments of debt financing costs of $16,785, capital lease payments of $10,128, partially offset by net proceeds from long-term debt of $18,406.

The net cash used in financing activities of $260,916 for the combined year ended December 31, 2015 primarily included cash outflows related to the distribution to our parent of $247,000 (see Note 17), principal payments on our credit facility debt of $22,258, and capital lease payments of $13,095, offset in part by a $21,437 cash contribution from our parent.

The net cash used in financing activities of $270,122 for the year ended December 31, 2014 primarily included cash outflows related to the $600,000 distribution to our parent (see Note 17), the excess cash flow recapture payment of $60,800 in accordance with the terms of our credit agreement, the voluntary principal prepayment on our credit facility debt of $55,000, regular principal payments on our credit facility debt of approximately $24,400, capital lease payments of $9,756, and cash paid for financing costs of $6,241, offset in part by net proceeds of $486,250 from the issuance of the 2021 Mirror Notes (see Note 8).

Capital Expenditures

The following table presents details of our capital expenditures for the years ended December 31, 2016, 2015 and 2014.

	Years Ended December 31,		
	Successor	Combined	Predecessor
	2016	2015	2014
Customer Premises Equipment	$ 85,129	$ 105,859	$ 108,462
Scalable infrastructure	56,586	77,810	48,058
Line extensions	18,950	30,696	21,233
Upgrade/rebuild	8,029	19,027	20,285
Commercial	34,450	33,227	34,398
Support capital	148,683	203,372	184,839
Total capital purchases	351,827	469,991	417,275
Change in accounts payable and accrued expenses related to capital expenditures	(24,643)	8,455	3,330
Total capital expenditures	$ 327,184	$ 478,446	$ 420,605

The years ended December 31, 2016 and 2015 includes $31,464 and $81,268 of capital expenditures related to Operation GigaSpeed (discussed above).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

All dollar amounts, except per share data, included in the following discussion under this Item 7A are presented in thousands.

We are exposed to various market risks, including fluctuations in interest rates. We manage our exposure to fluctuations in interest rates by maintaining a mix of fixed and variable rate debt.

As of December 31, 2016, we had fixed-rate debt with an outstanding principal balance of $4,470,000 and an estimated fair value of $4,669,525, and variable-rate debt with an outstanding principal balance of $2,315,000 and an estimated fair value of $2,346,827. Interest rates on variable debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at December 31, 2016, as applicable, including applicable bank spread.

In June 2016, Altice US Finance I Corporation entered into two new fixed to floating interest rate swaps. One fixed to floating interest rate swap is converting $750,000 from a fixed rate of 1.6655% to six-month LIBOR and a second tranche of $750,000 from a fixed rate of 1.68% to six-month LIBOR. The objective of these swaps is to cover the exposure of the 2026 Senior Secured Notes to changes in the market interest rate.

These swap contracts are not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations. For the year ended December 31, 2016, the Company recorded a loss on interest rate swap contracts of $72,961.

As of December 31, 2016, our outstanding interest rate swap contracts had an aggregate fair value and carrying value of $78,823 reflected in “liabilities under derivative contracts” in our consolidated balance sheet.

We do not hold or issue derivative instruments for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Auditors

To the Board of Directors of Cequel Communications Holdings I, LLC

We have audited the accompanying consolidated financial statements of Cequel Communications Holdings I, LLC and its subsidiaries (Predecessor), which comprise the consolidated statements of operations and comprehensive income (loss), of changes in member's equity and of cash flows for the period from January 1, 2015 to December 20, 2015 and for the year ended December 31, 2014.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Cequel Communications Holdings I, LLC and its subsidiaries (Predecessor) for the period from January 1, 2015 to December 20, 2015 and for the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
March 29, 2016

Report of Independent Auditors

To the Board of Directors of Cequel Communications Holdings I, LLC

We have audited the accompanying consolidated financial statements of Cequel Communications Holdings I, LLC and its subsidiaries (Successor), which comprise the consolidated balance sheet as of December 31, 2015, and the related consolidated statements of operations and comprehensive income (loss), of changes in member's equity and of cash flows for the period from December 21, 2015 to December 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cequel Communications Holdings I, LLC and its subsidiaries (Successor) as of December 31, 2015, and the results of their operations and their cash flows for the period from December 21, 2015 to December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
March 29, 2016

Independent Auditors' Report

The Board of Directors
Cequel Communications Holdings I, LLC:

We have audited the accompanying consolidated financial statements of Cequel Communications Holdings I, LLC and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations and comprehensive income (loss), changes in member's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the 2016 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cequel Communications Holdings I, LLC and its subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, effective December 21, 2015, Altice N.V. acquired approximately 70% of the total outstanding equity interests in Cequel Corporation (parent of Cequel Communications Holdings I, LLC) in a business combination accounted for as a purchase. As a result of the acquisition, the consolidated financial information for the periods after the acquisition is presented on a different cost basis than that for the periods before the acquisition and, therefore, is not comparable.

/s/ KPMG LLP

New York, New York
March 17, 2017

Cequel Communications Holdings I, LLC
Consolidated Balance Sheets
December 31, 2016 and 2015
(in thousands)
(See Note 3)

ASSETS	**2016**	**2015**
Cash and cash equivalents	$ 184,933	$ 80,456
Accounts receivable, net of allowances of $6,725 and $1,051, respectively	86,497	83,770
Deferred tax asset	—	20,866
Prepaid expenses and other assets	14,319	23,445
Amounts due from affiliates	1,393	—
Total current assets	287,142	208,537
Property, plant and equipment	2,483,345	2,234,274
Less - accumulated depreciation	(476,558)	(10,162)
Property, plant and equipment, net	2,006,787	2,224,112
Intangible assets:		
Subscriber relationships, net	831,067	1,054,728
Franchise rights, net	4,909,252	4,984,589
Trade names, net	17,808	37,109
Goodwill	2,153,741	2,040,402
Total intangible assets, net	7,911,868	8,116,828
Amounts due from affiliates	82,000	—
Other long-term assets	5,825	5,368
Total assets	$ 10,293,622	$ 10,554,845
LIABILITIES AND MEMBER'S EQUITY		
Liabilities:		
Accounts payable	$ 63,342	$ 26,645
Accrued programming	60,800	49,786
Accrued employee related costs	63,774	43,499
Accrued other	98,363	91,588
Due to affiliates	25,365	296
Deferred revenue	50,244	48,867
Accrued interest	95,976	79,954
Current portion of capital leases and other obligations	963	10,126
Current portion of long-term debt	8,150	105,129
Total current liabilities	466,977	455,890
Long-term deferred revenue	1,701	623
Long-term deferred tax liability	1,945,919	1,932,369
Long-term portion of capital leases and other obligations	1,849	2,813
Long-term debt	6,547,686	6,020,752
Liabilities under derivative contracts	78,823	—
Other long-term liabilities	1,536	247
Total liabilities	9,044,491	8,412,694
Commitments and contingencies (Note 15)		
Redeemable equity	24,769	—
Member's equity:		
Member's equity	1,497,876	2,159,267
Accumulated deficit	(273,514)	$ (17,116)
Total member's equity	1,224,362	2,142,151
Total liabilities and member's equity	$ 10,293,622	$ 10,554,845

See accompanying notes to consolidated financial statements.

Cequel Communications Holdings I, LLC
Consolidated Statements of Operations and Comprehensive Income (Loss)
(in thousands)
(See Note 3)

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21 to December 31, 2015	Period from January 1, 2015 to December 20, 2015	Year Ended December 31, 2014
Revenue	$ 2,573,160	$ 72,943	$ 2,347,369	$ 2,330,697
Operating expenses:				
Programming and other direct costs	735,069	20,728	691,987	738,106
Other operating expenses (including charges from affiliates of $10,061 and $296, respectively) (See Note 14)	688,186	18,521	999,489	718,845
Restructuring and other expenses (credits)	27,977	26,498	56,922	16,511
Depreciation and amortization (including impairments)	736,641	23,574	533,357	598,736
	2,187,873	89,321	2,281,755	2,072,198
Operating income (loss)	385,287	(16,378)	65,614	258,499
Other income (expense):				
Interest expense, net	(408,452)	(10,707)	(237,325)	(230,156)
Loss on interest rate swap contracts	(72,961)	—	—	—
Loss on extinguishment of debt	(24,755)	—	—	—
Income (loss) before income taxes	(120,881)	(27,085)	(171,711)	28,343
Income tax benefit (expense)	(107,555)	9,969	(38,226)	(8,861)
Net income (loss)	$ (228,436)	$ (17,116)	$ (209,937)	$ 19,482
Comprehensive income (loss)	$ (228,436)	$ (17,116)	$ (209,937)	$ 19,482

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

Cequel Communications Holdings I, LLC
Consolidated Statements of Cash Flows
(in thousands)
(See Note 3)

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21, 2015 to December 31, 2015	Period from January 1, 2015 to December 20, 2015	Year Ended December 31, 2014
Cash flows from operating activities:				
Net income (loss)	$ (228,436)	$ (17,116)	$ (209,937)	$ 19,482
Adjustments to reconcile net income (loss) to cash flows from operating activities:				
Depreciation and amortization	736,641	23,574	533,328	598,736
Non-cash interest expense	37,685	1,348	(1,184)	(2,813)
Non-cash equity compensation expense	5,204	—	287,691	30,681
Loss on extinguishment of debt	24,755	—	—	—
Deferred income tax (benefit)/provision	104,407	(10,124)	33,793	3,443
Provision for doubtful accounts	31,450	1,051	29,144	28,383
Changes in assets and liabilities, excluding acquisitions:				
Accounts receivable	(34,316)	(14,342)	1,175	(29,328)
Prepaid expenses	7,579	959	7,325	7,884
Amounts due from and due to affiliates, net	(58,324)	—	—	—
Accounts payable and accrued expenses	55,111	(23,079)	20,889	31,652
Deferred revenue	2,455	11,584	(2,829)	1,598
Accrued interest	8,790	9,166	(20,660)	945
Liabilities under derivative contracts	78,823	—	—	—
Net cash provided by (used in) operating activities	771,824	(16,979)	678,735	690,663
Cash flows from investing activities:				
Purchases of property, plant and equipment	(327,184)	(30,582)	(447,864)	(420,605)
Acquisition of cable systems	—	—	—	(46,720)
Net proceeds from disposal of assets	1,222	25	2,137	1,713
Purchase of patent rights	—	—	(4,003)	—
Other	—	—	—	(21)
Net cash used in investing activities	(325,962)	(30,557)	(449,730)	(465,633)
Cash flows from financing activities:				
Issuance of long-term debt	2,315,000	—	—	486,250
Repayments of long-term debt	(2,296,594)	(3,941)	(18,317)	(140,375)
Repayments of capital lease obligations	(10,128)	(30)	(13,065)	(9,756)
Contribution from parent	—	—	21,437	—
Distribution to parent	(332,878)	—	(247,000)	(600,000)
Cash paid for financing costs	(16,785)	—	—	(6,241)
Net cash used in financing activities	(341,385)	(3,971)	(256,945)	(270,122)
Increase (decrease) in cash and cash equivalents	104,477	(51,507)	(27,940)	(45,092)
Cash and cash equivalents, beginning of period	80,456	131,963	146,922	192,014
Cash and cash equivalents, end of period	$ 184,933	$ 80,456	$ 118,982	$ 146,922

