ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

CEQUEL COMMUNICATIONS HOLDINGS I, LLC
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Pursuant to (i) Section 4.14(a) of the indenture, dated as of November 4, 2009 (the "2017 Indenture"), by and among Cequel Communications Holdings I, LLC, a Delaware limited liability company ("Cequel"), Cequel Capital Corporation, a Delaware corporation ("Cequel Capital" and together with Cequel, the "Issuers"), and U.S. Bank National Association, as trustee (the "Trustee"), as amended, relating to the Issuers' 8.625% Senior Notes due 2017 (the "2017 Notes") and (ii) Section 4.12 (a) of the indenture, dated as of October 25, 2012 (the "2020 Indenture" and together with the 2017 Indenture, the "Indentures"), by and among Cequel (as successor by merger to Cequel Communications Escrow I, LLC), Cequel Capital (as successor by merger to Cequel Communications Escrow Capital Corporation) and the Trustee, relating to the Issuers' 6.375% Senior Notes due 2020 (the "2020 Notes" and together with the 2017 Notes, the "Notes"), Cequel is furnishing the information contained herein to holders of the Notes.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Annual Report are known as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements may relate to, among other things:

- competition for video, high-speed Internet and telephone customers;
- our ability to achieve anticipated customer and revenue growth and to successfully introduce new products and services;
- our ability to complete our capital investment plans on time and on budget;
- the effects of economic conditions or other factors which may negatively affect our customers' demand for our products or services;
- increasing programming costs and delivery expenses related to our products and services;
- changes in consumer preferences, laws and regulations or technology that may cause us to change our operational strategies;
- our ability to effectively integrate acquisitions and to maximize expected operating efficiencies from our acquisitions;
- our substantial indebtedness;
- the restrictions contained in our financing agreements;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- fluctuations in interest rates which may cause our interest expense to vary from quarter to quarter; and
- other risks and uncertainties, including those listed under the caption "Risk Factors" in this Annual Report.

These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this Annual Report that are not historical facts. When used in this Annual Report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in Item 1.A of this Annual Report. 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.suddenlink.com). We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent reports furnished to holders of the Notes.

INDEX

		Page
	Forward Looking Statements	2
	Index	3
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	22
Item 1B.	Unresolved Staff Comments	36
Item 2.	Properties	36
Item 3.	Legal Proceedings	36
Item 4.	Mine Safety Disclosures	36
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	37
Item 6.	Selected Financial Data	37
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	40
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 8.	Financial Statements and Supplementary Data	60
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	89
Item 9A.	Controls and Procedures	89
Item 9B.	Other Information	89
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	90
Item 11.	Executive Compensation	94
Item 12.	Security Ownership of Certain Beneficial Owners	101
Item 13.	Certain Relationships, Related Transactions, and Director Independence	101
Item 14.	Principal Accounting Fees and Services	105
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	106
	Signatures	110

PART I

As used in this Annual Report, the term "Cequel" refers to Cequel Communications Holdings I, LLC a Delaware limited liability company; the term "Issuers" refers to Cequel and its wholly-owned subsidiary, Cequel Capital 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 manager" refers to Cequel III, LLC, which provides certain management services to us pursuant to a management agreement; 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 the seventh largest cable operator in the United States, making our services available over our advanced hybrid-fiber coaxial network to approximately 3.0 million homes in the United States as of December 31, 2012. We serve approximately 1,372,000 customers as of December 31, 2012. Our customer base is clustered geographically with approximately 96% of our basic video customers located in the ten states of Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, Missouri, California and Ohio, and 89% of our basic video 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 1,211,200 basic video customers as of December 31, 2012. Our cable 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 digital video recorders ("DVR"). As of December 31, 2012, approximately 837,500 of our basic video customers were also digital video customers and we had approximately 1,002,100 residential high-speed Internet customers and approximately 471,700 residential telephone customers. In addition to consumer subscription services, we also provide communications services to commercial customers, sell advertising time on our systems and, in many markets, provide residential security services. We evaluate our performance, in part, by measuring the revenue generating units ("RGUs") that we serve. As of December 31, 2012, we served approximately 3,522,500 RGUs, representing an increase of 3.3% over the prior year. In addition, as of December 31, 2012, we served approximately 51,900 commercial high-speed data and 24,100 commercial telephone customers, not included in our RGU totals.

Our business was established through the acquisition of strategic systems from 2003 to 2006, including the acquisition of various cable systems from Cox Communications, Inc., representing approximately 880,000 basic video customers located primarily in Arkansas, Louisiana, North Carolina, Oklahoma and Texas in May 2006, and Charter Communications, Inc., representing approximately 240,000 basic video customers located primarily in West Virginia and Virginia in July 2006. In addition, on April 1, 2011, we consummated the acquisition of NPG Cable, Inc., Mercury Voice & Data Company and NPG Digital Phone, Inc. (collectively, the "NPG Companies" or "NPG") serving approximately 81,700 basic video customers located primarily in Arizona, California and Missouri at the time of consummation of the acquisition (the "NPG Acquisition").

We believe we have been able to integrate these and other acquisitions successfully by aligning our operating regions, developing strong regional management teams and divesting non-core assets. We have connected many of our systems to our national backbone, which allows us to economically deploy services to our customers.

On November 15, 2012, Cequel Corporation acquired all of the outstanding common equity interests in Cequel Holdings (the "Acquisition") pursuant to the Purchase and Sale Agreement, dated as of July 18, 2012 (the "Purchase Agreement"), by and among Cequel Holdings, Cequel Corporation, the sellers named therein and our manager, and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated. See 'Significant 2012 Transactions – Acquisition Transactions' below.

For the year ended December 31, 2012, we had revenues of $2,054.8 million, income from operations of $326.1 million, and net loss of $43.3 million. Net loss for the year ended December 31, 2012 was impacted by loss on the termination of derivative instruments, loss on the extinguishment of debt and expenses related to the Acquisition, none of which were present in 2011.

We are a privately-owned company. Our principal executive offices are located at 12444 Powerscourt Drive, Suite 450, St. Louis, Missouri 63131. Our phone number is (314)-315-9400, and our website address is www.suddenlink.com.

Significant 2012 Transactions

Credit Facility

On February 14, 2012, Suddenlink, Cequel Communications Holdings II, LLC (“Holdings II”), Cequel’s direct subsidiary and the direct parent of Suddenlink, certain subsidiaries of Suddenlink and a syndicate of lenders entered into a Credit and Guaranty Agreement, (the “Credit Agreement”), which provides for up to $2.7 billion of loans in the aggregate, consisting of a $2.2 billion term loan facility funded at closing and a $500.0 million revolving credit facility (collectively, the “Credit Facility”).

Suddenlink used the proceeds from the term loan facility of the Credit Facility to repay in full and terminate its existing $2.525 billion credit facility (the “Old Credit Facility”), which had a balance of $1.941 billion as of February 14, 2012. We also used a portion of the proceeds from the term loan facility of the Credit Facility plus additional borrowings of $160.0 million under the revolving credit facility of the Credit Facility to make a distribution to Cequel Holdings of $370.0 million in March 2012. Cequel Holdings used this distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain payments to holders of options and restricted units of Cequel Holdings.

Project Imagine Completion

As of September 30, 2012, we had completed Project Imagine, a significant three year bandwidth expansion capital expenditure plan we commenced in late 2009. We spent $208.6 million on direct capital expenditures for Project Imagine over the three year period. Total capital expenditures for Project Imagine over the three year period, including success based capital expenditures, were consistent with the previously announced guidance of $350.0 million for the entire program. We continue to make significant investments in our infrastructure, including upgrades, rebuilds and line extensions to support our existing operations.

Acquisition Transactions

The Acquisition

On November 15, 2012, Cequel Corporation acquired all of the outstanding common equity interests in Cequel Holdings pursuant to the Purchase Agreement, and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated. Cequel Corporation is owned by limited partnerships affiliated with each of CIE Management IX Limited (“BC Partners”), the CPP Investment Board (USRE II) Inc. (“CPPIB” and together with BC Partners, each a “Sponsor” and collectively the “Sponsors”), and Jerald L. Kent, our Chairman and Chief Executive Officer, Thomas P. McMillin, our Executive Vice President and Chief Operating Officer, and Mary E. Meduski, our Executive Vice President and Chief Financial Officer (collectively, the “Management Investors”). The purchase price for the Acquisition was approximately $2.485 billion, comprised of an aggregate of approximately $1.92 billion of cash equity contributions by limited partnerships affiliated with the Sponsors, a $65.1 million contribution by a limited partnership affiliated with the Management Investors, consisting of approximately $53.1 million of cash equity contributions and an approximate $12 million contribution of all of the capital stock of Excell Communications, Inc. (“Excell”), and the remainder from Cequel Holdings, funded from the net proceeds of the offering of $500 million aggregate principal amount 6.375% Senior Notes due 2020 issued on October 25, 2012 (the “October 2020 Notes”) and cash on hand. The purchase price of $2.485 billion, plus debt assumed as of March 31, 2012, valued the Company at approximately $6.6 billion.

October 2020 Notes and Notes Assumption

On October 25, 2012 Cequel Communications Escrow I, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Cequel (“Escrow LLC”), and Cequel Communications Escrow Capital Corporation, a Delaware corporation and a wholly-owned subsidiary of Escrow LLC (“Escrow Corporation” and together with Escrow LLC, the “Escrow Issuers”), issued $500.0 million aggregate principal amount of the October 2020 Notes. On November 15, 2012, (i) Escrow LLC merged with and into Cequel and Escrow Corporation merged with and into Cequel Capital, which mergers resulted in the surviving entities assuming each respective Escrow Issuer’s obligations under the 2020 Indenture and the October 2020 Notes (the “Notes Assumption”), (ii) the proceeds from the sale of the October 2020 Notes and other amounts deposited into the escrow account established pursuant to the Escrow and Security Agreement, dated as of October 25, 2012, (the “Escrow Agreement”), by and among the Escrow Issuers, Cequel and the Trustee, as escrow agent, were released to Cequel and (iii) following such release, the Escrow Agreement was terminated.

Consent and Acknowledgement

We received consent from the holders of the 2017 Notes to an amendment to the 2017 Indenture which (i) permitted us to make an additional $400 million of restricted payments under the 2017 Indenture to Cequel Holdings from the proceeds of the October 2020 Notes offering and (ii) will reduce the restricted payment basket by $100 million at each of June 30, 2013 and September 30, 2013. In

exchange for this consent, on November 15, 2012, we paid holders who consented to the amendment an aggregate fee of approximately $13.5 million and the amendment to the 2017 Indenture became operative.

In addition, we received an acknowledgment from the lenders under the Credit Agreement that an amendment to the termination provisions of the Management Agreement (as defined herein) was not materially adverse to them. This amendment to the Management Agreement was entered into on November 15, 2012. In exchange for this acknowledgement, we paid the lenders who executed the acknowledgement an aggregate fee of approximately $12.9 million.

Excell Transaction

On November 15, 2012, all of the capital stock of Excell, a tower services business, was contributed to Cequel Corporation by a limited partnership affiliated with the Management Investors, and Cequel Corporation contributed all of such capital stock of Excell to Suddenlink. Following such contribution, Excell became a subsidiary of Suddenlink.

Deferred Fee

We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the deferred fee (the "Deferred Fee").