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

Cequel Communications Holdings I, LLC
Consolidated Statements of Changes in Member's Equity
(in thousands)
(See Note 3)

	Member's Equity	Accumulated Deficit	Total Member's Equity
PREDECESSOR:			
Balance, December 31, 2013	$ 1,523,910	$ (65,998)	1,457,912
Net income	—	19,482	19,482
Non-cash equity compensation	30,681	—	30,681
Distribution to parent	(600,000)	—	(600,000)
Balance, December 31, 2014	954,591	(46,516)	$ 908,075
Net loss	—	(209,937)	(209,937)
Non-cash equity compensation	287,691	—	287,691
Contribution from parent	21,437	—	21,437
Distribution to parent	(247,000)	—	(247,000)
Balance, December 20, 2015	$ 1,016,719	$ (256,453)	$ 760,266
SUCCESSOR:			
Balance, December 21, 2015	$ 2,159,267	$ —	$ 2,159,267
Net loss	—	(17,116)	(17,116)
Balance, December 31, 2015	2,159,267	(17,116)	$ 2,142,151
Adjustment in connection with the transfer of entities to the Company		(27,962)	(27,962)
Net loss	—	(228,436)	(228,436)
Change in fair value of redeemable equity	(24,769)	—	(24,769)
Share-based compensation expense	5,204	—	5,204
Non-cash contributions from parent, net	5,920	—	5,920
Non-cash contribution of senior notes from parent	(315,352)	—	(315,352)
Cash distributions to parent	(332,394)	—	(332,394)
Balance, December 31, 2016	$ 1,497,876	$ (273,514)	$ 1,224,362

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

NOTE 1. ORGANIZATION

Cequel Communications Holdings I, LLC ("Cequel") through its subsidiaries (together with Cequel, the "Company") is a leading owner, operator and acquirer of broadband communication systems serving a diversified mix of markets. Cequel is a wholly owned subsidiary of Cequel Communications Holdings, LLC ("Cequel Holdings"), which is a wholly owned subsidiary of Cequel Corporation. Cequel Capital Corporation ("Cequel Capital") is a wholly owned subsidiary of Cequel (and together with Cequel, the "Original Issuers", and together with Altice US Finance 1 Corporation, the "Issuers"). Cequel Communications, LLC, doing business as Suddenlink Communications ("Suddenlink") is an indirect wholly owned subsidiary of Cequel. The Company operates and reports financial information in one segment.

The Issuers are holding companies or special purpose finance companies and conduct no operations. Accordingly, the Issuers depend on the cash flow of their subsidiaries, or Cequel's subsidiaries, as applicable, in order to make payments on, or repay or refinance, the Issuers notes outstanding. The terms of the New Credit Agreement (as defined herein) generally restrict Suddenlink and its restricted subsidiaries from making dividends and other distributions to the Issuers subject to satisfaction of certain conditions, including pro forma compliance with a maximum senior secured leverage ratio, and that no event of default has occurred and is continuing, or would be caused by the making of such dividends or other distributions, and based on, among other things, availability under a restricted payment basket. The Original Issuers' 6.375% Senior Notes due 2020 (the "2020 Notes"), the Original Issuers' 5.125% Senior Notes due 2021, issued on May 16, 2013 (the "Initial 2021 Notes") and the Original Issuers' 5.125% Senior Notes due 2021, issued on September 9, 2014 (the "2021 Mirror Notes,") and the 2025 Senior Notes, as defined herein (collectively the 2020 Notes, the 2021 Notes and the 2025 Senior Notes, the "Senior Notes"), are unsecured and are not guaranteed by any subsidiaries of the Original Issuers, including Suddenlink. Altice US Finance I Corporation's 5.375% Senior Secured Notes due 2023 (the "2023 Senior Secured Notes") and its 5.50% Senior Secured Notes due 2026 (the "2026 Senior Secured Notes" and with the 2023 Senior Secured Notes, the "Senior Secured Notes") are guaranteed by Cequel Communications Holdings II, LLC, a subsidiary of Cequel (the "Parent Guarantor"), Suddenlink and certain of the subsidiaries of Suddenlink and are secured by certain assets of the Parent Guarantor, Suddenlink and its subsidiaries.

On December 21, 2015, Altice N.V., a public company with limited liability (*naamloze vennootshcap*) under Dutch law ("Altice"), as successor in interest to Altice S.A., and certain other direct or indirect wholly-owned subsidiaries of Altice (the "Purchasers"), acquired approximately 70% of the total outstanding equity interests in Cequel Corporation (the "Altice Acquisition") from the direct and indirect stockholders of Cequel Corporation (the "Sellers"). Prior to the date thereof, Cequel Corporation was directly or indirectly owned by investment funds advised by BC Partners Limited ("BCP"), CPPIB-Suddenlink LP, a wholly owned subsidiary of Canada Pension Plan Investment Board ("CPPIB" and together with BCP, the "Sponsors"), and IW4MK Carry Partnership LP (the "Management Holder" and together with the Sponsors, the "Stockholders"). The consideration for the acquired equity interests was based on a total equity valuation for 100% of the capital and voting rights of Cequel Corporation of $4,132,000 (less $158,500 cash reimbursed) which includes $2,956,400 of cash consideration (less $158,500 cash reimbursed), $675,600 of retained equity held by the Sponsors and $500,000 funded by the issuance by an affiliate of Altice of a senior vendor note that was subscribed by the Sponsors. Following the closing of the Altice Acquisition, the Sponsors retained equity interests in Cequel Corporation represented, in the aggregate, 30% of Cequel Corporation's outstanding capital stock on a post-closing basis. In addition, the carry interest plans of the Stockholders were cashed out based on an agreement between the Sponsors and the Management Holder whereby payments were made to participants in such carry interest plans, including certain officers and directors of Cequel and Cequel Corporation.

In connection with the Altice Acquisition, certain Altice wholly-owned subsidiaries were transferred to Cequel. The carrying value of the net liabilities assumed and accumulated deficit was reported in the consolidated financial statements in the amount of $27,962.

In June 2016, Cequel Corporation was contributed to Neptune Holding US Corporation ("Neptune Holding"), which is also the parent company of Cablevision Systems Corporation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Consolidated Financial Statements

Principles of Consolidation

In the accompanying consolidated balance sheets, the consideration paid by Altice in connection with the Acquisition has been "pushed down" to the Company and has been allocated to the assets acquired and liabilities assumed based on their estimated fair values in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic ("ASC") 805, *Business Combinations*. Due to the impact of push down accounting, the Company's financial statements are presented in two distinct periods to indicate the application of the different bases of accounting between the periods presented: (1) the periods up to the Acquisition date, December 1, 2015 through December 20, 2015 and the year ended December 31, 2014, labeled "Predecessor", and (2) the periods from the Merger date, December 21, 2015 through December 31, 2015 and the year ended December 31, 2016 labeled "Successor". The Predecessor periods represent the financial information of the Company prior to the Acquisition, while the Successor period represents the financial information of the Company subsequent to the Acquisition. The accompanying financial statements include a black line division to indicate the application of the bases of accounting utilized by the Predecessor and Successor reporting entities. As a result, the financial statements for the Predecessor periods and for the Successor periods are not comparable. For a summary of the application and valuation of business combination accounting, see Note 3.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See Note 10 for a discussion of fair value estimates.

Reclassifications

Certain reclassifications have been made in the consolidated financial statements in the 2014 and 2015 financial statements to conform to the 2016 presentation.

Revenue Recognition

Revenue from video, high-speed Internet, telephone and security services are recognized in the period during which the related services are provided. Revenue received from customers 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). Installation revenue is recognized in the period the service is performed to the extent of direct selling costs, with the remaining amount deferred over the life of the customer relationship. Customer services paid for in advance are recorded as income when earned. Advertising sales are recognized in the period that the advertisements are broadcast.

Local or state government authorities impose franchise fees on the majority of the Company's systems ranging up to a federally mandated maximum of 5% of gross revenues as defined in the franchise agreements. Such fees are collected on a monthly basis from the Company's customers and are periodically remitted to franchise authorities. Because franchise fees are the Company's obligation, the Company presents them on a gross basis in revenue with a corresponding operating expense. Franchise fees reported on a gross basis in revenue amounted to approximately $48,519 for the successor year ended December 31, 2016, $1,414 for the successor period December 21 to December 31, 2015, $46,295 for the predecessor period January 1, 2015 to December 20, 2015 and $47,829 for the predecessor year ended December 31, 2014.

Multiple-Element Transactions

In the normal course of business, the Company may enter into multiple-element transactions where it is simultaneously both a customer and a vendor with the same counterparty or in which it purchases multiple products and/or services, or settles outstanding items contemporaneous with the purchase of a product or service from a single counterparty. The Company's policy for accounting for each transaction negotiated contemporaneously is to record each deliverable of the transaction based on its best estimate of selling price in a manner consistent with that used to determine the price to sell each deliverable on a standalone basis. In determining the fair value of the respective deliverable, the Company will

utilize quoted market prices (as available), historical transactions or comparable transactions.

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Company periodically assesses the adequacy of valuation allowances for uncollectible accounts receivable by evaluating the collectability of outstanding receivables and general factors such as historical collection experience, length of time individual receivables are past due, and the economic and competitive environment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable. Concentration of credit risk with respect to the Company's cash balance is limited. The Company maintains or invests its cash with highly qualified financial institutions. With respect to the Company's receivables, credit risk is limited due to the large number of customers, individually small balances and short payment terms.

Programming Costs

Programming expenses related to the Company's video service represent fees paid to programming distributors to license the programming distributed to subscribers. This programming is acquired generally under multi-year distribution agreements, with rates usually based on the number of subscribers that receive the programming. If there are periods when an existing distribution agreement has expired and the parties have not finalized negotiations of either a renewal of that agreement or a new agreement for certain periods of time, the Company continues to carry and pay for these services until execution of definitive replacement agreements or renewals. The amount of programming expense recorded during the interim period is based on the Company's estimates of the ultimate contractual agreement expected to be reached, which is based on several factors, including previous contractual rates, customary rate increases and the current status of negotiations. Such estimates are adjusted as negotiations progress until new programming terms are finalized.

In addition, the Company has received, or may receive, incentives from programming distributors for carriage of the distributors' programming. The Company generally recognizes these incentives as a reduction of programming costs in "programming and other direct costs", generally over the term of the distribution agreement.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense, included in the "other operating expenses" line item in the accompanying consolidated statements of operations, amounted to approximately $56,854 for the successor year ended December 31, 2016, $1,860 for the successor period December 21 to December 31, 2015, $62,702 for the predecessor period January 1, 2015 to December 20, 2015, and $58,684 for the predecessor year ended December 31, 2014.

Share-Based Compensation

Share-based compensation expense is based on the fair value of the portion of share-based payment awards that are ultimately expected to vest. For share-based compensation awards that can be settled in cash, the Company recognizes compensation expense based on the estimated fair value of the award at each reporting period.

The Company measures the cost of employee services received in exchange for carry interest units (see Note 13) issued by an entity that has an ownership interest in the Company's parent, based on the fair value of the award at each reporting period. An option pricing model is used which requires subjective assumptions for which changes in these assumptions could materially affect the fair value of the carry units outstanding. The Company recognizes compensation expense in its statements of operations from the push down from its parent of share-based compensation related to this plan.

Income Taxes

The Company's provision for income taxes is based on current period income, changes in deferred tax assets and liabilities and changes in estimates with regard to uncertain tax positions. Deferred tax assets are subject to an ongoing assessment of realizability. In the second quarter of 2016, the Company changed its accounting policy on a prospective basis to present interest expense relating to uncertain tax position as additional interest expense.

Cequel is a single member limited liability company wholly owned by Cequel Corporation, and therefore is disregarded for income tax purposes. Cequel Corporation is included in the federal consolidated and certain state combined income

tax returns of Neptune Holding subsequent to the contribution of the common stock of Cequel Corporation to Neptune Holding on June 9, 2016. In the fourth quarter of 2016, Cequel, Cequel Corporation and Neptune Holding entered into an income tax sharing agreement under which Cequel will have an obligation to Cequel Corporation for current income taxes on a stand-alone basis.

A valuation allowance will be recorded against deferred tax assets when it is more likely than not that all or some portion of the deferred income tax asset will not be realized in the future. Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowances required (See Note 11).

Cash and Cash Equivalents

For financial reporting purposes, the Company considers all highly liquid investments with original maturities at purchase of three months or less to be cash equivalents. These investments are carried at cost, which approximates market value.

Deferred Financing Costs

Deferred financing costs are being amortized to interest expense using the effective interest method over the terms of the related debt.

Accounting for Long-Lived and Intangible Assets

Long-lived Assets and Amortizable Intangible Assets

Property, plant and equipment, including construction materials, are carried at cost, and include all direct costs and certain indirect costs associated with the construction of cable systems, and the costs of new product and subscriber installations. Equipment under capital leases is recorded at the present value of the total minimum lease payments. Depreciation on equipment is calculated on the straight-line basis over the estimated useful lives of the assets or, with respect to equipment under capital leases and leasehold improvements, amortized over the shorter of the lease term or the assets' useful lives and reported in depreciation and amortization (including impairments) in the consolidated statements of operations.

The Company capitalizes certain internal and external costs incurred to acquire or develop internal-use software. Capitalized software costs are amortized over the estimated useful life of the software and reported in depreciation and amortization (including impairments).

Customer relationships, trade names and other intangibles established in connection with acquisitions that are finite-lived are amortized in a manner that reflects the pattern in which the projected net cash inflows to the Company are expected to occur, such as the sum of the years' digits method, or when such pattern does not exist, using the straight-line basis over their respective estimated useful lives.

The Company reviews its long-lived assets (property, plant and equipment, and intangible assets subject to amortization that arose from acquisitions) for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. If the sum of the expected cash flows, undiscounted and without interest, is less than the carrying amount of the asset, an impairment loss is recognized as the amount by which the carrying amount of the asset exceeds its fair value. For the years ended December 31, 2016 and 2015, no triggering events have occurred and no impairment tests were performed.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and the value of franchises acquired in purchase business combinations which have indefinite useful lives are not amortized. Rather, such assets are tested for impairment annually or upon the occurrence of a triggering event.

The Company assesses qualitative factors for its reporting units that carry goodwill. If the qualitative assessment results in a conclusion that it is more likely than not that the fair value of a reporting unit exceeds the carrying value, then no further testing is performed for that reporting unit.

When the qualitative assessment is not used, or if the qualitative assessment is not conclusive and it is necessary to calculate the fair value of a reporting unit, then the impairment analysis for goodwill is performed at the reporting unit level using a two-step approach. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill utilizing an enterprise-value

based premise approach. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of goodwill impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill which would be recognized in a business combination.

The Company assesses qualitative factors to determine whether it is necessary to perform the one-step quantitative identifiable indefinite-lived intangible assets impairment test. This quantitative test is required only if the Company concludes that it is more likely than not that a unit of accounting's fair value is less than its carrying amount. When the qualitative assessment is not used, or if the qualitative assessment is not conclusive, the impairment test for other intangible assets not subject to amortization requires a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

The Company's impairment analyses for 2016 and 2015 indicated no impairment of its goodwill and other intangible assets not subject to amortization.

Fair Value of Financial Instruments

The carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, approximate fair value because of their short maturities (see Note 10).

Derivative Financial Instruments

The Company accounts for derivative financial instruments as either assets or liabilities measured at fair value. The Company uses derivative instruments to manage its exposure to market risks from changes in certain interest rates and does not hold or issue derivative instruments for speculative or trading purposes. These derivative contracts have not been designated as hedges for accounting purposes. Accordingly, the changes in fair values of these derivative contracts is recorded through the statement of operations.

Recently Adopted Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-17 (Topic 740), Balance Sheet Classification of Deferred Taxes. ASU 2015-17 amends existing guidance to require the presentation of deferred tax liabilities and assets as non-current within a classified statement of financial position. ASU No. 2015-17 was adopted by the Company as of June 30, 2016 and was applied prospectively to all deferred tax liabilities and assets.

In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Prior to the issuance of the standard, entities were required to retrospectively apply adjustments made to provisional amounts recognized in a business combination. ASU No. 2015-16 was adopted by the Company on January 1, 2016 and applied prospectively in connection with the Altice Acquisition.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. In August 2015, the FASB issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which clarifies the treatment of debt issuance costs from line-of-credit arrangements after adoption of ASU No. 2015-03. ASU No. 2015-15 clarifies that the Securities and Exchange Commission staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU No. 2015-03 was adopted by the Company on January 1, 2016 representing a change in accounting principle and was applied retrospectively to all periods presented. During the first quarter of 2016, the Company adopted this guidance and have re-classified unamortized debt issuance costs in its consolidated balance sheets from deferred financing costs, net to Long-term debt for all periods presented. The effect of this change was to reduce

the previously reported amounts within the accompanying consolidated balance sheet as of December 31, 2015 for deferred financing costs, net and long-term debt by $33,311. Adoption of this guidance did not affect our consolidated results of operations, financial position or liquidity.

In August 2014, the FASB issued ASU No. 2014-15, Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern, which requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, and to provide certain disclosures when it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. ASU No. 2014-15 was adopted by the Company for the annual period ended December 31, 2016.

In June 2014, the FASB issued ASU No. 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period. ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. ASU No. 2014-12 was adopted by the Company on January 1, 2016 on a prospective basis and did not have any impact on the Company's consolidated financial statements.

Recently Issued But Not Yet Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, requiring 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. ASU No. 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective and allows the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 that approved deferring the effective date by one year so that ASU No. 2014-09 would become effective for the Company on January 1, 2018. The FASB also approved, in July 2015, permitting the early adoption of ASU No. 2014-09, but not before the original effective date for the Company of January 1, 2017. The Company has not yet completed the evaluation of the effect that ASU No. 2014-09 will have on its consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers, in order to clarify the Codification and to correct any unintended application of the guidance. These items are not expected to have a significant effect on the current accounting standard. The amendments in this update affect the guidance in ASU No. 2014-09, which is not yet effective. ASU No. 2014-09 will be effective, reflecting the one-year deferral, for interim and annual periods beginning after December 15, 2017 (January 1, 2018 for the Company). Early adoption of the standard is permitted but not before the original effective date. Companies can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. The Company is in the process of evaluating the impact that the adoption of ASU No. 2014-09 will have on its consolidated financial statements and selecting the method of transition to the new standard. We currently expect the adoption to impact the timing of the recognition of residential installation revenue and the recognition of commission expenses.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU No. 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The new guidance becomes effective for the Company on January 1, 2018 with early adoption permitted and will be applied retrospectively. The Company has not yet completed the evaluation of the effect that ASU No. 2016-15 will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which provides simplification of income tax accounting for share-based payment awards. The new guidance becomes effective for the Company on January 1, 2017 with early adoption permitted. Amendments related to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, forfeitures, and intrinsic value will be applied using the modified retrospective transition method. Amendments requiring recognition of excess tax benefits and tax deficiencies in the income statement and the practical expedient for estimating expected term will be applied prospectively. The Company may elect to apply the amendments related to the presentation of excess tax benefits on the statement of cash flows using either a prospective transition method or a retrospective transition method. The Company does not expect that ASU No. 2016-09 will have a material

impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases*,* which increases transparency and comparability by recognizing a lessee's rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new guidance becomes effective for the Company on January 1, 2019 with early adoption permitted and will be applied using the modified retrospective method. The Company has not yet completed the evaluation of the effect that ASU No. 2016-02 will have on its consolidated financial statements.

NOTE 3. ACQUISITIONS

Altice Acquisition

Cequel Corporation applied business combination accounting for the Altice Acquisition. This resulted in the Company having a new accounting basis in the identifiable assets and liabilities. Accordingly, the consolidated financial statements on or after December 21, 2015 are not comparable to the consolidated financial statements prior to that date. The financial statements for the periods ended prior to December 20, 2015 do not include the effect of any changes in our corporate structure or changes in the fair value of assets and liabilities as a result of business combination accounting.

In the accompanying consolidated balance sheets of the Company, the consideration paid by Altice in connection with the Acquisition has been "pushed down" to the Company and has been allocated to the assets acquired and liabilities assumed based on their estimated fair values using Level 3 inputs (see Note 10).

The following table summarizes the fair values assigned to the Company's assets and liabilities as of the Acquisition Date resulting from push down accounting:

	Fair Values
Current assets	$ 155,065
Accounts receivable	193,235
Property, plant and equipment	2,107,220
Goodwill ($538,900 tax deductible)	2,153,741
Subscriber relationships	1,075,884
Franchise rights	4,909,862
Trade names	56,783
Other non-current assets	62,128
Current liabilities	(570,059)
Long-term debt	(6,114,380)
Deferred income taxes	(1,870,938)
Other non-current liabilities	(3,956)
Total	$ 2,154,585

Franchise rights were valued using the Greenfield Method, a derivation of the income approach where cash flows attributable to a pool of franchises are isolated using a hypothetical start-up approach. Subscriber relationships were valued utilizing the excess earnings method which estimates revenue and earnings from the customer relationships acquired. Trade names were valued utilizing a derivation of the income approach known as the royalty savings method.