Senior Notes Issuances

October 2020 Notes

On October 25, 2012, the Escrow Issuers issued $500.0 million aggregate principal amount of the October 2020 Notes. The October 2020 Notes were sold at an offering price of 100%. The proceeds of the October 2020 Notes were placed in an escrow account and following the Notes Assumption, the funds were released from the escrow account. Upon the release of the funds from the escrow account, Cequel used the net proceeds from the sale of the October 2020 Notes and cash on hand to make a distribution to Cequel Holdings, which used such distribution to fund a portion of the purchase price required to be paid by Cequel Holdings under the Purchase Agreement, to fund the remaining cash required in connection with the Acquisition resulting from the contribution of the capital stock of Excell in lieu of cash, to pay Cequel Holdings' estimated fees and expenses relating to the Acquisition and for general corporate purposes.

December 2020 Notes

On December 28, 2012, the Issuers issued an additional $1.0 billion aggregate principal amount of the 2020 Notes (the "December 2020 Notes"). The December 2020 Notes were sold at an offering price of 103%. The Issuers used the net proceeds from the sale of the December 2020 Notes to (i) purchase approximately $712.4 million aggregate principal amount of the 2017 Notes pursuant to the Tender Offer (as defined below), (ii) make a capital contribution to Suddenlink, which was used to repay all borrowings then outstanding under the revolving credit facility of the Credit Facility and for working capital and general corporate purposes, and (iii) pay related costs, fees and expenses.

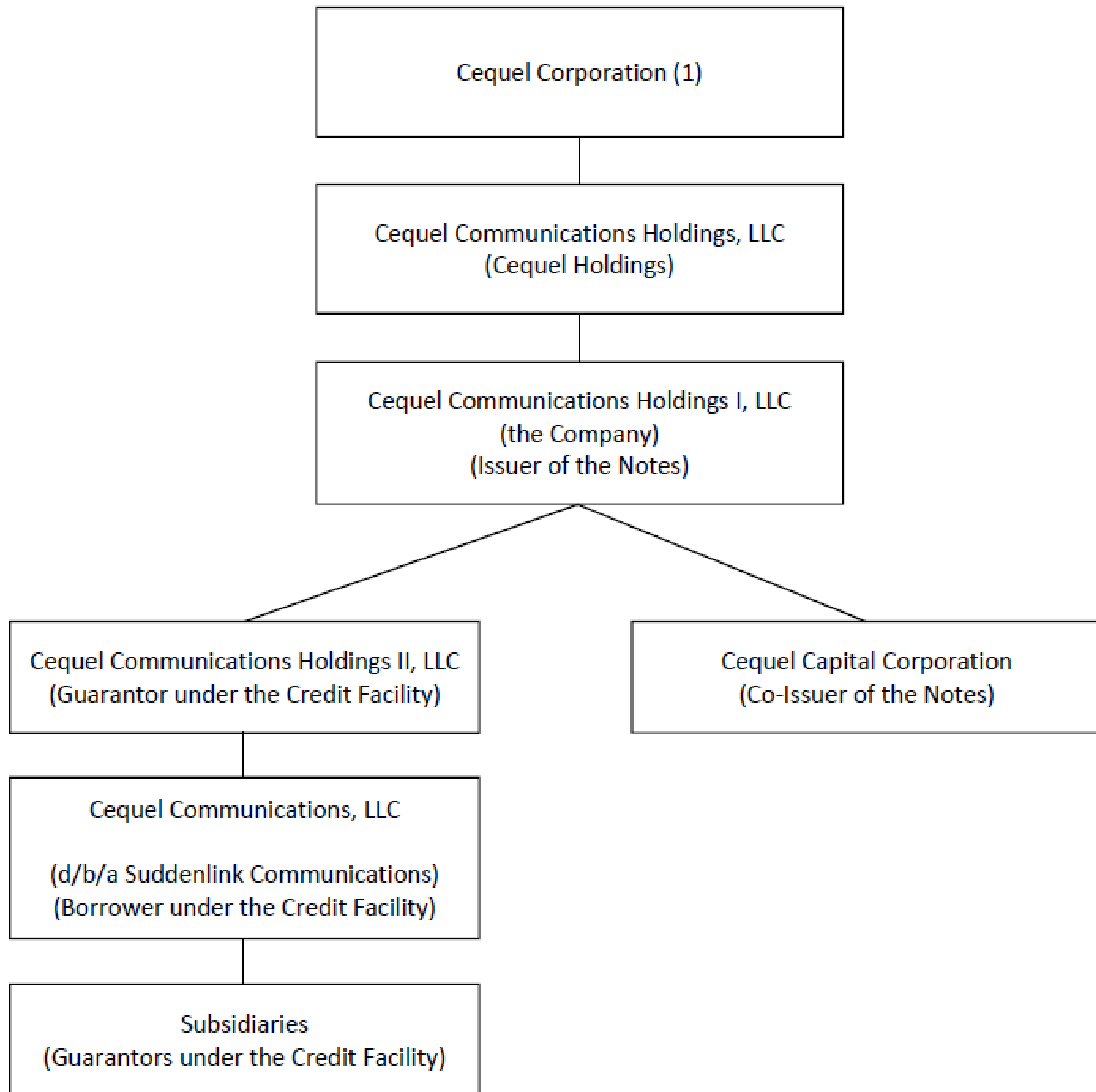
Tender Offer

Tender Offer for 2017 Notes

On December 13, 2012, the Issuers commenced a tender offer (the "Tender Offer") to purchase for cash up to $750 million aggregate principal amount of the outstanding 2017 Notes at a price of $1,070.57 per $1,000 principal amount. Approximately $712.4 million of the 2017 Notes were validly tendered and not withdrawn pursuant to the Tender Offer. On December 28, 2012, we used the net proceeds from the sale of the December 2020 Notes to pay the purchase price for the 2017 Notes tendered prior to 5:00p.m., New York City time on December 27, 2012 (the "Early Tender Deadline"). The tender offer expired on January 11, 2013 and no additional 2017 Notes were tendered after the Early Tender Deadline.

Corporate Entity Structure

The following chart illustrates our corporate structure as of December 31, 2012:



(1) For more information about the equity owners of Cequel Corporation, see Item 10 "Directors, Executive Officers and Corporate Governance" and Item 12 "Security Ownership of Certain Beneficial Owners."

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, in most areas, advanced digital video services, such as pay-per-view, VOD, HDTV and DVR. 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 subscription basis, with prices and related charges that vary primarily based on the types of service selected, whether the services are sold as a "bundle" or on an individual basis, and the equipment necessary to receive such services, with some variation in pricing depending on geographic location. We also sell advertising time on our systems and, in most of our markets, provide residential security services.

As of September 30, 2012, we had completed Project Imagine, a significant three year bandwidth expansion capital expenditure plan we commenced in 2009. In connection with Project Imagine, we increased the bandwidth in our systems primarily through the deployment of digital simulcast, which digitized our analog services. When coupled with the deployment of digital terminal adapters ("DTAs") to non-digital converter households and outlets, this process allows for the removal of bandwidth inefficient analog services. Traditional plant bandwidth upgrades were also completed in some systems. This bandwidth increase provided us with the ability to reuse the reclaimed analog spectrum more efficiently, and thus, expand our advanced services, including channel capacity for our high-definition services, our VOD offerings across our markets and increase the speed of our high-speed Internet services, and to launch our telephone services in more of the markets we serve.

The following table provides an overview of selected customer data for our cable systems for the time periods specified:

	Approximate as of			Growth Rates	
Customer Counts	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**	**2012 vs. 2011 (6)**	**2011 vs. 2010 (7)**
Basic video customers(1)	1,211,200	1,252,200	1,215,700	(3.3)%	3.0%
Digital video customers(2)	837,500	767,300	651,400	9.1%	17.8%
Residential high-speed Internet customers(3)	1,002,100	951,400	826,300	5.3%	15.1%
Residential telephone customers(4)	471,700	438,600	358,700	7.5%	22.3%
Total RGUs(5)	3,522,500	3,409,500	3,052,100	3.3%	11.7%

(1) Basic video customers include all residential customers who receive 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. This conversion method is consistent with methodology used in determining costs paid to programmers. Our methodology of calculating the number of basic customers may not be identical to those used by other companies offering similar services.

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

(3) Residential high-speed Internet customers include all residential customers who subscribe to our high-speed Internet service. Excluded from these totals are all commercial high-speed data customers, including small and medium sized commercial cable modem accounts and customers who take our broadband service optically, via fiber connections.

(4) Residential telephone 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. Excluded from these totals are all commercial telephone customers.

(5) Total RGUs represents the sum of basic video, digital video, residential high-speed Internet and residential telephone customers, not counting additional outlets within one household. This statistic is computed in accordance with guidelines of the National Cable and Telecommunications Association ("NCTA").

(6) On December 31, 2012, we sold approximately 6,500 RGUs in certain small cable systems in Illinois and Indiana consisting of approximately 2,800 basic video, 900 digital video and 2,800 residential high-speed Internet customers.

(7) On April 1, 2011, we acquired approximately 208,800 RGUs as part of the NPG Acquisition, consisting of approximately 81,700 basic video, 46,300 digital video, 61,700 residential high-speed Internet and 19,100 residential telephone customers. At December 31, 2012, the NPG systems served 220,900 RGUs.

During 2012, we added approximately 113,000 RGUs. This RGU growth resulted from net gains in our digital video, residential high-speed Internet and residential telephone products, offset by basic video losses and the sale of approximately 6,500 RGUs.

The following table provides the approximate commercial data and telephone customer counts for the periods specified:

	Approximate as of		
	December 31, 2012	December 31, 2011	December 31, 2010
Commercial data	51,900	47,400	40,200
Commercial telephone	24,100	18,100	11,100

	Approximate for Year Ended		Growth Rates	
Annual Net Gains (1)	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011 (1)
Commercial data	4,500	7,200	9.5%	17.9%
Commercial telephone	6,000	7,000	33.1%	63.1%

(1) Includes approximately 2,900 commercial high-speed data and 800 commercial telephone customers as of April 1, 2011, which were acquired as part of the NPG Acquisition.

Commercial high-speed data customers consist of commercial accounts that receive data service via a cable modem and commercial customers that receive broadband service optically, via fiber connections. Commercial telephone customers are commercial accounts that subscribe to our telephone service, and on average have 2.9 and 2.8 telephone lines per customer as of December 31, 2012 and December 31, 2011, respectively. These commercial counts are not included in the residential high-speed Internet, residential telephony or total RGU counts.

Service Areas

As of December 31, 2012, we served approximately 1,211,200 basic video customers across our markets, with approximately 89% of our basic video 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 3.0 million homes in the United States as of December 31, 2012.

The majority of the areas we serve are 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 every area we serve.

The following table ranks our largest primary systems by number of basic video customers as of December 31, 2012. The subscribers listed are only those connected to each geographic master headend and may not contain all systems in the geographic area if they are not connected to the master headend.