The basis for the valuation methods was the Company's projections. These seven-year projections were based on management's assumptions including among others, penetration rates for basic and digital video, high speed Internet, and telephone; revenue growth rates; operating margins; and capital expenditures. The assumptions are derived based on the Company's and its peers' historical operating performance adjusted for current and expected competitive and economic factors surrounding the cable industry. The values are highly dependent on the achievement of the future financial results contemplated in the projections. The estimates and assumptions made in the valuation are inherently subject to significant uncertainties, many of which are beyond our control, and there is no assurance that these results

can be achieved. The primary assumptions for which there is a reasonable possibility of the occurrence of a variation that would have significantly affected the value include the assumptions regarding revenue growth, programming expense growth rates, the amount and timing of capital expenditures and the discount rate utilized.

In establishing fair value for the vast majority of the Company's property, plant and equipment, the cost approach was utilized. The cost approach considers the amount required to replace an asset by constructing or purchasing a new asset with similar utility, then adjusts the value in consideration of physical depreciation, and functional and economic obsolescence as of the appraisal date. The cost approach relies on management's assumptions regarding current material and labor costs required to rebuild and repurchase significant components of our property, plant and equipment along with assumptions regarding the age and estimated useful lives of our property, plant and equipment.

Long-term debt outstanding prior to the Altice Acquisition was valued at fair value as of December 21, 2015 using quoted market prices (Level 2). Debt issued to finance the Altice acquisition was recorded at historical cost.

The carrying value of most other assets and liabilities approximated fair value as of December 21, 2015.

As a result of applying business combination accounting, the Company recorded goodwill, which represents the excess of organization value over amounts assigned to the other identifiable tangible and intangible assets, arising from expectations of future operational performance and cash generation.

Other Acquisitions

On January 2, 2014, the Company consummated its acquisition of three cable systems from Northland Communications ("Northland"), for a purchase price of $40,600 (the "Northland Acquisition"). The Northland Acquisition was funded by cash on hand. The Company incurred acquisition related costs of approximately $200 for the predecessor year ended December 31, 2014, which is included in other operating expenses in the consolidated statements of operations. The Company's consolidated statement of operations for the predecessor year ended December 31, 2014 included $15,300 of revenue and $3,100 of net income, from the acquisition of Northland.

On October 1, 2014, the Company consummated its acquisition of two cable systems in Nevada from NewWave Communications ("New Wave") for approximately $6,100 using cash on hand. The Company's consolidated statement of operations for the predecessor year ended December 31, 2014 includes $800 of revenue and less than $100 of net income from the acquisition of New Wave.

NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION

During 2016, 2015 and 2014, the Company's non-cash investing and financing activities and other supplemental data were as follows:

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21, 2015 to December 31, 2015	Period from January 1, 2015 to December 21, 2015	Year Ended December 31, 2014
Non-Cash Investing and Financing Activities:				
Property and equipment accrued but unpaid	$ 36,972	$ 12,329	$ 16,937	$ 20,785
Supplemental Data:				
Cash interest paid	354,960	196	259,417	232,248
Income taxes paid, net	5,332	—	6,137	5,851

NOTE 5. RESTRUCTURING AND OTHER EXPENSES

During 2016, the Company commenced its restructuring initiatives (the "2016 Restructuring Plan") that are intended to simplify the Company's organizational structure. The 2016 Restructuring Plan resulted in charges of $26,573 associated with the elimination of positions primarily in corporate, administrative and infrastructure functions across various business units of the Company and estimated charges of $747 associated with facility realignment and other costs. Any future charges cannot be estimated currently. Such costs are classified in restructuring and other expenses (credits) in the Company's consolidated statements of operations.

The following is a summary of the activity related to the liabilities associated with 2016 Restructuring Plan:

	Severance and Other Employee Related Costs	Facility Realignment and Other Costs	Total
Restructuring charges	$ 26,573	$ 747	$ 27,320
Payments and other	(9,783)	$ (304)	(10,087)
Accrual balance at December 31, 2016 (Successor)	$ 16,790	$ 443	$ 17,233

In addition, the Company incurred expenses of $657 for the successor year ended December 31, 2016, $26,498 for the successor period December 21, 2015 to December 31, 2015 and $56,922 for the predecessor period January 1, 2015 to December 20, 2015, relating to transaction and acquisition expenses associated with the Altice Acquisition which are reflected in restructuring and other expenses in the consolidated statements of operations. For the predecessor year ended December 31, 2014, the Company incurred expenses of $16,511 related to various transactions which are reflected in restructuring and other expenses in the consolidated statements of operations.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, including all material, labor and certain indirect costs associated with the construction of the Company’s cable systems including line extensions to, and upgrade of, the Company's hybrid fiber/coaxial infrastructure and headend facilities. These costs consist of materials, subcontractor labor, direct consulting fees, and internal labor and related costs associated with the construction activities. The internal costs that are capitalized consist of salaries and benefits of the Company's employees and the portion of facility costs, including rent, taxes, insurance and utilities, that supports the construction activities. These costs are depreciated over the estimated life of the plant (12 to 20 years) and headend facilities (7 to 10 years). Costs of operating the plant and the technical facilities, including repairs and maintenance, are expensed as incurred.

Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are also capitalized. Costs capitalized as part of new customer installations include materials, subcontractor costs and internal direct labor costs, including service technicians and internal overhead costs incurred to connect the customer to the plant from the time of installation scheduling through the time service is activated and functioning. The internal direct labor cost capitalized is based on a combination of the actual and estimated time to complete the installation. Overhead capitalized consists mainly of employee benefits, such as payroll taxes and health insurance, directly associated with that portion of the capitalized labor and vehicle operating costs related to capitalizable activities. New connections are amortized over the estimated useful lives of 4-8 years for customer wiring and feeder cable to the home. The portion of departmental costs related to disconnecting services, reconnection of a customer, and repair and maintenance are expensed as incurred.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively. For assets that are sold or retired, the estimated historical cost and related accumulated depreciation is removed.

Property, plant and equipment (including equipment under capital leases) consist of the following assets, which are depreciated or amortized on a straight-line basis over the estimated useful lives shown below:

	Successor		Estimated
	December 31,		Useful Lives
	2016	2015	
Customer equipment	$ 431,467	$ 165,946	3 to 5 years
Headends and related equipment	221,240	358,809	4 to 25 years
Infrastructure	1,522,147	1,480,252	3 to 25 years
Equipment and software	107,060	37,687	3 to 10 years
Construction in progress (including materials and supplies)	731	—	
Furniture and fixtures	12,848	6,258	5 to 12 years
Transportation equipment	55,850	25,324	5 to 10 years
Buildings and building equipment	88,484	106,877	10 to 40 years
Leasehold improvements	18,312	8,455	Term of lease
Land	25,206	44,666	
Total property, plant and equipment	2,483,345	2,234,274	
Less: accumulated depreciation	(476,558)	(10,162)	
Property, plant and equipment, net	$ 2,006,787	$ 2,224,112	

Depreciation expense was $465,610 for the successor year ended December 31, 2016, $10,203 for the successor period December 21 to December 31, 2015, $466,980 for the predecessor period January 1, 2015 to December 20, 2015 and $484,539 for the predecessor year ended December 31, 2014.

The estimated useful lives assigned to our property, plant and equipment are reviewed on an annual basis or more frequently if circumstances warrant and such lives are revised to the extent necessary due to changing facts and circumstances. Any changes in estimated useful lives are reflected prospectively.

At December 31, 2016 and 2015, the gross amount of equipment and related accumulated amortization recorded under capital leases were as follows:

	December 31,	
	2016	2015
Buildings and equipment	$ 3,744	$ 2,547
Less accumulated amortization	(906)	(46)
	$ 2,838	$ 2,501

NOTE 7. INTANGIBLE ASSETS

The following table summarizes the carrying amount of amortizable intangible assets as of December 31:

	Successor						
		2016			2015		
	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Subscriber relationships	8 yrs	$ 1,075,884	$ (244,817)	$ 831,067	$ 1,067,353	$ (12,625)	$ 1,054,728
Trade Names	2 yrs	56,783	(38,975)	17,808	37,856	(746)	37,110
Franchise rights	11 yrs	3,356	$ (610)	2,746	3,356	—	3,356
Total		$ 1,136,023	$ (284,402)	$ 851,621	$ 1,108,565	$ (13,371)	$ 1,095,194

Amortization expense was $271,031 for the successor year ended December 31, 2016, $13,371 for the successor period December 21 to December 31, 2015, $66,377 for the predecessor period January 1, 2015 to December 20, 2015 and $114,197 for the predecessor year ended December 31, 2014.

The following table summarizes the carrying amount of indefinite-lived intangible assets:

	Successor	
	December 31,	
	2016	2015
Franchise rights	$ 4,906,506	$ 4,981,233
Goodwill	2,153,741	2,040,402
	$ 7,060,247	$ 7,021,635

The results of the Company's analysis of indefinite-lived intangible assets as of December 31, 2016 and 2015 indicated no impairment of the carrying value of those assets and no accumulated impairment of goodwill existed.

Below is a summary of the changes in the carrying value of the Company's goodwill for the years ended December 31, 2016 and 2015:

	Successor					
	December 31,					
	2016			2015		
	Gross Amount	Accumulated Impairment Charge	Carrying Value	Gross Amount	Accumulated Impairment Charge	Carrying Value
Balance, beginning of year	$ 2,040,402	$ —	$ 2,040,402	$ 2,040,402	$ —	$ 2,040,402
Adjustments relating to purchase accounting	113,339	—	113,339	—	—	—
Balance, end of period	$ 2,153,741	$ —	$ 2,153,741	$ 2,040,402	$ —	$ 2,040,402

The following table sets forth the estimated amortization expense on intangible assets for the fiscal years ending December 31:

Year	Amount
2017	$ 226,689
2018	178,903
2019	148,944
2020	118,997
2021	89,062
Thereafter	89,026
Total	$ 851,621

NOTE 8. DEBT

The following table provides details of the Company's outstanding debt (net of unamortized financing costs and unamortized discounts):

		Successor	
	Principal	Carrying Amount at December 31,	
	Amount	2016 (a)	2015 (a)
Old credit facility	$ —	$ —	$ 1,459,077
New credit facility (b)	815,000	812,903	790,459
6.375% Senior Notes due 2020	1,500,000	1,457,439	1,447,659
5.125% Senior Notes due 2021 (c)	1,250,000	1,115,767	1,094,461
5.375% Senior Secured Notes due 2023	1,100,000	1,079,869	1,066,541
7.750% Senior Notes due 2025 (d)	620,000	602,925	267,684
5.500% Senior Secured Notes due 2026	1,500,000	1,486,933	—
	6,785,000	6,555,836	6,125,881
Capital leases	2,812	2,812	12,939
	6,787,812	6,558,648	6,138,820
Less: Current portion	9,113	9,113	115,255
Long-Term Debt	$ 6,778,699	$ 6,549,535	$ 6,023,565

(a) The unamortized discount and unamortized deferred financing costs amounted to $229,164 and $320,714 at December 31, 2016 and 2015, respectively.