Rank	Primary System	Basic Video Customers (in thousands)	Cumulative Percent of Basic Video Customers
1	West Virginia	217.4	15.9%
2	West Texas	206.5	30.9%
3	Western Louisiana	127.0	40.2%
4	East Texas	122.3	49.1%
5	Central Texas	95.3	56.0%
6	North Carolina	93.7	62.9%
7	Jonesboro, AR	65.3	67.6%
8	Arizona	63.2	72.2%
9	Humboldt, CA	30.5	74.5%
10	Georgetown, TX	30.5	76.7%
11	Branson, MO	26.7	78.6%
12	St. Joseph, MO	26.2	80.5%
13	Victoria, TX	18.8	81.9%
14	Greenville, MS	16.6	83.1%
15	Buckhannon, WV	16.2	84.3%
16	Stillwater, OK	14.5	85.4%
17	Enid, OK	13.8	86.4%
18	Muskogee, OK	11.2	87.2%
19	Truckee, CA	11.0	88.0%
20	Malvern, AR	10.2	88.7%

Our Services

Video

We currently offer a variety of video programming services, which include traditional cable video services, such as basic service, expanded service and digital service and advanced digital video services, such as pay-per-view, VOD, HDTV and DVRs. 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 over 200,000 movies, shows and clips from over 300 networks on a PC, smartphone or tablet, when authenticated with their online account via the Suddenlink customer portal. Monthly subscription rates and related charges vary according to the type of services and equipment selected by customers. For the year ended December 31, 2012, video services, as described below, represent approximately 54.7% 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 8 to 27 channels, including local broadcast network and independent stations, limited programming, home shopping and local public, government and leased access channels. As of December 31, 2012, we had approximately 1,211,200 basic video customers, representing approximately 39.8% penetration of estimated homes passed.

Expanded Basic Service. Our expanded service includes, for an additional monthly fee, a combination of approximately 20 to 59 additional channels such as CNN, ESPN, Lifetime, MTV, USA Network 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. Currently, digital customers can receive up to 240 digital channels, depending on the 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 level of service taken and the number of digital converters in the home. As of December 31, 2012, we had approximately 837,500 digital customers, representing approximately 69.1% penetration of our basic video customers.

Advanced Digital Video Services:

- *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, 2012, pay-per-view services were available to all of our digital customers.
- *Video-On-Demand.* Our VOD service provides on-demand access to movies, special events, free primetime content and general interest titles. We recently expanded our VOD capacity to allow for up to 20,000 hours of content. Subscription-based VOD premium packages such as HBO, Showtime and Starz! are included when customers take such 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, 2012, VOD services were available to approximately 91.6% of our basic 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. We offer an average of 86 high-definition channels, including most major broadcast networks, leading national cable networks, premium channels and regional sports networks, which represent the most widely-watched programming, and are continuously launching additional high-definition channels. At December 31, 2012, we offered over 2,300 high-definition titles on-demand. As of December 31, 2012, approximately 70.0% of our digital customers utilized HDTV services.
- *Digital Video Recorders.* We make available to our customers digital converters, the majority of which are HDTV-capable, which have video recording capability, allowing them to record and store programming for later viewing, as well as pause and rewind live television. DVR services require the use of an advanced digital converter for which we charge a monthly fee. In 2011, we expanded our digital converter product lineup by offering TiVo HD/DVR and HD only converters, which use the award winning TiVo user interface integrated into the converter. The TiVo relationship also delivers a multi-room DVR capability that allows a customer to pause and replay live TV throughout the home, manage recordings from different television locations and then play them back throughout the home. In 2012, we launched TiVo Stream service in more than 60 markets to complement our already deployed TiVo Premiere DVRs. TiVo Stream allows customers to stream live TV channels and recorded programming wirelessly throughout their home to iPod Touches, iPads and iPhones, as well as download previously recorded content to a mobile device so that it can be viewed outside the home. As of December 31, 2012, approximately 46.8% of our digital customers utilized DVR services.

High-Speed Internet

We offer residential high-speed Internet services with downstream speeds up to 107 Mbps in certain markets. Our services include an interactive portal, multiple e-mail addresses, personal webspace and local community content. During 2012, we increased the speed of our high-speed Internet in over 85 systems. At December 31, 2012, over 71.4% of our high-speed Internet customers had download speeds of 15MB or greater. Also, in 2012, we improved our WiFi@Home networking service by deploying Data over Cable Service Interface Specification 3.0 ("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. As of December 31, 2012, we had approximately 1,002,100 residential high-speed Internet customers, representing approximately 33.9% penetration of estimated homes passed where residential high-speed Internet service is currently available. Additionally, we served 51,900 commercial data customers. For the year ended December 31, 2012, residential and commercial high-speed Internet services represented approximately 27.3% of our total revenues.

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 calling plans with a variety of options designed to meet our customers' needs, including directory assistance, voice mail services and international calling. As of December 31, 2012, we marketed our telephone service to approximately 93% of our customers and served approximately 471,700 residential telephone customers, representing approximately 18.8% of estimated marketable telephone homes passed. A majority of our telephone customers subscribe to multiple services from us. Additionally, we served 24,100 commercial telephone customers representing 69,600 telephone lines. For the year ended December 31, 2012, residential and commercial telephone services represented approximately 9.2% of our total revenues.

Security Services

We offer residential security services. These security services are available on a stand-alone basis or are bundled with video, high-speed Internet and/or telephone services. We are expanding our security services by launching such services in even more of the markets we serve, and believe that our existing customer relationships provide a solid base from which to grow our security business as part of our service bundle. Our security service features state-of-the-art equipment and 24/7 professional monitoring. We also feature options that include email alert notification and access to streaming video from in-home cameras to any computer or internet-enabled mobile device. We believe our security services are distinguished from many of our competitors by our local presence, and our customers' ability to bundle security services with other Suddenlink offerings. For the year ended December 31, 2012, security services represented less than 1% of our total revenues.

Commercial Services

We provide a range of advanced services for the commercial market. For small and medium sized commercial customers, we offer video services, business class telephone service, high-speed data services with speeds up to 50 Mbps, and managed services, including business e-mail, hosted private branch exchange ("PBX"), webspace storage and network security monitoring. For enterprise customers, we offer high capacity data services, including wide area networking and dedicated data access, enterprise class telephone service, including Primary Rate Interface ("PRI") and Session Initiated Protocol ("SIP") applications, and advanced services, including wireless mesh networks. 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 certain of the high-speed Internet and other advanced services we offer to our commercial customers. In addition to serving small and medium sized commercial/Enterprise customers, we sell wholesale high capacity circuits to national and regional carriers to support cell tower backhaul, last mile Ethernet, and regional transport. For the year ended December 31, 2012, commercial service revenue represented approximately 13.1% of our total revenues. Commercial service revenues are included within the video, high-speed Internet and telephone services totals.

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. For the year ended December 31, 2012, advertising sales represented approximately 4.3% of our total revenues.

Pricing of Our Services

Our revenues are derived principally from the monthly fees customers pay for the services we offer. We typically charge a one-time installation fee which is sometimes waived or discounted during certain promotional periods. The prices we charge for our services vary based on the level of service the customer chooses, the equipment taken and the geographic market. We offer reduced-price service for promotional periods in order to attract new customers and to promote the bundling of two or more services. There is no assurance that these customers will remain as customers when the promotional pricing period expires.

Service Bundles

In addition to selling our services separately, we are focused on marketing differentiated packages of multiple services for a single price. We offer bundled services to both our residential and commercial customers and, increasingly, these customers subscribe to two or three of our primary services. Customers who subscribe to a bundle generally receive a discount from the price of buying the 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.

The following table presents selected statistical data regarding our residential customer relationships, excluding EBUs, and double play and triple play customers for the periods specified:

	December 31,		
	2012 (9)	2011 (10)	2010
	(in thousands, except percentages)		
Residential customer relationships (1)	1,371,700	1,373,900	1,273,000
Double play (2)	542,700	527,800	481,700
Double play penetration (3)	39.6%	38.4%	37.8%
Triple play (4)	342,200	321,900	266,700
Triple play penetration (5)	24.9%	23.4%	21.0%
Total bundled penetration (6)	64.5%	61.8%	58.8%
Non-video customer relationships (7)	246,800	218,300	169,900
Non-video as a % of total customer relationships (8)	18.0%	15.9%	13.3%

(1) Residential customer relationships represent the number of residential customers who pay for at least one level of service, encompassing video, high-speed Internet or telephone services, without regard to the number of services purchased. For example, a residential customer who purchases only high-speed Internet service and no basic video service will count as one customer relationship, and a residential customer who purchases both video and high-speed Internet services will also count as only one customer relationship.

(2) Double play customer numbers reflect residential customers who subscribe to two of our core services (video, high-speed Internet and telephone).

(3) Double play penetration represents double play residential customers as a percentage of customer relationships.

(4) Triple play customer numbers reflect residential customers who subscribe to all three of our core services (video, high-speed Internet and telephone).

(5) Triple play penetration represents triple play residential customers as a percentage of customer relationships.

(6) Total bundled penetration represents the sum of double play and triple play residential customers as a percentage of customer relationships.

(7) Non-video customer relationships represent the number of residential customers who receive at least one level of service, encompassing high-speed Internet or telephone services, but do not receive video services.

(8) Non-video as a percent of total customer relationships represents non-video customer relationships divided by total customer relationships.

(9) Excludes approximately 4,300 total customer relationships and 1,200 double play relationships relating to the Indiana and Illinois systems sold on December 31, 2012.

(10) Includes approximately 89,700 total customer relationships, 31,200 double play relationships, and 13,500 triple play relationships as of April 1, 2011, which were acquired as part of the NPG Acquisition.

Marketing and Sales

Our marketing is highly targeted and segmented because of our local presence and knowledge of our customer base. Our strategic focus is on building new customer relationships and bundling video, high-speed Internet and telephone services. In many of our markets we also offer security services. We strive to follow our operating philosophy, “Suddenlink seeks to make a difference in customers’ lives by making it easy to get great entertainment and communication products 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, our triple play customers are recognized and rewarded through our “VIP Perks” recognition program which provides product perks such as TV Caller ID, Epix movie packages (where offered) and service perks such as annual free VOD movies.

Much of our advertising is developed centrally and customized locally by our regional marketing teams. Sales is also managed at the regional or local levels and we leverage multiple sales channels to reach current and potential customers, including in-bound customer care centers, outbound telemarketing, retail locations, field technician sales and door-to-door sales. We use mass media, including broadcast television, radio, newspaper, direct mail and outdoor advertising, to pre-sell customers and direct them to our in-bound customer care centers or website. As a cable provider, targeted television and cross channel advertising on our own cable systems is available to us at little to no incremental cost.

Our territory encompasses several large college markets where we market specialized products and services to students for multiple dwelling units ("MDUs"), such as dormitories and apartment complexes. Major universities that are included in our territory include: Texas A&M University, Texas Tech University, Oklahoma State University, East Carolina University, Louisiana Tech University, Stephen F. Austin State University, Arkansas State University, Northern Arizona University and Humboldt State University.

Customer Care

We believe that customer service is the cornerstone of our business. Accordingly, we have made a concerted effort to continually improve each customer's experience and have made significant investments in our customer care centers, technology and people, and we have increased the number of employees dedicated to customer service.

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 six customer care centers, which are located in Tyler, TX, Parkersburg, WV, Lubbock, TX, Lake Havasu, AZ, St. Joseph, MO and Greenville, NC. Our customer care centers function as an integrated system and utilize software programs that enable them to increase efficiency and limit the wait-time for customers who require support. Our field technicians and schedulers also utilize software programs that allow them to increase efficiency and limit the wait-time for customers who require in-person support. We provide service to our customers 24 hours a day, seven days a week. If any of our customer care centers temporarily lose systems functionality, we have systems that allow our customer care centers to be accessed and managed remotely, which systems are designed to ensure that our customers continue to have access to customer service with limited disruption.

We also utilize our website 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. Coaxial cable is then connected from each node to the individual homes we serve. 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, 2012, approximately 82% of our basic video customers were served by systems with capacity of at least 750 MHz. We operate 158 primary systems, with approximately 89% of our basic video customers served by our top 20 primary systems. More than 96% of our 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. This 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, common digital video content, high-speed Internet, provisioning, email and other related services. As of December 31, 2012, backbone connectivity to the Arizona systems, acquired from NPG, was completed and allowed these systems to realize the benefits enjoyed by our backbone-connected markets.