(b) At December 31, 2016, $17,031 of the revolving credit facility was restricted for certain letters of credit issued on behalf of the Company and $332,969 of the facility was undrawn and available, subject to covenant limitations. The interest rate on the outstanding term loan at December 31, 2016 was 3.88%.

(c) Includes the Initial 2021 Notes and the 2021 Mirror Notes.

(d) The principal amount and carrying value as of December 31, 2016 includes the $320,000 principal amount of 2025 Senior Notes issued in exchange for the Holdco Notes (see discussion below).

Old Credit Facility

On February 14, 2012, Suddenlink, the Parent Guarantor, certain subsidiaries of Suddenlink and a syndicate of lenders entered into a Credit and Guaranty Agreement, (the “ Old Credit Agreement”), which provided for up to $2,700,000 of loans in the aggregate, consisting of a $2,200,000 term loan facility funded at closing and a $500,000 revolving credit facility (collectively, the “Old Credit Facility”). The revolving credit facility was scheduled to mature on February 14, 2017. The term loan facility was scheduled to mature on February 14, 2019. The interest rate on the term loans outstanding under the Old Credit Agreement initially equaled the prime rate plus 1.75% or the LIBOR rate plus 2.75%, with a LIBOR

floor of 0.75%, while the interest rate on the revolver loans initially equaled the prime rate plus 1.50% or the LIBOR rate plus 2.50%. The term loan facility required quarterly repayments in annual amounts equal to 1.00% of the original principal amount, with the remainder due at maturity. The debt under the Old Credit Agreement was secured by a first priority security interest in the capital stock of Suddenlink and substantially all of the present and future assets of Suddenlink and its restricted subsidiaries, and was guaranteed by the Parent Guarantor, as well as all of Suddenlink's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the Old Credit Agreement. The Old Credit Agreement contained customary representations, warranties and affirmative covenants. In addition, the Old Credit Agreement contained restrictive covenants that limited, among other things, the ability of Suddenlink and its subsidiaries to incur indebtedness, create liens, engage in mergers, consolidations and other fundamental changes, make investments or loans, engage in transactions with affiliates, pay dividends, and make acquisitions and dispose of assets. The Old Credit Agreement also contained a maximum senior secured leverage maintenance covenant. Additionally, the Old Credit Agreement contained customary events of default, including failure to make payments, breaches of covenants and representations, cross defaults to other indebtedness, unpaid judgments, changes of control and bankruptcy events. The lenders' commitments to fund amounts under the revolving credit facility were subject to certain customary conditions.

In connection with the Altice Acquisition, the Company received consent from lenders under the Old Credit Facility to amend the definition of change of control and certain other related definitions therein so that the consummation of the Altice Acquisition did not constitute a change of control and corresponding event of default thereunder (the "Old Credit Facility Amendments"), and the Company entered into a Second Amendment and Consent to the Old Credit Facility with the lenders thereunder, containing, among other things, the Old Credit Facility Amendments. In exchange for this consent, the Company paid lenders who consented to these amendments an aggregate fee of approximately $6,800.

Additionally, as of December 21, 2015, in connection with the establishment of the New Credit Facility (as described below) the interest rate on the term loans outstanding under the Old Credit Agreement was increased to the prime rate plus 1.8125% or the LIBOR rate plus 2.8125%, with a LIBOR floor of 1.00%, and the commitments under the then existing $500,000 revolving credit facility under the Old Credit Facility were terminated.

On April 26, 2016, the $1,477,200 remaining balance under the Old Credit Facility was repaid with the proceeds from the issuance of the 2026 Senior Secured Notes discussed below. Upon repayment of the remaining balance on the Old Credit Facility, the Old Credit Facility was terminated and a loss on extinguishment of debt of $19,948 was recorded.

New Credit Facility

In connection with the Altice Acquisition, lenders holding (a) $290,000 of loans and commitments under the revolving credit facility under the Old Credit Facility and (b) approximately $815,400 of loans under the existing term loan facility under the Old Credit Facility consented to roll over, on a cashless basis, such lenders' loans and commitments under the Old Credit Facility into loans and commitments of the same amount under a new credit facility (the "New Credit Facility") made available to Altice US Finance I Corporation effective upon the consummation of the Altice Acquisition (the 'New Credit Agreement"). Upon the closing of the Altice Acquisition, the $290,000 of loans and commitments under the revolving credit facility under the Old Credit Facility that lenders elected to rollover into the New Credit Facility, plus $60,000 of new revolving commitments from other lenders, formed a new $350,000 revolving credit facility under the New Credit Facility, and all remaining commitments under the then existing $500,000 revolving credit facility under the Old Credit Facility were terminated.

The revolving credit facility under the New Credit Facility is scheduled to mature on December 21, 2020 (see below). There is a commitment fee of 0.5% on undrawn amounts under the revolving credit facility. The term loan facility under the New Credit Facility will mature on December 14, 2022 (see below), or sooner if certain amounts of the 2020 Notes, the 2021 Notes or the Senior Secured Notes remain outstanding at certain future dates (as early as June 2020). The interest rate on the term loans outstanding under the New Credit Facility equal the prime rate plus 2.25% or the LIBOR rate plus 3.25%, with a LIBOR floor of 1.00%, while the interest rate on the revolver loans equal the prime rate plus 2.25% or the LIBOR rate plus 3.25%. The term loan facility requires quarterly repayments in annual amounts equal to 1.00% of the original principal amount, which commenced on March 31, 2016, with the remainder due at maturity. The debt under the New Credit Agreement is secured by a first priority security interest in the capital stock of Suddenlink and substantially all of the present and future assets of Suddenlink and its restricted subsidiaries, and is guaranteed by the Parent Guarantor, as well as all of Suddenlink's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the New Credit Agreement. The New Credit Agreement contains customary representations,

warranties and affirmative covenants. In addition, the New Credit Agreement contains restrictive covenants that limit, among other things, the ability of Suddenlink and its subsidiaries to incur indebtedness, create liens, engage in mergers, consolidations and other fundamental changes, make investments or loans, engage in transactions with affiliates, pay dividends, and make acquisitions and dispose of assets. The New Credit Agreement also contains a maximum senior secured leverage maintenance covenant of 5.0 times EBITDA as defined in the New Credit Agreement. Additionally, the New Credit Agreement contains customary events of default, including failure to make payments, breaches of covenants and representations, cross defaults to other indebtedness, unpaid judgments, changes of control and bankruptcy events. The lenders' commitments to fund amounts under the revolving credit facility are subject to certain customary conditions.

Amendments to New Credit Agreement

On October 25, 2016, the Company entered into the First Amendment to the New Credit Agreement, amending the credit agreement dated June 12, 2015, between the Company and certain lenders party thereto pursuant to which the applicable margin for the term loans outstanding under the New Credit Facility was lowered by 25 basis points, the LIBOR floor for the term loans outstanding under the New Credit Facility was lowered by 25 basis points and the maturity date for the term loans outstanding under the New Credit Facility was extended to January 15, 2025. The proceeds of $815,000 from the new term loan were used to repay the amount outstanding under the existing term loan of $809,327 and related fees and expenses. In connection with the extinguishment of the existing term loan, the Company recorded a loss on extinguishment of debt of $4,807, representing primarily the write-off of deferred financing costs related to the term loan. In connection with the First Amendment to the New Credit Agreement, the Company recorded deferred financing costs of $2,092, which are being amortized to interest expense over the term of the loan.

On December 9, 2016, the Company entered into the Second Amendment to the New Credit Agreement which extended the maturity on the revolver to November 30, 2021.

Senior Secured Notes

On June 12, 2015, Altice US Finance I Corporation, an indirect subsidiary of Altice, issued $1,100,000 principal amount of senior secured notes (the "2023 Senior Secured Notes"), the proceeds from which were placed in escrow to finance a portion of the purchase price for the Altice Acquisition. The 2023 Senior Secured Notes bear interest at a rate of 5.375% per annum and were issued at a price of 100.00%. Interest on the 2023 Senior Secured Notes is payable semi-annually on January 15 and July 15 of each year. Following the consummation of the Altice Acquisition and related transactions the equity interests in Altice US Finance I Corporation were contributed through one or more intermediary steps to Suddenlink, and the Senior Secured Notes were guaranteed by Cequel Communications Holdings II LLC, Suddenlink and certain of the subsidiaries of Suddenlink and are secured by certain assets of Cequel Communications Holdings II LLC, Suddenlink and its subsidiaries.

On April 26, 2016, Altice US Finance I Corporation issued $1,500,000 aggregate principal amount of senior secured notes (the "2026 Senior Secured Notes"). The proceeds from the sale were used to repay the $1,477,200 remaining balance under the Old Credit Facility and to pay related fees and expenses (see discussion above). The 2026 Senior Secured Notes mature on May 15, 2026 and bear interest at a rate of 5.50% annually. Interest on the 2026 Senior Secured Notes is payable semi-annually on May 15 and November 15 of each year, commencing on November 15, 2016. Deferred financing costs recorded in connection with the issuance of these notes amounted to $13,773 and are being amortized over the term of the notes.

Senior Notes

On October 25, 2012, the Original Issuers issued $500,000 aggregate principal amount of the 2020 Notes, and on December 28, 2012, the Original Issuers issued $1,000,000 aggregate principal amount of the 2020 Notes. The 2020 Notes mature on September 15, 2020. Interest is payable on the 2020 Notes semi-annually on March 15 and September 15 of each year.

In connection with the Altice Acquisition, the Company received consent from holders of the 2020 Notes to, among other things, waive any obligation that the Issuers may have under the 2020 Indenture to repurchase the 2020 Notes as a result of the consummation of the Altice Acquisition and make certain related changes to the 2020 Indenture (the "Indenture Amendments"), and the Original Issuers entered into a first supplemental indenture to the 2020 Indenture with U.S. Bank National Association, as trustee, containing the Indenture Amendments. In exchange for this consent,

the Company paid holders who consented to these amendments an aggregate fee of approximately $26,300 at the closing of the Altice Acquisition, at which time the Indenture Amendments become effective.

On May 16, 2013, the Original Issuers issued $750,000 aggregate principal amount of the Initial 2021 Notes. The Initial 2021 Notes mature on December 15, 2021. Interest is payable on the Initial 2021 Notes semi-annually on June 15 and December 15 of each year.

On September 9, 2014, the Original Issuers issued $500,000 aggregate principal amount of the 2021 Mirror Notes. The proceeds from the sale, plus cash on hand, were used to make a distribution in the amount of $600,000 to Cequel's parent and pay related fees and expenses. The 2021 Mirror Notes have the same maturity date and substantially the same terms as the Initial 2021 Notes.

On June 12, 2015, Altice US Finance II Corporation, an indirect subsidiary of Altice, issued $300,000 principal amount of the 2025 Senior Notes, the proceeds from which were placed in escrow, to finance a portion of the purchase price for the Altice Acquisition. The 2025 Senior Notes were issued by the 2025 Senior Notes Issuer, an indirect subsidiary of Altice, bear interest at a rate of 7.75% per annum and were issued at a price of 100.00%. Interest on the 2025 Senior Notes is payable semi-annually on January 15 and July 15 of each year. Following the consummation of the Altice Acquisition and related transactions, the 2025 Senior Notes Issuer merged into Cequel, the 2025 Senior Notes became the obligations of Cequel and Cequel Capital Corporation became the co-issuer of the 2025 Senior Notes.