We have also focused on our 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 have 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 have invested in our telephone platform architecture for geo-redundancy to minimize downtime in the event of a disaster to any single facility.

As of September 30, 2012, the implementation of Project Imagine was complete. Through Project Imagine, we expanded and refined our bandwidth utilization 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 enabled the use of the digital channels instead of the analog channels, and thus, allowed the reclamation of most of the analog bandwidth. This reclaimed analog bandwidth could then be repurposed 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.

Community Relations

We are dedicated to fostering strong relations with the communities we serve, and believe that our local involvement strengthens favorable perception of our brand. We encourage all of our local teams to take leadership roles in our local communities and to participate in civic activities. We support a variety of local charities and community causes with events and campaigns to raise funds and supplies for persons in need, and in-kind donations that include, but are not limited to, producing and airing public service announcements. We participate in industry initiatives such as the *Cable in the Classroom* program, which provides participating schools with free video service.

We also develop and provide exclusive local programming for our communities, including the Network West Virginia online marketplace and a variety of public access channels. We believe our local programming helps build customer loyalty in the communities we serve.

Suppliers

Video Programming

We currently offer a variety of video programming services, which include traditional cable video services, such as basic service, expanded service and digital service, and advanced digital video services, such as pay-per-view, VOD, HDTV and DVRs. 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 cable 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 contracts 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 fee 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 36% 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 them to continue to increase due to a variety of factors including annual increases imposed by programmers and additional programming, including high-definition and VOD programming, being provided to customers. 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 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, 2012. 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 typically pass the retransmission consent costs we incur directly on to our customers.

We have programming contracts that have expired and others that will expire at or before the end of 2013. We will seek to renegotiate the terms of these agreements. 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.

Other Suppliers

We currently 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 DVRs and VOD equipment, routers and other network equipment from a limited number of suppliers. In addition, our telephone services are dependent upon a third-party contract, pursuant to which, among other things, such third-party routes voice traffic to and from destinations outside of our network via the public switched telephone network, delivers E911 service and assists in local number portability and long-distance traffic carriage. To the extent that we are not able to procure the customer premises equipment or other network equipment necessary, or that we face telephone service disruptions from our reliance on one provider, our business may be materially impacted.

Franchises

As of December 31, 2012, our systems operated pursuant to a total of approximately 908 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 of the franchise areas, 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. Approximately 3% of our franchises, covering approximately 3% of our video customers, were expired as of December 31, 2012. Approximately 6% of additional franchises, covering approximately 6% of additional video customers, will expire on or before December 31, 2013, if not renewed prior to expiration, approximately two-thirds 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, if any, on us of broadband services by our competitors.

Principal Competitors

Direct Broadcast Satellite. Our video services face competition from DBS services, such as DirecTV and DISH. DirecTV and DISH offer satellite-delivered pre-packaged programming services that can be received by relatively small and inexpensive receiving dishes. In addition, 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 able to offer service nationwide and are able to establish a national image and branding with standardized offerings, which together with their ability in some instances to avoid franchise fees of up to 5% of revenues and property tax, leads to greater efficiencies and lower costs. In addition, DBS providers may offer more high-definition programming. 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.

In many of our markets, DBS providers and telephone companies have entered into co-marketing agreements that allow them to offer service arrangements that combine video services provided by the applicable DBS provider with digital subscriber line ("DSL"), traditional telephone and, in some cases, wireless telephone services provided by the applicable telephone company. These marketing arrangements are designed to compete with our bundled service offerings. DBS providers have also made attempts at deployment of high-speed Internet access services via satellite, but those services have been technically constrained and of limited appeal.

Telephone Companies. Our telephone service competes directly with established telephone companies and other carriers, including wireless providers and Internet-based VoIP providers, 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, we believe that 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, we believe that AT&T U-verse offers these services in areas serving approximately 4.0% of our estimated homes passed as of December 31, 2012. 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.

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.

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.

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, using digital spectrum now provides traditional broadcasters with the ability to deliver high-definition television pictures and multiple digital-quality program streams.

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 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 American Recovery and Reinvestment Act of 2009 ("ARRA") provides specific funding for broadband development as part of the economic stimulus package. We did not apply for any of these funds, but many other organizations did, including broadband services competitors and new entrants into such services.

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, 2012, we were aware of overbuilds impacting approximately 7.9%, including AT&T U-Verse, of our estimated homes passed.

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.

Internet Delivered Video. High-speed Internet access facilitates the streaming of video into homes and businesses. As the quality and availability of video streaming over the Internet improves, we expect video streaming to compete with the traditional delivery of video programming services over cable systems. It is possible that programming suppliers will consider bypassing cable operators and market their services directly to the consumer through video streaming over the Internet, potentially providing over the Internet for free some content for which we charge our customers. If customers were to choose to receive video over the Internet rather than through our basic, expanded basic or digital video services, we could experience a reduction in our video revenues.

Other Competitors. We also face competition:

- for our high-speed Internet services from a variety of providers such as DSL service over telephone lines and fourth-generation wireless broadband services.
- for our telephone services from wireless telephone providers as increasing numbers of homes are replacing their traditional telephone service with wireless telephone service. We also compete with national providers of IP-based telephony services, such as Vonage, Skype and magicJack, and companies that sell phone cards at a cost per minute for both national and international service.
- 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 video services from the use of mobile data services, such as smartphones. While we believe this service does not currently compare with our video service offering with respect to measures such as speed, reliability and content, as these services increase we may experience a decline in our video customers.
- for our security services from nationwide security providers, such as ADT (part of Tyco International, Ltd.), Broadview Security (formerly Brink's) 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 three primary services: video service, high-speed Internet service and telephone service. 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. The cable industry has operated under a federal rate regulation regime since 1992. The regulations currently restrict the prices that cable systems charge customers for the minimum level of video programming service, referred to as "basic service," and associated equipment, except in markets where the FCC finds that the cable system operator is subject to "effective competition," as defined under federal law. All other cable offerings are exempt from rate regulation; however, certain other restrictions may apply, as discussed below, absent a finding of effective competition. Although rate regulation operates pursuant to a federal formula, state and local governments, commonly referred to as franchising authorities, are primarily responsible for implementing rate regulation. Franchising authorities must be certified by the FCC in order to regulate rates pursuant to the FCC's

rules. The majority of our local franchising authorities have not been certified to regulate basic service cable rates, but they generally retain the right to do so, subject to state franchising laws, except in those specific communities facing effective competition.

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.

Federal rate regulations include certain marketing restrictions that limit our flexibility in pricing or packaging our services and equipment. As we attempt to respond to a changing marketplace with competitive pricing practices, we may face regulations that impede our ability to compete.

Must Carry/Retransmission Consent and Program Carriage. 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 cable operator 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. Due to changes in the markets for video programming distribution and broadcast programming in recent years, disputes in the retransmission consent negotiation process have increased in frequency and have become more visible in the industry.

Access Channels. Local 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 new 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 and a finding that the new rules did not comply with the requirements of the Office of Management and Budget. This matter currently remains pending and the 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.

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, the FCC amended its existing pole attachment rules to promote broadband deployment. The new order maintains the basic rate formula applicable to "cable" attachments, but reduces the rate formula previously applicable to "telecommunications" attachments to make it roughly equivalent to the more favorable "cable" attachment rate. Although the new order maintains the status quo treatment of cable-provided VoIP service as an unclassified service eligible for the favorable cable rate, there is still some uncertainty in this area. The new order allows for new penalties in certain cases involving unauthorized attachments, but it generally strengthens the cable industry's ability to access investor-owned utility poles on reasonable rates, terms and conditions. Several electric utilities have, however, sought review of the new order at the FCC and in the D.C. Circuit Court of Appeals. While we cannot predict the effect that the outcome of these proceedings will ultimately have on our business, adverse changes to the pole attachment rate structure could significantly increase our annual pole attachment costs.

Cable Equipment. In 1996, Congress required the FCC to adopt regulations designed to assure the development of an independent retail market for "navigation devices," such as cable set-top boxes. As a result, the FCC generally requires cable operators to make a separate offering of security modules (e.g., a "CableCARD") that can be used with retail devices, and to use those separate security modules even in their own set-top boxes. The FCC commenced a proceeding in 2011 to adopt standards for a successor technology to CableCARD and envisions the development of smart video devices that are compatible with any MVPD service in the United States. The FCC also adopted new interim CableCARD rules applicable until a successor solution to the CableCARD model emerges. The new rules require operators to allow self-installation of CableCARDs and also provide and advertise a reasonable discount if subscribers use their own equipment, rather than using the operator-provided equipment otherwise included in a bundled package. In January 2013, a federal court vacated certain encoding and technical rules adopted by the FCC in its efforts to foster a "plug and play" market for MVPD set-top boxes. Although the court decision did not eliminate rules specifically aimed at cable operators providing separable security, it did create additional regulatory uncertainty. The FCC's actions in this area, potentially spurred by the recent court decision, could impose additional costs on us and affect our ability to innovate.

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.

Privacy 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. In January 2013, the FTC announced changes to its existing regulations implementing the Children's Online Privacy Protection Act ("COPPA"). The COPPA regulations impose special restrictions on the online collection of "personal information" about children. 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. Congress is considering the adoption of new data security and cybersecurity legislation that could result in additional network and information security requirements for our business.

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, syndicated and sports programming, restrictions on political advertising; restrictions on advertising in children's programming, closed captioning of video programming, licensing of systems and facilities, maintenance of public files, emergency alert system (including costly new technical requirements), encryption, disability access, including new requirements governing video-description and closed-captioning, and other reporting and filing requirements. Each of these regulations restricts our business practices to varying degrees.

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 is currently creating new regulations that will provide copyright owners with the right to conduct audits of the compulsory copyright payments made by the 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. 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 reduced 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

In December 2010, the FCC enacted new "net neutrality" rules that it deemed necessary to ensure continuation of an "open" internet that is not unduly restricted by network "gatekeepers." The new rules are based on three core principles of: (1) transparency, (2) no blocking, and (3) no unreasonable discrimination. The "transparency" rule requires broadband Internet access providers to disclose applicable terms, performance, and network management practices to consumers and third party users. The "no blocking" rule restricts broadband Internet access providers from blocking lawful content, applications, services, or devices. The "no

unreasonable discrimination" rule prohibits broadband Internet access providers from engaging in unreasonable discrimination in transmitting lawful traffic. The new rules permit broadband service providers to exercise "reasonable network management" for legitimate network purposes, such as management of congestion, harmful traffic, and network security. The rules also permit usage-based billing, and permit broadband service providers to offer additional specialized services, such as facilities-based IP voice services, without being subject to restrictions on discrimination. The new rules encompass both wireline providers (like us) and wireless providers, although the rules are less stringent with regard to wireless providers. The rules went into effect in November 2011. However, they are currently subject to additional administrative and judicial review. For now, the FCC will enforce these rules based on case-by-case complaints. Because many of the requirements are vague, it is not yet clear how the FCC will interpret and apply them. The FCC's new rules (if they withstand challenge), as well as any additional legislation or regulation, could impose new obligations and restraints on broadband Internet access providers. Any new rules or statutes could limit our ability to manage our cable systems efficiently, obtain value for use of our cable systems and respond to competition.

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 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. Content owners are now seeking additional legal mechanisms to combat copyright infringement over the Internet. 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.