On June 12, 2015, Altice US Finance S.A., an indirect subsidiary of Altice issued $320,000 principal amount of the 7.75% Senior Notes due 2025 (the "Holdco Notes"), the proceeds from which were placed in escrow, to finance a portion of the purchase price for the Altice Acquisition. The Holdco Notes bear interest at a rate of 7.75% per annum and were issued at a price of 98.275%. Interest on the Holdco Notes is payable semi-annually on January 15 and July 15 of each year. The Holdco Notes were automatically exchanged into an equal aggregate principal amount of 2025 Senior Notes at Cequel during the second quarter of 2016. The exchange resulted in a decrease to member's equity of approximately $315,352.

The Issuers have no ability to service interest or principal on the Notes, other than through any dividends or distributions received from Suddenlink. Suddenlink is restricted in certain circumstances, from paying dividends or distributions to the Issuers by the terms of the New Credit Agreement. However, the New Credit Agreement permits Suddenlink to make dividends and distributions subject to satisfaction of certain conditions, including pro forma compliance with a maximum senior secured leverage ratio, and that no event of default has occurred and is continuing, or would be caused by the making of such dividends or other distributions, and based on, among other things, availability under a restricted payment basket. The 2020 Notes, the 2021 Notes and the 2025 Senior Notes are unsecured and are not guaranteed by any subsidiaries of the Original Issuers, including Suddenlink.

The Indentures contain certain covenants, agreements and events of default which are customary with respect to non-investment grade debt securities, including limitations on the Company's ability to incur additional indebtedness, pay dividends on or make other distributions or repurchase the Company's capital stock, make certain investments, enter into certain types of transactions with affiliates, create liens and sell certain assets or merge with or into other companies.

The Company's debt agreements include restrictive covenants such as restrictions on additional indebtedness. The New Credit Agreement also requires the Company to satisfy a financial maintenance covenant. The Company was in compliance with its debt covenants as of December 31, 2016.

Future Principal Payments

The future maturities of debt, excluding premiums and discounts, and including principal payments of capital leases, as of December 31, 2016 (giving effect to the amendments to the New Credit Facility discussed above) are as follows:

Year	
2017	$ 9,113
2018	8,652
2019	8,330
2020	1,508,213
2021	1,258,223
Thereafter	3,995,281
Total debt	$ 6,787,812

NOTE 9. DERIVATIVE CONTRACTS

In June 2016, the Company entered into two new fixed to floating interest rate swap contracts. One fixed to floating interest rate swap is converting $750,000 from a fixed rate of 1.6655% to six-month LIBOR and a second tranche of $750,000 from a fixed rate of 1.68% to six-month LIBOR. The objective of these swaps is to cover the exposure of the 2026 Senior Secured Notes to changes in the market interest rate.

These swap contracts were not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations. For the year ended December 31, 2016, the Company recorded a loss on interest rate swap contracts of $72,961.

As of December 31, 2016, our outstanding interest rate swap contracts had an aggregate fair value and carrying value of $78,823 reflected in "liabilities under derivative contracts" in our consolidated balance sheet.

The Company does not hold or issue derivative instruments for trading or speculative purposes.

See Note 10 for a discussion regarding the fair value of these contracts.

NOTE 10. FAIR VALUE MEASUREMENT

The Company has established a process for determining fair value of its financial assets and liabilities using available market information or other appropriate valuation methodologies. Fair value is based upon quoted market prices, where available. If such valuation methods are not available, fair value is based on internally or externally developed models using market-based or independently-sourced market parameters, where available. Subsequent adjustments may be made to ensure that those assets and liabilities are recorded at fair value. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value estimate as of the Company's reporting date.

Fair value 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 and 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 December 31, 2016 and 2015 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

Receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

The Company considers the impact of credit risk when measuring the fair value of its derivative asset and/or liability positions, as applicable.

In addition, see Note 2 for a discussion of impairment charges related to nonfinancial assets not measured at fair value on a recurring basis.

The estimated fair value of the Company's debt at December 31, 2016 and 2015 is based on quoted market prices for the debt and is classified within Level 2 of the valuation hierarchy. Unrealized gains or losses on debt do not result in the realization or expenditure of cash and are not recognized for financial reporting purposes.

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

	Successor			
	December 31, 2016		December 31, 2015	
	Carrying Value (a)	Estimated Fair Value	Carrying Value (a)	Estimated Fair Value
Old credit facility	$ —	$ —	$ 1,459,077	1,455,231
New credit facility	812,903	815,000	790,459	797,096
6.375% Senior Notes due 2020	1,457,439	1,552,500	1,447,659	1,451,250
5.125% Senior Notes due 2021 (b)	1,115,767	1,278,125	1,094,461	1,118,750
5.375% Senior Secured Notes due 2023	1,079,869	1,152,250	1,066,541	1,102,750
7.750% Senior Notes due 2025	602,925	686,650	267,684	276,000
5.500% Senior Notes due 2026	1,486,933	$ 1,537,500	—	—
Total	$ 6,555,836	$ 7,022,025	$ 6,125,881	$ 6,201,077

(a) Amounts are net of unamortized deferred financing costs and discounts.

(b) Includes the Initial 2021 Notes and the 2021 Mirror Notes.

The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Derivatives

As discussed in Note 8, in June 2016, the Company entered into two fixed to floating interest rate swaps. The Company does not enter into interest rate swap contracts for speculative or trading purposes.

The Company's interest rate swap contracts are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit risk considerations. Such adjustments are generally based on available market evidence. Since model inputs can generally be verified and do not involve significant management judgment, the Company has concluded that these instruments

should be classified within Level 2 of the fair value hierarchy.

As of December 31, 2016, the Company had outstanding interest rate swap contracts with an aggregate fair value and carrying value of $78,823 reflected in “liabilities under derivative contracts” in our consolidated balance sheet.

Non-financial Assets and Liabilities

The Company’s non-financial assets such as franchises, subscriber relationships, 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 for the successor year ended December 31, 2016, successor period from December 21, 2015 through December 31, 2015, the predecessor period from January 1, 2015 through December 20, 2015, and the predecessor year ended December 31, 2014.

NOTE 11. INCOME TAXES

Cequel is a single member limited liability company wholly owned by Cequel Corporation, and therefore is disregarded for income tax purposes. Cequel Corporation is included in the federal consolidated and certain state combined income tax returns of Neptune Holding subsequent to the contribution of the common stock of Cequel Corporation to Neptune Holding on June 9, 2016. In the fourth quarter of 2016, Cequel, Cequel Corporation and Neptune Holding entered into an income tax sharing agreement under which Cequel will have an obligation to Cequel Corporation for current income taxes on a stand-alone basis. During 2016, Cequel recorded an intercompany payable to Cequel Corporation of $3,371.

On June 21, 2016, Altice N.V., through Neptune Holding, completed its acquisition of Cablevision Systems Corporation ("Cablevision"). Accordingly, Cequel and Cablevision will join the federal consolidated and certain state combined income tax returns of Neptune Holding. As a result, the applicable tax rate used to measure deferred tax assets and liabilities increased, resulting in a non-cash deferred income tax charge of approximately $153,694 in the second quarter of 2016.

Components of the Company’s current and deferred income tax expense (benefit) for the years ended December 31, 2016, 2015 and 2014 were as follows:

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21, 2015 through December 31, 2015	Period from January 1, 2015 through December 20, 2015	Year Ended December 31, 2014
Current Tax Expense:				
Federal	$ —	$ —	$ —	$ —
State	3,148	155	4,435	5,418
Total Current	3,148	155	4,435	5,418
Deferred Tax Expense (Benefit):				
Federal	87,999	(9,517)	40,384	6,219
State	16,408	(607)	(6,591)	(2,776)
Total Deferred	104,407	(10,124)	33,793	3,443
Net expense (benefit) for income taxes	$ 107,555	$ (9,969)	$ 38,228	$ 8,861

The Company's expense (benefit) for income taxes differs from the expected tax expense amount computed by applying the statutory federal income tax rate to the income (loss) before income taxes as a result of the following:

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21, 2015 through December 31, 2015	Period from January 1, 2015 through December 20, 2015	Year Ended December 31, 2014
Tax at U.S. statutory rate	35.0 %	35.0%	35.0 %	35.0%
State taxes, net of benefit	4.7	1.9	0.2	12.1
Uncertain tax position	—	—	—	(45.8)
Change in valuation allowance	—	—	(0.1)	1.1
Non-cash stock option expense	—	—	(62.4)	40.8
Nondeductible share-based compensation relating to the carry unit plan	(1.5)	—	—	—
Return to provision	0.6	—	—	(0.4)
Change in state effective tax rate	(127.1)	—	5.9	—
State income tax credits	—	—	(0.1)	(13.8)
Other, net	(0.6)	(0.1)	(0.8)	2.3
Effective tax rate	(88.9)%	36.8%	(22.3)%	31.3%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In the second quarter of 2016, ASU 2015-17 was adopted with prospective application. Accordingly, all deferred tax assets and liabilities are presented as noncurrent in the consolidated balance sheet as of December 31, 2016.

	Successor	
	2016	2015
Deferred tax assets:		
NOLs and tax credit carry forwards	$ 296,523	$ 244,593
Accrued expenses	22,194	20,634
Fair value adjustment- debt and deferred finance costs	7,371	—
Loss on interest rate swap contracts	31,529	—
Other	1,207	727
Deferred tax asset	358,824	265,954
Valuation allowance	(494)	(494)
Net deferred tax asset, noncurrent	358,330	265,460
Deferred tax liability		
Fixed Assets	(411,006)	(385,578)
Intangibles	(1,893,243)	(1,791,386)
Net deferred tax liability, noncurrent	(2,304,249)	(2,176,964)
Total net deferred tax asset (liability)	$ (1,945,919)	$ (1,911,504)

At December 31, 2016, Cequel had consolidated federal NOLs of $773,000 expiring on various dates through 2036. In addition, Cequel has a deferred tax asset for state net operating loss carryforwards of approximately $21,903 at December 31, 2016. The Company has established a valuation allowance on state net operating loss carryforwards of $500 at

December 31, 2016, as it is more likely than not that a portion of the deferred tax asset will not be realized in the future. The net operating loss carryforwards are subject to certain limitations arising from changes in ownership rules under the Internal Revenue Code and state taxing authorities. The Company does not expect the limitations to impact the ability to utilize the losses prior to their expiration.

Cequel Corporation has approximately $995,000 of additional federal net operating loss carryforwards which will expire at various dates between 2019 and 2036. The net operating loss carryforwards are subject to certain limitations arising from changes in ownership rules under the Internal Revenue Code and state taxing authorities as well and are not reflected in the financial statements of the Company as they reside at Cequel Corporation and are not pushed down to the Company. Cequel Corporation expects to utilize the net operating loss carryforwards as a result of the inclusion of the Company in the consolidated tax return of Neptune Holding. The utilization of the net operating losses and the acquired net operating losses will be determined based on the ordering rules required by the applicable taxing jurisdiction.