ARRA, enacted on February 17, 2009, provides approximately $7.0 billion to stimulate investment in broadband. We did not apply for any of these funds, but many other organizations did, including broadband services competitors and new entrants into such services. We could be placed at a competitive disadvantage if recipients use these funds to subsidize services that compete with our broadband services. For instance, we are aware of a grant to the State of West Virginia for $126 million, administered by Frontier, to expand its E911 microwave service and create new fiber connections to anchor institutions. The impact of this grant on competition with our commercial or residential broadband services, if any, is unclear.

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 Cequel must comply with 911 emergency service rules, requirements for accommodating law enforcement wiretaps under the Communication Assistance for Law Enforcement Act ("CALEA"), Universal Service Fund contributions, customer privacy, Customer Proprietary Network Information requirements, disability access, number porting and other regulatory requirements.

In November 2011, the FCC released an order significantly changing the rules governing intercarrier compensation for the origination and termination of telephone traffic between carriers. The new rules will result in a substantial decrease in intercarrier compensation payments over a multi-year period. These decreases will affect both the amounts that we pay to other carriers and the amounts that we receive from other carriers. The schedule and magnitude of these decreases, however, will vary depending on the nature of the carriers and the telephone traffic at issue, and the FCC's new ruling initiates further implementation rulemakings and is currently under appeal to the U.S. Court of Appeals for the Tenth Circuit. We cannot yet 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. 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.

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, 2012, we had 5,975 employees, including 34 part-time employees. None of our employees are represented by labor unions. We consider our relations with our employees to be good.

Item 1A. RISK FACTORS

Risks Related to our Substantial Indebtedness

We have substantial indebtedness, which could have a negative impact on our financing options and liquidity position and prevent us from fulfilling our obligations under the Notes and our other debt obligations .

As of December 31, 2012, we had approximately $4.92 billion of total debt outstanding. In addition, as of December 31, 2012, we had approximately $483.6 million available for borrowing under the $500.0 million revolving credit facility of the Credit Facility.

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

- make it more difficult for us to satisfy obligations under the Notes and the Credit Facility;
- 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;
- 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 substantial portion of our indebtedness, consisting of borrowings under the Credit Facility, bears interest at variable rates. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flow. 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. The terms of the Credit Agreement and Indentures do not fully prohibit us from doing so. If new debt is added to our current debt levels, the related risks we could face would be magnified. Any decrease in our revenues (and corresponding reduction in our cash flow) would further increase our leverage.

To service our indebtedness and meet our other cash needs, we will require a significant amount of cash, which may not be available to us.

Our ability to make payments on, or repay or refinance, our debt, and to fund capital expenditures, working capital and other cash needs will depend largely upon our future operating performance. Our future operating performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds in the future to make payments on our indebtedness will depend on the satisfaction of the covenants in the

Credit Agreement, the Indentures and our other financing arrangements, and other agreements we may enter into in the future. Specifically, we will need to maintain specified financial ratios and satisfy financial condition tests, including a senior secured leverage ratio. We cannot assure you that our business will generate sufficient cash flow from operations, that future borrowings will be available to us under the Credit Facility or from other sources in an amount sufficient to enable us to make payments on our indebtedness, or to fund our other liquidity needs.

The revolving credit facility of the Credit Facility is scheduled to mature on February 14, 2017 and the term loan facility of the Credit Facility is scheduled to mature on February 14, 2019; however, the term loan facility could mature as early as August 2017 under certain circumstances. We cannot assure you that we would be able to refinance any of our indebtedness, including the Credit Facility, on commercially reasonable terms, or at all. If we are unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, including:

- sales of assets;
- reduction or delay of capital expenditures, strategic acquisitions, investments and alliances; or
- negotiations with our lenders to restructure the applicable debt.

The Credit Agreement and the Indentures may restrict, or market or business conditions may limit, our ability to take some of these actions or the effectiveness of these actions.

Our financing arrangements subject us to various restrictions that could limit our operating flexibility and our ability to make payments on the Notes).

Our financing arrangements contain restrictions, covenants and events of default that, among other things, require us to satisfy certain financial tests and maintain certain financial ratios and restrict our ability to incur additional indebtedness and to refinance our existing indebtedness. The terms of these financing arrangements impose, and any future indebtedness may impose, various restrictions on us that could limit our ability to pay dividends, respond to market conditions, provide for capital investment needs or take advantage of business opportunities by limiting the amount of additional borrowings we may incur. These restrictions may include compliance with, or maintenance of, certain financial tests and ratios, including a maximum senior secured leverage ratio, and may limit or prohibit our ability to, among other things:

- incur additional debt and issue preferred equity;
- create liens;
- redeem or prepay certain debt;
- make distributions on our equity interests, repurchase repay or redeem our equity interests or prepay subordinated indebtedness;
- make certain investments;
- engage in specified sales of assets;
- enter into transactions with affiliates;
- enter new lines of business;
- engage in consolidation, mergers and acquisitions; and
- make certain capital expenditures.

These restrictions on our ability to operate our business could seriously harm our business by, among other things, limiting our ability to take advantage of financing, merger and acquisition and other corporate opportunities.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants and maintain these financial tests and ratios. Failure to comply with any of the covenants in our existing or future financing arrangements would result in a default under those arrangements and under other arrangements containing cross-default provisions. A default would permit lenders to accelerate the maturity for the debt under these agreements and to foreclose upon any collateral securing the debt owed to these lenders and to terminate any commitments of these lenders to lend. Under these circumstances, we might have insufficient funds or other resources to satisfy all our obligations, including our obligations under the Notes. In addition, the limitations imposed by any financing arrangements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

Risks Related to the Notes

If the Issuers are unable to receive cash from their subsidiaries, they will be unable to service their indebtedness.

The Issuers are holding companies and conduct no operations. Accordingly, the Issuers' ability to make payments on, or repay or refinance, indebtedness, including the Notes, and to fund other cash needs will depend largely upon the cash flows of their operating subsidiaries and the payment of funds by those subsidiaries to the Issuers in the form of dividends, distributions, repayment of loans, or otherwise. Distributions to the Issuers from their operating subsidiaries will depend on their respective operating results and will be subject to restrictions under, among other things,

- the laws of their jurisdiction of organization;
- the rules and regulations of state and federal regulatory authorities; and
- agreements of those subsidiaries, including agreements governing their indebtedness.

The ability of the Issuers' operating subsidiaries to make distributions and other payments to the Issuers will depend on their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors."

None of the Issuers' subsidiaries or affiliates are guarantors of the Issuers' obligations under the Notes or are otherwise required to make any distributions or payments to the Issuers with respect to the Issuers' obligations under the Notes, and the Issuers' obligations under the Notes will be structurally subordinated to the indebtedness and other liabilities and commitments of their subsidiaries, including the Credit Facility and guarantees thereof. As of December 31, 2012, the Issuers' subsidiaries had approximately $2.2 billion of indebtedness outstanding (plus additional availability of approximately $483.6 million under the $500.0 million revolving credit facility of the Credit Facility).

The terms of the Credit Agreement generally restrict Suddenlink and its restricted subsidiaries from making dividends or distributions and otherwise transferring assets to the Issuers. However, the Credit Agreement does permit 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 4.25x for the quarters ended after September 30, 2012 through the quarter ended December 31, 2013 and 4.0x thereafter and that no event or 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 Credit Facility permits Suddenlink to make dividends and distributions to Cequel for the payment of regularly scheduled interest payments on the 2017 Notes, or refinancings thereof, through maturity. We cannot assure you that the agreements governing the current and future indebtedness of the Issuers' subsidiaries will permit such subsidiaries to provide the Issuers with sufficient distributions or loans to fund the cash interest payments on or repay the Notes.

If the operating results of the Issuers' operating subsidiaries at any given time are not sufficient to make distributions or other payments to the Issuers or if such operating subsidiaries are not permitted to make such distributions or payments, the Issuers may not be able to make payments of principal or interest due under the Notes or the Issuers' other indebtedness. As a result, we currently anticipate that, in order to pay principal or interest due under the Notes or to repurchase the Notes upon a change of control (as defined in the Indentures), we may be required to adopt one or more alternatives, such as refinancing the Issuers' indebtedness, or that of their subsidiaries, at or before maturity, selling assets of the Issuers' subsidiaries, seeking capital contributions or loans from the Issuers' affiliates or reducing or delaying business activities and capital expenditures. There can be no assurance that any of the foregoing actions would enable the Issuers to refinance their indebtedness or that of their subsidiaries or pay principal or interest due under the Notes or that any of such actions would be permitted by the terms of the Indentures or any debt instrument of the Issuers' subsidiaries then in effect. Any inability to meet our debt service obligations or refinance our indebtedness would materially adversely affect our business, financial condition, results of operations and liquidity.

The Notes are effectively subordinated to all the Issuers' future secured indebtedness, to the extent of the value of the assets securing such indebtedness.

The Notes are not secured by the assets of the Issuers. Subject to the restrictions in the Indentures, future indebtedness that the Issuers incur may be secured by the Issuers' assets. If the Issuers become insolvent, or are liquidated, or if payment of any secured indebtedness is accelerated, the holders of any secured indebtedness will be entitled to exercise the remedies available to secured lenders under applicable laws, including the ability to foreclose on and sell the Issuers' collateral securing the indebtedness in order to satisfy the secured indebtedness. In such circumstances, the Issuers may not have sufficient assets to repay the Notes.

Many of the covenants contained in the 2020 Indenture will be suspended if the 2020 Notes are rated investment grade by Standard & Poor's and Moody's, which would reduce limitations on actions that are permitted to be taken by us.

Many of the covenants in the 2020 Indenture governing the 2020 Notes will be suspended if the 2020 Notes are rated investment grade by Standard & Poor's and Moody's. These covenants include restrictions on our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the 2020 Notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and the effects of any such transactions will be permitted to remain in place even if the 2020 Notes are subsequently downgraded below investment grade.

Ownership interests in Suddenlink and its subsidiaries are pledged as collateral under the Credit Facility and may not be available to holders of the Notes.

All ownership interests in Suddenlink and its subsidiaries are pledged as collateral under the Credit Facility. Therefore, if we were unable to pay principal or interest on the Notes, the ability of the holders of the Notes to proceed against the ownership interests in Suddenlink and its subsidiaries to satisfy such amounts would be subject to the prior satisfaction in full of all amounts owing under the Credit Facility. Any action to proceed against such interests by or on behalf of the holders of Notes prior to the repayment in full of the Credit Facility would constitute an event of default under the Credit Facility entitling the lenders thereunder to declare all amounts owing thereunder to be immediately due and payable. In addition, as secured creditors, the lenders under the Credit Facility would control the disposition and sale of Suddenlink and its subsidiaries' interests after an event of default under the Credit Facility and would not be legally required to take into account the interests of our unsecured creditors, such as the holders of the Notes, with respect to any such disposition or sale. There can be no assurance that our assets after the satisfaction of claims of our secured creditors would be sufficient to satisfy any amounts owing with respect to the Notes.

We may be unable to make a change of control offer required by the Indentures, which would cause defaults under the Indentures and the Credit Agreement.

The terms of the Notes require the Issuers to make an offer to repurchase the Notes upon the occurrence of a change of control at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of the purchase. In addition, the terms of the Credit Agreement require, and other financing arrangements may require, repayment of amounts outstanding in the event of a change of control and limit our ability to fund the repurchase of the Notes in certain circumstances. We may not have sufficient funds at the time of a change of control to make the required repurchase of the Notes or restrictions in the Credit Agreement and other financing arrangements may not allow the repurchase.

If we fail to repurchase the Notes upon a change of control, we will be in default under the Indentures, which would also cause a default under the Credit Agreement. Any future indebtedness that we incur may also contain restrictions on repurchases in the event of a change of control or similar event. These repurchase requirements may delay or make it more difficult to effect a change of control of the Company.

The change of control provisions may not protect holders of the Notes in a transaction in which we incur a large amount of indebtedness, including a reorganization, restructuring, merger or other similar transaction, because such a transaction may not involve any shift in voting power or beneficial ownership, may not involve a shift large enough to trigger a change of control, or may not result in a termination of the Management Agreement.

We may experience a change in our equity ownership without triggering a change of control under the 2020 Indenture. Furthermore, a change of control may occur under the 2017 Indenture and the Credit Agreement without a change of control occurring under the 2020 Indenture.

Under the 2020 Indenture, prior to an initial public offering, a change of control will not occur upon the acquisition by third parties of a controlling interest in, or even the entirety of, our equity interests, unless the Management Agreement is, or substantially all management servicers thereunder are, terminated. The 2017 Indenture and the Credit Agreement include similar triggering events and accordingly the consummation of the Acquisition did not constitute a change of control in respect of the 2017 Notes or the Credit Agreement despite the acquisition by Cequel Corporation of all of the outstanding common equity interests in Cequel Holdings. However, as a result of the Acquisition, for purposes of the 2017 Indenture and the Credit Agreement, and prior to an initial public offering, a change of control would occur upon the termination of the Management Agreement, or the termination of substantially all management services thereunder, while a change of control under the 2020 Indenture would require both the acquisition by a third party of a controlling interest and such termination of the Management Agreement or such services. Accordingly, a change of control pursuant to the terms of the 2017 Indenture and Credit Agreement may occur, without such change of control occurring under the 2020 Indenture.

Under the Indentures, upon a change of control, we would be required to make an offer to repurchase the Notes at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of the purchase. The terms of the Credit Agreement require, and other financing arrangements may require, repayment of amounts outstanding in the event of a change of control.

Under certain circumstances, federal and state laws may allow courts to void or subordinate claims with respect to the Notes or to modify the contractual or structural relationship between different classes of creditors.

Under the U.S. Bankruptcy Code and comparable provisions of state fraudulent transfer laws, a court could void claims with respect to the Notes, or subordinate them, if, among other things, we, at the time the Notes were issued:

- received less than reasonably equivalent value or fair consideration for the Notes;
- were insolvent or rendered insolvent by reason of the incurrence;
- were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that we would incur, debts beyond our ability to pay such debts as they became due.

The measures of insolvency for purposes of these fraudulent or preferential transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent or preferential transfer has occurred. Generally, however, we would be considered insolvent if:

- the sum of our debts, including contingent liabilities, was greater than the fair saleable value of all of our assets;
- the present fair saleable value of our assets was less than the amount that would be required to pay the probable liability on our existing debts, including contingent liabilities, as they became absolute and mature; or
- we could not pay our debts as they became due.

Based upon information currently available to us, we believe that the Notes are being incurred for proper purposes and in good faith.

In addition, if there were to be a bankruptcy of our parent and/or its subsidiaries, creditors of our parent may attempt to make claims against us and our subsidiaries, including seeking substantive consolidation of our and our subsidiaries' assets and liabilities with the liabilities of our parent, which (if successful) could have an adverse effect on holders of the Notes and their recoveries in any bankruptcy proceeding.

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, long-standing relationships with regulatory authorities and customers and greater access to programming or other services.

Our video business faces competition primarily from DBS service providers, principally DirecTV and DISH. We have lost a significant number of video customers to DBS competition, and we face serious challenges in this area in the future. In addition, in many of our markets, DBS providers and telephone companies have entered into co-marketing agreements that allow them to offer service arrangements that combine video services provided by the applicable DBS provider with DSL, traditional telephone and, in some cases, wireless telephone services provided by the applicable telephone company. These service arrangements are designed to compete with our bundled product offerings.

High-speed Internet access facilitates the streaming of video into homes and businesses. As the quality and availability of video streaming over the Internet improves, we expect video streaming to compete with the traditional delivery of video programming services over cable systems. It is possible that programming suppliers will consider bypassing cable operators and market their services directly to the consumer through video streaming over the Internet, potentially providing over the Internet for free some content for which we charge our customers. In addition, as the use of mobile data services such as smartphones improve, we may experience a decline in our video customers and related revenues. If customers were to choose to receive video over the Internet rather than through our basic, expanded basic or digital video services, we could experience a reduction in our video revenues.

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 that they will increasingly do so in the future. Additional upgrades and

product launches are expected in markets in which we operate. 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. With respect to our high-speed Internet service, we face competition from telephone companies and other providers of DSL. DSL service competes with our Internet service and is often offered at prices lower than our Internet services, although often at speeds lower than the speeds we offer. We also believe that 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 telephone with Internet services for a higher percentage of their customers. In addition, the continuing deployment of fiber optics into telephone companies' networks will enable them to provide even higher bandwidth Internet services.

With respect to our telephone service, we face considerable competition from established telephone companies and other carriers, including wireless providers and VoIP providers. In addition, competition in phone service is intensifying as more consumers are replacing their wireline service with wireless service.

We also face competition from other wireline video providers and cable system operators who conduct their business in the same territory as we do, since our franchises are non-exclusive and local franchising authorities may grant competing franchises in our markets. The existence of more than one cable system operating in the same territory is referred to as an overbuild. We believe that the markets we serve are not significantly overbuilt. However, we cannot assure you that competition from overbuilders will not develop in other markets that we now serve or will serve after any future acquisitions. For example, ARRA provides specific funding for broadband development as part of the economic stimulus package. We did not apply for any of these funds, but many other organizations did, including broadband services competitors and new entrants into such services. We could be placed at a competitive disadvantage if recipients use these funds to subsidize services that compete with our broadband services.

We cannot assure you that the services we provide will allow us to compete effectively. Additionally, as we expand our offerings to include other communications services, and to introduce new and enhanced services, we will be subject to competition from other providers of such services. We also expect that future advances in communication technology could lead to the introduction of new competitors, products and services that may compete with our business.

We cannot predict the full extent to which competition may affect our business, financial condition, results of operation and liquidity. However, competition has in the past and may continue to cause us to:

- lose customers;
- reduce prices or offer promotional services;
- incur significant advertising expenses; and
- make additional capital expenditures.

Any of these and other effects on our business from competition could materially adversely affect our cash flows and ability to make payments on our indebtedness.

We face risks relating to competition for the leisure and entertainment time of audiences, which has intensified in part due to advances in technology.

In addition to the various competitive factors, our business is subject to risks relating to increasing competition for the leisure and entertainment time of consumers. Our business competes with all other sources of entertainment and information delivery, including broadcast television, movies, sporting or other live events, radio broadcasts, home video products, console games, print media and the Internet. Technological advancements, such as VOD, new video formats and Internet streaming and downloading, have increased the number of entertainment and information delivery choices available to consumers, and intensified the challenges posed by audience fragmentation. In particular, content owners, including our programmers, are increasingly utilizing Internet-based delivery of content directly to consumers or can reach consumers through other mobile data services, such as smartphones, often without charging a fee for access to the content. The growing number of choices available to audiences could reduce the number of customers for certain of our services or negatively impact advertisers' willingness to purchase advertising from us. In addition, these competitors could cause our customers or advertisers to reduce the price they are willing to pay for such services or advertising expenditures, respectively. If we do not respond appropriately to further increases in the leisure and entertainment choices available to consumers, our competitive position could deteriorate, and our financial results could suffer.

If we are unable to respond to technological developments and meet customer demand for new products and services, our ability to compete effectively could be limited.

Our business is characterized by rapid technological change and the introduction of new products and services, some of which are bandwidth-intensive or require capacity greater than we possess to be cost effective. We cannot assure you that we will be able to

fund the capital expenditures necessary to keep pace with technological developments, or that we will successfully anticipate the demand of our customers for products and services requiring new technology or bandwidth beyond our expectations. Our inability to maintain and expand our upgraded systems and provide advanced services in a timely manner, or to anticipate the demands of the marketplace, could materially adversely affect our ability to attract and retain customers. Consequently, our business, financial condition, results of operations and liquidity could suffer materially.

Programming and retransmission costs are increasing and we may not have the ability to pass these increases and certain other costs on to our customers, which would materially adversely affect our cash flow and operating margins.

Our programming costs have been, and are expected to continue to be, one of our largest single expense items. In recent years, the cost of programming in the cable and satellite video industries has significantly increased. This increase in programming costs is expected to continue and we may not be able to pass on all programming cost increases to our customers. To the extent that we cannot pass on increased or additional programming costs to customers, our business, financial condition, results of operations and liquidity could be materially adversely affected. In addition, as we upgrade the channel capacity of our cable system and add programming, we may also face additional market constraints on our ability to pass increased programming costs on to our customers.

As of December 31, 2012, we purchased approximately 36% of our programming through the NCTC which, in certain cases, provides for more favorable pricing than we could negotiate independently with programmers. There can be no assurance that the cooperative will be able to continue to obtain such favorable pricing or that we will continue our relationship with the cooperative.

The expiration dates of our various programming contracts are staggered, which results in the expiration of a portion of our programming contracts every year. Upon expiration of these programming contracts, we have historically carried certain programming under short-term arrangements while we attempt to negotiate new long-term programming. There can be no assurance that such programming contracts will be renewed on favorable or comparable terms or at all, or that the rights we negotiate will be adequate for an evolving business model. In addition, as we negotiate the renewal of expired programming contracts, programmers often condition such renewal on our carriage of one or more other stations or programming services in which they or their affiliates have an interest. Carriage of these other services may increase our programming expenses and diminish the amount of capacity we have to introduce new programs or services, which could materially adversely affect our business and financial results. To the extent that we cannot pass on increased or additional programming costs to customers, our business, financial condition, results of operations and liquidity could be materially adversely affected. To the extent that we are unable to reach agreement with certain programmers on terms that we believe are reasonable we may be forced to remove such programming channels from our line-up, which could result in a loss of customers and advertising revenue. We cannot predict the financial impact of these negotiations or the effect on our customer count should we be required to stop offering or charge more for our programming.

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 2013, some of our retransmission agreements are scheduled to expire. Upon expiration of these contracts, 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, our business, financial condition, results of operations and liquidity could be materially adversely affected. If negotiations with these broadcasters prove unsuccessful, they could require us to cease carrying their signals, possibly for an indefinite period. Any loss of stations could make our video service less attractive to customers, which could result in a loss of customers and advertising revenue. In retransmission consent negotiations, the applicable broadcaster often conditions consent with respect to one station on carriage of one or more other stations or programming services in which they or their affiliates have an interest. Carriage of these other services may increase our programming expenses and diminish the amount of capacity we have available to introduce new services, which could materially adversely affect our business and financial results. We cannot predict the financial impact of these negotiations or the effect on our customer count should we be required to stop offering or charge more for broadcast programming.

If our required capital expenditures exceed our expectations, we may not have sufficient funding, which could materially adversely affect our growth, financial condition and results of operations.