The Company accounts for uncertain tax positions in accordance with the accounting guidance for such items. This guidance prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. The Company recognizes income tax benefits for those income tax provisions determined more likely than not to be sustained upon examination, based on the technical merits of the positions. On September 15, 2014, the Company filed its consolidated U.S. Corporation Income Tax Return for the calendar year 2013 reflecting an adjustment to a previously filed position which effectively eliminated the Company's uncertain tax position. The elimination of the uncertain tax position resulted in a corresponding adjustment to the Company's net deferred tax liabilities and deferred tax assets which resulted in a net benefit to income taxes of $13,000 for the year. The elimination of the uncertain tax position recognized in 2014 reduced the Company's effective tax rate by 45.8%. Changes in the Company's reserve for uncertain income tax positions, excluding the related accrual for interest and penalties are presented below:

	Successor		Predecessor	
	Year Ended December 31, 2016	Period from December 21, 2015 through December 31, 2015	Period from January 1, 2015 through December 20, 2015	Year Ended December 31, 2014
Balance, beginning of period	$ —	$ —	$ —	$ 33,127
Decreases related to prior year tax	—	—	—	(33,127)
Balance, end of period	$ —	$ —	$ —	$ —

Tax years ending 2011 through 2014 remain subject to examination and assessment. By statute, the Company's use of certain carryforward attributes that were generated prior to 2010 will allow the Internal Revenue Service ("IRS") to subsequently examine those periods. During 2014, the IRS concluded its examination of the Company's income tax return for the tax year ending December 31, 2011 and the predecessor tax period ending November 15, 2012, resulting in no adjustments. In 2015, the Company reached a settlement with the IRS on the audit of the income tax return for the successor tax period ending December 31, 2012, resulting in no material adjustments to the Company's financial statements.

The Company adjusts its tax reserve estimates periodically because of ongoing examinations by, and settlements with, the various taxing authorities, as well as changes in tax laws, regulations and precedent. As of December 31, 2016, the Company has no accrued interest or penalties related to uncertain tax positions.

As of December 31, 2016, the Company does not currently have any uncertain tax positions, nor does it believe that any events or rulings will cause one, within the next twelve months. However, various events could cause the Company's current expectations to change in the future.

NOTE 12. EMPLOYEE BENEFIT PLAN

The Company's employees may participate in a 401(k) plan. Employees that qualify for participation can contribute up to 15% of their salary, on a pre-tax basis, subject to a maximum contribution limit as determined by the Internal Revenue

Service. The Company matches 50% of the first 6% of participant contributions. The Company contributed approximately $6,487 for the successor year ended December 31, 2016, $188 for the successor period December 21 to December 31, 2015, $6,647 for the predecessor period January 1, 2015 to December 20, 2015 and $5,950 for the predecessor year ended December 31, 2014, to the 401(k) plan.

NOTE 13. EQUITY PLANS

Successor

In July 2016, certain employees of the Company and its affiliates received awards of units in a Carry Unit Plan of an entity which has an ownership interest in the Company's parent, Neptune Holding (the "2016 Carry Unit Plan"). The Company measures the cost of employee services received in exchange for these carry unit awards based on the fair value of the awards at each reporting period. The awards generally will vest as follows: 50% on the second anniversary of December 21, 2015 ("Base Date"), 25% on the third anniversary of the Base Date, and 25% on the fourth anniversary of the Base Date. Prior to the fourth anniversary, the Company has the right to repurchase vested awards held by employees upon their termination. The Carry Unit Plan has 259,442,785 units authorized for issuance, of which 45,200,000 have been issued to employees of the Company and 157,600,000 have been issued to employees of Altice and affiliated companies.

The Company measured the cost of employee services received in exchange for carry units based on the fair value of the award at the grant date. An option pricing model was used which requires subjective assumptions for which changes in these assumptions could materially affect the fair value of the carry units outstanding. The time to liquidity event assumption was based on management's judgment. The equity volatility assumption of 60% was estimated using the historical weekly volatility of publicly traded comparable companies. The risk-free rate of 0.74% assumed in valuing the units was based on the U.S. Constant Maturity Treasury Rates for a period matching the expected time to liquidity event. The discount for lack of marketability of 20% was based on Finnerty's (2012) average-strike put option model. The weighted average grant date fair value of the outstanding units is $0.37 per share and the intrinsic value is $1.76 per share as of December 31, 2016. For the successor 2016 period, the Company recognized an expense of $5,204 related to the push down of share-based compensation related to the Carry Unit Plan of which approximately $3,704 related to units granted to employees of the Company and $1,500 related to units granted to employees of Altice and affiliated companies allocated to the Company.

Beginning on the fourth anniversary of the Base Date, the holders of carry units have an annual opportunity (a sixty day period determined by the administrator of the plan) to sell their units back to the Company. Accordingly, the carry units will be presented as temporary equity on the consolidated balance at fair value. Adjustments to fair value at each reporting period will be recorded in paid in capital.

Predecessor

Prior to the Altice Acquisition, the general partners of the partnerships that held the shares of Cequel Corporation (collectively, the "Carry Interest Partnerships"), each adopted separate carried interest plans (collectively, the "Previous Carried Interest Plan"), pursuant to which participants were awarded profit interest units in those partnerships. Pursuant to the Previous Carried Interest Plan, each Carry Interest Partnership was permitted to issue no more than 1,000,000 carry units. The Carry Interest Partnerships issued an aggregate of approximately 996,500 carry units. In certain instances following cessation of their services on behalf of the Company, the participants had put rights or the Carry Interest Partnerships had call rights, with respect to such participants' carry units. The carry units vested in quarterly installments over four years. Certain adjustments to the vesting schedules and/or certain distributions could occur in respect of certain events as specified in the Previous Carried Interest Plan.

The Previous Carried Interest Plan entitled participants to receive certain percentages of net cash proceeds received by the Carry Interest Partnerships in connection with sales by the Carry Interest Partnerships of common stock of Cequel Corporation, distributions from Cequel Corporation or amounts received upon liquidation or dissolution of Cequel Corporation. The amounts were paid to participants once threshold amounts had been received by the Carry Interest Partnerships and paid to the Sponsors and Management Investors in Cequel Corporation, and the percentage of cash proceeds to which the participants were entitled increased as the return to the Sponsors and such Management Investors increased.

The Company measured the cost of employee services received in exchange for carry units based on the fair value of the award at each reporting period. The Company used the Monte Carlo Simulation Method to estimate the fair value of the awards. Because the Monte Carlo Simulation Method required the use of subjective assumptions, changes in these assumptions could have materially affected the fair value of the carried interest units granted. The time to liquidity event assumption was based on management's judgment. The equity volatility assumption were estimated using the historical weekly volatility of publicly traded comparable companies. The risk-free rate assumed in valuing the units was based on the U.S. Constant Maturity Treasury Rates for a period matching the expected time to liquidity event. The Company's total equity value was estimated by a third party using a range of indicated business enterprise values. For the predecessor period January 1, 2015 to December 21, 2015 and for the predecessor year ended December 31, 2014, the Company recognized approximately $287,691 and $30,681, respectively, related to the push down of non-cash compensation expense for employees of Cequel.

Concurrent with the Altice Acquisition, the Previous Carried Interest Plan was cashed out based on an agreement between the Sponsors and the Management Holder whereby payments were made to participants in such Previous Carried Interest Plan, including certain officers and directors of Cequel and Cequel Corporation, and the Previous Carried Interest Plan was terminated.

NOTE 14. RELATED PARTY TRANSACTIONS

As the transactions discussed below were conducted between subsidiaries under common control, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations.

Successor

The following table summarizes the revenue and charges related to services provided to or received from other subsidiaries of Altice for the periods presented:

	Successor	
	Year Ended December 31, 2016	Period from December 21 to December 31, 2015
Other operating expenses (a)	$ 10,061	$ 296
Capital expenditures (b)	18,225	—

(a) A subsidiary of Altice provides certain executive services, including CEO, CFO and COO services, to the Company. Compensation under the terms of the agreement is an annual fee of $10,000 and is included in other operating expenses. In addition, in 2016, other operating expenses also included $61 for consulting fees paid to Altice Labs S.A., a subsidiary of Altice.

(b) Represents purchases of equipment from Altice Management International and certain software development services that were capitalized from Altice Labs S.A. aggregating $17,116 and $1,109, respectively.

Aggregate amounts that were due from and due to related parties at December 31, 2016 (Successor) are summarized below:

	December 31, 2016
Due from:	
Neptune Holding (a)	$ 82,000
Altice Management Americas (b)	1,393
	$ 83,393
Due to:	
Altice Management International (c)	$ 17,116
Cequel Corporation	3,371
Cablevision (b)	2,796
Neptune Holding	1,267
Altice Labs S.A. (c)	815
	$ 25,365

(a) Includes an $82,000 intercompany loan made to Neptune Holding.

(b) Represents amounts paid by the Company on behalf of the respective related party and amounts due for services provided by the related party.

(c) Represents amounts due for equipment purchases and software development services discussed above.

Predecessor

Prior to the consummation of the Altice Acquisition, pursuant to the Amended and Restated Cequel Communications Management Agreement, dated as of February 14, 2012, as amended (the "Management Agreement"), Cequel III, LLC ("Cequel III") provided certain executive, administrative and managerial services to the broadband systems owned by Cequel Holdings and its subsidiaries. Total compensation paid to Cequel III under the Management Agreement, which is included in other operating expense in the accompanying consolidated statements of operations, was $11,044 and $9,102 for the predecessor period from January 1, 2015 through December 20, 2015 and the predecessor year ended December 31, 2014, respectively. The Management Agreement was terminated upon consummation of the Altice Acquisition, so no fees were paid to Cequel III during the Successor period from December 21, 2015 through December 31, 2015.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Operating lease obligations

The Company has obligations to make future payments for goods and services under certain contractual arrangements. These contractual obligations secure future rights to various assets and services to be used in the normal course of the Company's operations. For example, the Company is contractually committed to make 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 consolidated balance sheet.

Costs associated with such operating leases are recognized on a straight-line basis over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent. In addition, the Company rents space on utility poles for its operations. The Company's pole rental agreements are for varying terms, and management anticipates renewals as they expire. Rent expense, including pole rentals, was approximately $21,541, $639, $21,987 and $20,520 for the successor year ended December 31, 2016, successor period from December 21, 2015 through December 31, 2015, the predecessor period from January 1, 2015 through December 20, 2015, and the predecessor year ended December 31, 2014, respectively.

The minimum future annual payments for all operating leases (with initial or remaining terms in excess of one year) during the next five years and thereafter, including pole rentals from January 1, 2017 through December 31, 2021, at rates now in force are as follows:

2017	$ 18,660
2018	18,036
2019	17,078
2020	15,732
2021	14,961
Thereafter	1,592

Other commitments

Future cash payments and commitments required under arrangements pursuant to contracts entered into by the Company in the normal course of business as of December 31, 2016 (Successor) are as follows:

	Payments Due by Period				
	Total	Year 1	Years 2-3	Years 4-5	More than 5 years
Off balance sheet arrangements:					
Purchase obligations (a)	$ 1,849,563	$ 499,456	$ 776,320	$ 566,491	$ 7,296
Letters of credit (b)	17,031	—	—	17,031	—
Total	$ 1,866,594	$ 499,456	$ 776,320	$ 583,522	$ 7,296

(a) Purchase obligations primarily include contractual commitments with various programming vendors to provide video services to customers and minimum purchase obligations to purchase goods or services. Future fees payable under contracts with programming vendors are based on numerous factors, including the number of subscribers receiving the programming. Amounts reflected above related to programming agreements are based on the number of subscribers receiving the programming as of December 2016 multiplied by the per subscriber rates or the stated annual fee, as applicable, contained in the executed agreements in effect as of December 31, 2016.

(b) Represent letters of credit guaranteeing performance to municipalities and public utilities and payment of insurance premiums. Payments due by period for these arrangements represent the year in which the commitment expires although payments under these arrangements are required only in the event of nonperformance.

The table above does not include obligations for payments required to be made under multi-year franchise agreements based on a percentage of revenues generated from video service per year.

Many of the Company's franchise agreements and utility pole leases require the Company to remove its cable wires and other equipment upon termination of the respective agreements. The Company has concluded that the fair value of these asset retirement obligations cannot be reasonably estimated since the range of potential settlement dates is not determinable.

Litigation

Patent Litigation

From time to time, we receive notices from third parties and, in some cases, are party to litigation alleging that certain of our services or technologies infringe the intellectual property rights of others. Other industry participants are also defendants in certain of these cases, and, in certain of these cases, we expect that any potential liability would be in part or in whole the responsibility of our equipment and technology vendors pursuant to applicable contractual indemnification provisions. Claims of intellectual property infringement could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability, modify certain products and services we offer to our customers or be enjoined preliminarily or permanently from further use of the intellectual property in question. In addition, certain

agreements entered into by us may require us to indemnify the other party for certain third-party intellectual property infringement claims, which could increase our damages and our costs of defending against such claims. We intend to defend these claims vigorously, but can give no assurance that any adverse outcome would not be material to our consolidated financial condition, results of operations, or liquidity. Whether or not we ultimately prevail in any particular lawsuit or claim related to intellectual property infringement, such litigation can be time consuming and costly and harm our reputation.

Other Proceedings

From time to time, the Company is involved in other litigation and regulatory proceedings arising in the ordinary course of conducting its business. Although the ultimate outcome of these other proceedings cannot be predicted, the Company believes that it is not currently a party to any other legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would materially adversely affect its business, financial position, 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 harm its reputation.

NOTE 16. VALUATION ALLOWANCES

Presented below is the activity related to the allowance for doubtful accounts:

	Balance at Beginning of Period	Provision for Bad Debt	Deductions/ Write-Offs and Other Charges	Balance at End of Period
For the year ended December 31, 2016 - Successor				
Allowance for doubtful accounts:	$ 1,051	$ 31,450	$ (25,776)	$ 6,725
For the period December 21 through December 31, 2015 - Successor				
Allowance for doubtful accounts:	$ —	$ 1,051	$ —	$ 1,051
For the period January 1, 2015 through December 20, 2015 - Predecessor				
Allowance for doubtful accounts:	$ 6,038	$ 29,144	(30,001)	$ 5,181
For the year ended December 31, 2014 - Predecessor				
Allowance for doubtful accounts:	$ 5,518	$ 28,283	$ (27,763)	$ 6,038

NOTE 17. DISTRIBUTIONS TO PARENT

Successor

In December 2016 and October 2016, the Company made cash distributions to the Company's parent entities in the amount of $149,650 and $168,000, respectively, which was used to redeem certain debt outstanding at the parent entities. In January 2016, the Company distributed approximately $14,744 to Cequel Corporation, which was used to pay the quarterly interest on the Holdco Notes.

As discussed in Note 8, on June 12, 2015, Altice US Finance S.A., issued Holdco Notes to finance a portion of the purchase price for the Altice Acquisition. The Holdco Notes were automatically exchanged into an equal aggregate principal amount of 2025 Senior Notes at Cequel during the second quarter of 2016. This non-cash exchange was recorded as a decrease to member's equity of approximately $315,352.

In addition, Cequel Corporation made non-cash contributions to the Company aggregating $5,920 in 2016.

Predecessor

In December 2015, Cequel Holdings contributed $21,437 to the Company to pay certain transaction fees and expenses related to the Altice Acquisition.

In December 2015, the Company distributed $243,000 to Cequel Corporation, which was used to fund a portion of the purchase price of the Altice Acquisition, and pay for certain transaction fees and expenses related to the Altice Acquisition.

In January 2015, the Company made a distribution to Cequel Holdings in the amount of approximately $4,000, which it distributed to Cequel Corporation and was used to make an investment in an IP video platform company.

In September 2014, the Company used the proceeds from the sale of the 2021 Mirror Notes, plus $120,500 of cash on hand, to make a distribution to Cequel Holdings in the amount of $600,000. Cequel Holdings used the proceeds to make a distribution to Cequel Corporation, which it distributed to its equity holders.

NOTE 18. INTERIM FINANCIAL INFORMATION (Unaudited)

The following is a summary of selected quarterly financial data for the periods presented:

	Three Months Ended				
	March 31,	June 30,	September 30,	December 31,	Total
Year ended December 31, 2016					
Revenues	$ 627,589	$ 639,641	$ 645,522	$ 660,408	$ 2,573,160
Operating income	54,581	117,612	102,893	110,202	385,288
Net loss	(28,857)	(135,497)	(4,298)	(59,784)	(228,436)
Successor 2015 (a)					
Revenues	$ —	$ —	$ —	$ 72,943	$ 72,943
Operating loss	—	—	—	(16,378)	(16,378)
Net loss	—	—	—	(17,116)	(17,116)
Predecessor 2015 (b)					
Revenues	$ 588,250	$ 608,016	$ 605,112	$ 545,991	$ 2,347,369
Operating income (loss)	79,727	(19,118)	62,712	(57,707)	65,614
Net income (loss)	9,385	(303,600)	47,152	37,126	(209,937)
Predecessor 2014					
Revenues	$ 575,025	$ 579,942	$ 583,606	$ 592,124	$ 2,330,697
Operating income	68,797	56,181	58,042	75,479	258,499
Net income (loss)	4,703	(2,420)	10,091	7,108	19,482

(a) Successor 2015 consists of the period from December 21, 2015 through December 31, 2015.

(b) Predecessor 2015 consists of the period from January 1, 2015 through December 20, 2015.

The unaudited quarterly financial data for June 30, 2016 and September 30, 2016 presented above have been amended from the amounts previously reflected in the respective Quarterly Report to correct an error related to the loss on interest rate swap contracts. The derivative instruments were originally accounted for under hedge accounting, however it was subsequently determined that the derivative instruments did not qualify for hedge accounting and the gain (loss) in the fair value of the interest rate swap contracts of $24,145 and $(9,517), net of income taxes of $(16,097) and $6,345, respectively, should have been reflected in the net loss for the three months ended June 30, 2016 and September 30, 2016, respectively.

NOTE 19. SUBSEQUENT EVENTS

On March 15, 2017, Altice US Finance I Corporation priced $1,265,000 of 8.25-year senior secured term loans with institutional investors. The new senior secured term loans will bear interest at 2.25% over LIBOR. The closing of the new financing is subject to closing conditions and the proceeds will be used to refinance the $815,000 principal amount of loans under the term loan facility that matures in January 2025 and redeem $450,000 of the 2020 Notes.

The Company has updated its review of subsequent events as of March 17, 2017 (the date available for issuance) noting no events that require disclosure.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Pursuant to the Indentures, no certifications or attestations concerning our financial statements or disclosure controls and procedures or internal controls that would otherwise be required pursuant to the Sarbanes-Oxley Act of 2002, as amended, or the Securities Act of 1933, as amended, are required to be included in or to accompany this Annual Report.

ITEM 9B. OTHER INFORMATION

None.

PART IV

ITEM 15. EXHIBITS

The documents listed below are exhibits to this Annual Report and are available our website (www.alticeusa.com).

Exhibit Number	Description
3.1	Certificate of Formation of Cequel Communications Holdings I, LLC
3.2	Operating Agreement of Cequel Communications Holdings I, LLC
3.3	Certificate of Incorporation of Cequel Capital Corporation
3.4	Bylaws of Cequel Capital Corporation
4.1	Indenture, dated as of October 25, 2012, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corp and U.S. Bank National Association as Trustee
4.2	Form of 6.375% Senior Notes due 2020
4.3	Indenture, dated as of May 16, 2013, among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association as Trustee
4.4	Form of 5.125% Senior Notes due 2021
4.5	Indenture, dated as of September 9, 2014, among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association, as Trustee
4.6	Form of 5.125% Senior Notes due 2021 relating to Exhibit 4.5
4.7	First Supplemental Indenture, dated as of June 2, 2015, to Indenture, dated as of October 25, 2012, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corp and U.S. Bank National Association as Trustee
4.8	Indenture, dated as of June 12, 2015, among Altice US Finance I Corporation and Deutsche Bank Trust Company Americas, as Trustee, and JPMorgan Chase Bank, N.A., as Notes Security Agent
4.9	Indenture, dated as of June 12, 2015, among Altice US Finance II Corporation and Deutsche Bank Trust Company Americas, as Trustee
4.10	Indenture, dated as of June 12, 2015, among Altice US Finance S.A. and Deutsche Bank Trust Company Americas, as Trustee, and JPMorgan Chase Bank, N.A., as Notes Security Agent
10.1	First Amendment to Credit Agreement (Refinancing Amendment) dated October 25, 2016, by Altice US Finance I Corporation, Cequel Communications, LLC, Cequel Communications Holdings II, LLC and their subsidiaries, various lenders, and JPMorgan Chase Bank, N.A. as the Administrative Agent
10.2	Second Amendment to Credit Agreement (Extension Amendment) dated December 9, 2016, by Altice US Finance I Corporation, Cequel Communications, LLC, Cequel Communications Holdings II, LLC and their subsidiaries, various lenders, and JPMorgan Chase Bank, N.A. as the Administrative Agent
12.1	Computation of Ratio of Earnings to Fixed Charges
14.1	Suddenlink Communications Business Conduct Policy
21.1	Subsidiaries of Cequel Communications Holdings I, LLC

SIGNATURE

Cequel has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CEQUEL COMMUNICATIONS HOLDINGS I, LLC

Date: March 17, 2017

By: /s/ Charles Stewart

Name: Charles Stewart

Title: Co-President and Chief Financial Officer