During the year ended December 31, 2012, we spent approximately $348.8 million on capital expenditures. For 2013, we expect our capital expenditures will be approximately $320.0 million to $330.0 million. The actual amount of our capital expenditures is impacted by, among other things, the level of growth in advanced video, high-speed Internet and telephone customers and the delivery of advanced broadband services such as additional high-definition channels, faster high-speed Internet services, VOD programming

and DVRs and other customer premise equipment, extensions of our existing network to new areas and upgrades to existing network capacity, as well as the cost of introducing any new services. We may need additional capital if there is an increased need to respond to competitive pressures by expanding the delivery of other advanced services or increasing our marketing efforts and related marketing expenses. If we cannot provide for such capital spending from increases in our cash flow from operating activities, additional borrowings, proceeds from asset sales or other sources, our growth, competitiveness, financial condition and results of operations could suffer materially.

In addition, if we decide to introduce other new advanced products and services or the cost for these services increases, we may need to make unplanned capital expenditures. No assurance can be given that we will be able to implement our business plan or that demand for these new products and services will exist after these capital expenditures are made, or that our customers will accept these new products and services as superior to the products and services already available in the market. It is possible that shortly after making these capital expenditures, our competitors may develop and provide superior products and services, rendering our new products and services obsolete, or requiring us to make further significant capital expenditures in order to provide similar products and services.

We face risks inherent in our telephone business that could affect our operations differently than our other businesses.

We face heightened customer expectations for the reliability of telephone services as compared with our video and high-speed Internet services. We have undertaken significant training of customer service representatives and technicians, and we will continue to need a highly trained workforce, which may not be available. In addition, the competitive landscape for telephone services is intense. We face competition from providers of Internet telephone services, as well as incumbent telephone companies. We also face increasing competition for residential telephone services as more consumers in the United States are replacing traditional telephone service with wireless service. If our telephone service is not sufficiently reliable or we otherwise fail to meet customers' expectations, our telephone business could be adversely affected.

Currently, our telephone business is dependent on certain third-party providers. For example, we have an agreement with a third-party under which such third-party provides certain functions and services necessary to us in providing our telephone service by routing voice traffic to and from destinations outside of our network via the public switched telephone network, delivering E911 service and assisting in local number portability and long-distance traffic carriage. Our reliance on a single third-party provider for these services may render us vulnerable to service disruptions and other operational difficulties, in particular if such third-party decided to cease providing these services to us, which could materially adversely affect our business, financial condition, results of operations and liquidity. In addition, our reliance on third-party providers may limit our ability to implement changes in the telephone services we provide. We can reduce or eliminate our reliance on third-party providers by building our own platforms to perform functions currently outsourced; however, this would require a significant capital investment and increase our fixed cost structure.

Finally, we cannot predict the effect that ongoing or future developments in the communications industry, particularly with respect to technology, the applicable regulatory and legislative environment and the consumer marketplace, might have on our telephone business and operations.

We rely on network and information systems and other technologies to conduct our business, and a disruption or failure of such networks, systems or technologies as a result of natural disasters and other material events outside of our control could materially adversely affect our business, financial condition, results of operations and liquidity.

Network and information systems and other technologies are critical to our operating activities. Network or information system shutdowns caused by events such as natural disasters, power outages, computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks, terrorist attacks, other malicious activity and other material events that are outside of our control pose increasing risks. Any such event could have a material adverse effect on our business and our customers, including degradation of service, service disruption, excessive call volume to call centers and damage to our plant, equipment and data. Such an event also could result in large expenditures necessary to repair or replace such networks or information systems or to protect them from similar events in the future. Significant incidents could result in a disruption of our operations, customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to service our customers and protect our network. Any significant loss of video, high-speed Internet or telephone customers or revenue, or a significant increase in costs could materially adversely affect our business, financial condition, results of operations and liquidity.

For example, in January 2009, certain of our cable systems in Arkansas were damaged by an ice storm. In addition, in August 2011, certain of our cable systems in North Carolina were damaged by Hurricane Irene, and in July 2012, certain of our cable systems in West Virginia were damaged by severe storms. These storms impacted us to varying degrees and caused property damage, service interruptions, loss of customers and customer refunds.

In addition, our operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in our information technology systems and networks, including customer, personnel and vendor data. We could be exposed to significant costs if such risks were to materialize, and such events could damage our reputation and credibility and our business and have a negative impact on our revenues. We also could be required to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, information-related risks are increasing, particularly for businesses like ours that handle a large amount of personal customer data.

Weak economic conditions may negatively impact our ability to attract new customers, increase rates and maintain or increase revenues.

The United States economy has experienced a period of slowdown and the future economic environment is uncertain. Dramatic declines in the housing market, including falling home process and increasing foreclosures, together with significant increases in unemployment, have severely affected consumer confidence. A continuation or further weakening of these economic conditions could lead to further reductions in demand for our services, especially premium and digital services, DVRs, HDTV and certain commercial services, and a continued increase in the number of homes that replace their traditional telephone service with wireless service, which would negatively impact our ability to attract new customers, increase rates and maintain or increase subscription revenues. In addition, a continuation or further weakening of these economic conditions could lead to reduced advertising revenues and adversely affect our cash flow, results of operations and financial condition.

Providing basic video services is an established and highly penetrated business. Our ability to achieve incremental growth in basic video customers is dependent to a large extent on growth in occupied housing in our service areas, which is influenced by both national and local economic conditions. If growth in the number of occupied homes continues to decline, it may negatively impact our ability to gain new basic video customers.

We may not be able to obtain necessary hardware, software, communications equipment and services and other items from our vendors at reasonable costs or at all, which could materially adversely affect our business, financial condition, results of operations and liquidity.

We depend on third parties to provide certain programming and billing services, as well as for equipment, software, services and other items that are critical for the operation of our business. These include, but are not limited to, digital set-top converter boxes and other customer premises equipment, DVRs and VOD equipment; routers, provisioning and other software; the telecommunications network, interconnection agreements and e-mail platform for our high-speed Internet and telephone services; fiber optic cable and construction services for expansion and upgrades of our cable systems; and our customer billing platform. Certain of these vendors and suppliers may have leverage over us considering that there are limited suppliers of certain products and services, or that there is a long lead time and/or significant expense required to transition to another provider. In addition, some of these vendors and suppliers do not have a long operating history or may not be able to continue to supply the equipment and services we desire. Some of our hardware, software and operational support vendors and some of our service providers represent our sole source of supply or have, either through contract or as a result of intellectual property rights, a position of some exclusivity. Any delays or the termination or disruption in these relationships as a result of contractual disagreements, operational or financial failures on the part of suppliers, or other adverse events that prevent such vendors and suppliers from providing the equipment or services we need in a timely manner and at reasonable prices could result in significant costs to us and have a negative effect on our ability to provide services and roll out advanced services, and our business, financial condition, results of operations and liquidity could be materially adversely affected.

In that regard, we currently purchase set-top boxes from a limited number of vendors because each of our cable systems uses one of two proprietary schemes. In most cases, our systems only operate with set-top boxes from one vendor. We believe that the proprietary nature of these schemes makes other manufacturers reluctant to produce set-top boxes for these systems. Accordingly, we believe that our reliance on a limited number of set-top box vendors subjects our business to additional risk because we may not be able to replace our source of set-top boxes if such vendors were to fail or if our relationships with these vendors were to terminate and we would face significant cost to rebuild our networks to allow them to operate with different types of set-top boxes.

In addition, we have an agreement with a third party to provide certain functions and services necessary to our provision of telephone service to customers by routing voice traffic to and from destinations outside of our network via the public switched telephone network, delivering E911 service and assisting in local number portability and long-distance traffic carriage. Our reliance on a single vendor for these services may render us vulnerable to telephone service disruptions and other operational difficulties, which could have an adverse effect on our business and financial results.

The acquisition and integration of additional cable systems could materially adversely affect our business and results of operations.

Our business has grown significantly as a result of acquisitions. We expect that a portion of our future growth will result from additional 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 in the future, we may incur more debt, contingent liabilities and amortization expenses, which could materially adversely affect our operating results and financial condition. We also participate in competitive bidding processes, some of which may involve significant cable systems. If we are the winning bidder in any such process involving significant cable systems, we could require substantial additional equity and debt financing to consummate such an acquisition.

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

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 special 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.

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, it is not economically practical or even 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.

The loss of any of our key executive officers or the termination of the Management Agreement could materially adversely affect our ability to manage our business.

Our success is substantially dependent upon the retention and the continued performance of our executive officers, including Jerald L. Kent, our Chief Executive Officer, who is employed by our manager and whose services are provided pursuant to the Management Agreement. Our executive officers are not employed pursuant to employment agreements and our Chief Executive Officer and other officers are uniquely qualified in their areas of expertise, making it difficult to replace their services. In addition, Cequel Holdings is the party to the Management Agreement which requires our manager to provide certain services to us. However, we have no rights to enforce the management agreement upon a breach or otherwise, including the failure of our manager to provide the services that it is required to provide us. The loss of the services of one or more of these executive officers or the termination of the Management Agreement, which would result in the loss of our Chief Executive Officer, could materially adversely affect our growth, financial condition and results of operations.

We are controlled by affiliates of the Sponsors, as well as certain members of existing management.

All of our equity interests are effectively controlled by the Sponsors and Management Investors, and the board of directors of Cequel Corporation (the "Cequel Board of Directors") governs our affairs, including the appointment of management and the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions. The interests of the equity holders could conflict with your interests in material respects. Furthermore, the Sponsors are in the business of making investments in companies and may in certain instances from time to time acquire and hold interests in businesses that compete directly or indirectly with us, as well as businesses that represent major customers of our businesses. The Sponsors may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as the Sponsors continue to control a significant amount of our membership interests, the Sponsors will continue to be able to strongly influence or effectively control our decisions.

Our long-lived assets may become impaired in the future, which could cause a non-cash charge to our earnings.

As a result of the Acquisition, we engaged a third party to complete a valuation of our assets to assist us in determining our new enterprise value resulting from the Acquisition. This valuation resulted in increases to the book value of long-lived assets, including property, plant and equipment, and intangible assets. Amortizable long-lived assets must be reviewed for impairment whenever indicators of impairment exist. Non-amortizable long-lived assets are required to be reviewed for impairment on an annual basis or more frequently whenever indicators of impairment exist. Indicators of impairment could include, but are not limited to:

- an inability to perform at levels that were forecasted;
- a permanent decline in market capitalization;
- implementation of restructuring plans;
- changes in industry trends; and/or
- unfavorable changes in our capital structure, cost of debt, interest rates or capital expenditures levels.

Situations such as these could result in an impairment that would require a material non-cash charge to our results of operations and could have a material adverse effect on our consolidated results of operations.

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. Certain states and localities are considering new cable and telecommunications taxes that could increase operating expenses.

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.

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 us to immediately opt into favorable statewide franchising. In many cases, state franchising laws, and their varying application to us and new video providers, will result in fewer franchise-imposed requirements for new competitors than for us until we are able to opt into the applicable state franchise.

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 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.

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. 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. Such restrictions could 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. In 2011, the FCC amended its existing pole attachment rules in a manner that generally strengthens the cable industry's ability to access investor-owned utility poles on reasonable rates, terms, and conditions. That FCC order, however, is currently subject to administrative and judicial review. Any changes in the current pole attachment approach could result in a substantial increase in our pole attachment costs or a substantial decrease in the pole attachment costs paid by the telecommunications providers with which we compete.

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

In 2010, the FCC enacted new "net neutrality" rules governing the provision of high-speed Internet service, based on three core principles of: (1) transparency, (2) no blocking, and (3) no unreasonable discrimination. The new rules went into effect on November 20, 2011, but are subject to administrative and judicial review. For now, the FCC will enforce these rules based on case-by-case complaints. Because many of the requirements are vague, it is not yet clear how the FCC will interpret or apply them. The FCC's rules (if they withstand current challenges), as well as any additional legislation or regulation, could impose new obligations (including mandating Universal Service Fund contributions and additional privacy provisions) and restraints on Internet service providers. Any new rules or statutes could limit our ability to manage our cable systems efficiently, obtain value for use of our cable systems and respond to competition.

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 government 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.

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. It remains unclear precisely 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, CALEA, measures to protect Customer Proprietary Network Information and customer privacy, disability access, number porting 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 November 2011, the FCC released an order significantly changing the rules governing intercarrier compensation for the origination and termination of telephone traffic between interconnected carriers. The new rules, if they withstand judicial review, will result in a substantial decrease in interstate compensation payments over a multi-year period. The FCC is still engaged in further implementation rulemakings, and we cannot yet predict with certainty the impact on our revenues and expenses for voice services at particular times over this multi-year period.

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 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

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 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 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, 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 all 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

Legal Proceedings

We are defendants or co-defendants in several lawsuits claiming infringement of various patents relating to various aspects of our businesses. Other industry participants are also defendants in certain of these cases, and, in many cases, we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions.

In the event that a court ultimately determines that we infringe on any intellectual property rights, we may be subject to substantial damages and/or an injunction that could require us or our vendors to modify certain products and services we offer to our subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. We intend to defend the actions vigorously, but can give no assurance that any adverse outcome would not be material to our consolidated financial condition, results of operations, or liquidity.

From time to time, we are involved in other litigation and regulatory proceedings arising out of our operations. Management believes that we are 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 our business, financial position, results of operations or liquidity.

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.

For disclosure regarding securities authorized for issuance under equity compensation plans see "Item 11. - Executive Compensation – Summary of Material Compensation Plans or Arrangements."

During 2012, we distributed $971.2 million to Cequel Holdings. For further information regarding these distributions as well as limitations imposed by the instruments governing our indebtedness with respect to these distributions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Distributions to 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.

On November 15, 2012, Cequel Corporation acquired all of the outstanding common equity interests in Cequel Holdings pursuant to the Purchase Agreement, and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated.

Combined results for 2012 include the accounts of Cequel and its subsidiaries for the periods through November 15, 2012 ("Predecessor"), and of Cequel and its subsidiaries for the period following November 15, 2012 ("Successor"). We believe the combined results of operations for the twelve months ended December 31, 2012 provide management and investors with a more meaningful perspective on our ongoing financial and operational performance and trends than if we did not combine the results of operations of the Predecessor and the Successor in this manner.

The following table details selected historical financial data for the years ended December 31, 2012, 2011, 2010, 2009 and 2008.

	2012 (1)	2011 (2)	2010	2009	2008
	(dollars in thousands)				
Statement of Operations Data:					
Revenue	$ 2,054,784	$ 1,900,736	$ 1,689,145	$ 1,564,694	$ 1,435,998
Costs and expenses:					
Operating (excluding depreciation and amortization)	839,672	788,775	707,124	669,172	603,804
Selling, general and administrative	455,436	407,409	370,053	341,828	342,403
Depreciation and amortization	432,206	415,486	362,114	323,111	295,678
Loss/(gain) on sale of cable assets	1,416	(736)	(4,051)	100	(1,857)
Total costs and expenses	1,728,730	1,610,934	1,435,240	1,334,211	1,240,028
Income from operations	326,054	289,802	253,905	230,483	195,970
Interest expense, net	(287,002)	(297,194)	(259,626)	(247,952)	(259,992)
Loss on termination of derivative instruments	(6,565)	-	(17,774)	(7,873)	-
Loss on extinguishment of debt	(33,147)	-	(16,344)	(14,250)	-
Other expenses	(46,045)	-	-	-	-
Loss before income taxes	(46,705)	(7,392)	(39,839)	(39,592)	(64,022)
Benefit/(provision) for income taxes	3,428	(7,585)	(3,781)	(3,824)	(3,900)
Net loss	$ (43,277)	$ (14,977)	$ (43,620)	$ (43,416)	$ (67,922)
Balance Sheet Data:					
Cash	$ 208,482	$ 128,663	$ 289,685	$ 257,003	$ 170,517
Total assets	$ 7,588,716	$ 4,082,254	$ 3,914,238	$ 3,857,811	$ 3,862,078
Long-term debt	$ 4,915,262	$ 3,786,729	$ 3,166,121	$ 3,045,841	$ 3,054,284
Other Data:					
Cash interest expense(3)	$ 282,229	$ 287,074	$ 255,864	$ 224,948	$ 214,626
Capital expenditures	$ 348,776	$ 368,027	$ 354,124	$ 247,386	$ 231,915
Adjusted EBITDA(4)	$ 763,020	$ 706,658	$ 617,299	$ 561,024	$ 496,526
Equity Distribution	$ 972,052	$ 491,849	$ -	$ -	$ -

(1) Combined results for 2012 include the accounts of Predecessor and Successor.

(2) Includes the NPG Acquisition which was consummated on April 1, 2011.

(3) Cash interest expense is defined as interest expense, net, less interest income, less amortization of deferred financing fees and payment-in-kind interest.

(4) Adjusted EBITDA, as used herein, is defined as net loss plus interest expense, provision for income taxes, depreciation, amortization, non-cash share based compensation expense, (gain)/loss on sale of cable assets, loss on swap contract termination, loss on extinguishment of debt, impairment charges for cable properties and other expenses. Certain financial covenants in the Credit Facility contain ratios based on a similar calculation of Adjusted EBITDA and the restricted payment and debt incurrence covenants in the Indentures are based on a similar calculation of Adjusted EBITDA. Adjusted EBITDA for purposes of the Credit Facility and the Indentures differs from what is presented herein as it permits us to exclude certain non-recurring costs and expenses and include interest income and the pro forma results of certain acquisitions and dispositions, among other things. Adjusted EBITDA for purposes of the Credit Facility and the Indentures for the year ended December 31, 2012 was approximately $792.2 million. We believe that Adjusted EBITDA may be useful for investors in assessing our operating performance and our ability to meet our debt services requirements. Adjusted EBITDA, as used herein, is not necessarily comparable to similarly titled measures of other companies. Furthermore, Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as an alternative to, net income or loss, operating income, cash flow or other combined income or cash flow data prepared in accordance with generally accepted accounting principles in the United States (“GAAP”).

A reconciliation of Adjusted EBITDA to net loss is provided below:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(dollars in thousands)				
Reconciliation of net loss to Adjusted EBITDA (4)					
Net loss	$ (43,277)	$ (14,977)	$ (43,620)	$ (43,416)	$ (67,922)
Add back:					
Interest expense, net	287,002	297,194	259,626	247,952	259,992
(Benefit)/provision for income taxes	(3,428)	7,585	3,781	3,824	3,900
Depreciation and amortization	432,206	415,486	362,114	323,111	295,678
Non-cash share based compensation	3,344	2,106	5,331	7,330	6,735
Loss/(gain) on sale of cable assets	1,416	(736)	(4,051)	100	(1,857)
Loss on termination of derivative instruments	6,565	-	17,774	7,873	-
Loss on extinguishment of debt	33,147	-	16,344	14,250	-
Other expenses	46,045	-			-
Adjusted EBITDA(4)	$ 763,020	$ 706,658	$ 617,299	$ 561,024	$ 496,526

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

Reference is made to the "Risk Factors" in Item 1A for a discussion of important factors that could cause actual results to differ from expectations and any of our forward-looking statements contained herein. The following discussion should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2012, 2011 and 2010.

The Acquisition

On November 15, 2012, Cequel Corporation acquired all of the outstanding common equity interests in Cequel Holdings pursuant to the Purchase Agreement, and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated. Cequel Corporation is owned by limited partnerships affiliated with the Sponsors and Management Investors. The purchase price for the Acquisition was approximately $2.485 billion, comprised of an aggregate of approximately $1.92 billion of cash equity contributions by limited partnerships affiliated with the Sponsors, a $65.1 million contribution by a limited partnership affiliated with the Management Investors, consisting of approximately $53.1 million of cash equity contributions and an approximate $12 million contribution of all of the capital stock of Excell, and the remainder from Cequel Holdings, funded from the net proceeds of the offering of the October 2020 Notes and cash on hand. The purchase price of $2.485 billion, plus debt assumed as of March 31, 2012, valued the Company at approximately $6.6 billion.

We applied business combination accounting for the Acquisition. In accordance with GAAP, the accompanying consolidated statements of operations and cash flows contained in "Item 8. Financial Statements and Supplementary Data" present the results of operations and the sources and uses of cash for (i) the period ended November 15, 2012 of the Predecessor and (ii) the period from November 16, 2012 to December 31, 2012 of the Successor. However, for purposes of this Management's Discussion and Analysis of Financial Condition and the Results of Operations, we have combined the current year results of operations for the Predecessor and Successor. Certain results of operations of the Predecessor and Successor, including depreciation and amortization and interest expense, are not comparable due to the change in basis resulting from business combination accounting. This combined presentation is being made solely to explain the changes in results for the twelve months ended December 31, 2012 with the corresponding period in the prior years.

We believe the combined results of operations for the twelve months ended December 31, 2012 provide management and investors with a more meaningful perspective on our ongoing financial and operational performance and trends than if we did not combine the results of operations of the Predecessor and the Successor in this manner.

Overview

General

We are the seventh largest cable operator in the United States, making our services available over our advanced hybrid-fiber coaxial network to approximately 3.0 million homes in the United States as of December 31, 2012. We serve approximately 1,372,000 customers as of December 31, 2012. Our customer base is clustered geographically with approximately 96% of our basic video customers located in the ten states of Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, Missouri, California and Ohio, and 89% of our basic video 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 1,211,200 basic video customers as of December 31, 2012. Our cable video services include traditional basic and digital video service and, in most areas, advanced digital video services such as VOD, HDTV and DVRs. As of December 31, 2012, approximately 837,500 of our basic video customers were also digital video customers and we had approximately 1,002,100 residential high-speed Internet customers and approximately 471,700 residential telephone customers. In addition to consumer subscription services, we also provide communications services to commercial customers, sell advertising time on our systems and, in many markets, provide residential security services. We evaluate our performance, in part, by measuring the RGUs that we serve. As of December 31, 2012, we served approximately 3,522,500 RGUs, representing an increase of 3.3% over the prior year. In addition, as of December 31, 2012, we served approximately 51,900 commercial high-speed data and 24,100 commercial telephone customers, not included in our RGU totals.

In the first quarter of 2012, we reclassified certain revenue categories from Other revenue to Video revenue, High-speed Internet revenue and Telephone revenue, as applicable, to better align certain revenues historically categorized as Other revenue with their related products. Video revenue now includes reclassified revenue related to converter and equipment rentals, retransmission pass through, franchise fee, copyright fee and other miscellaneous video revenues. High-speed Internet revenue now includes reclassified revenue related to home networking, modem and other data equipment rental. Telephone revenue now includes reclassified revenue related to telephone regulatory fees. Prior periods were reclassified to conform to the current presentation.

Video service, our largest service in terms of revenues generated, represented approximately 54.7% and 56.9% of our total revenues for the year ended December 31, 2012 and 2011, respectively. Although providing video services is a competitive and highly penetrated business, we expect to continue to increase video revenues through the offering of advanced digital video services, as well as through price increases and digital video customer growth, offset in part by basic video customer losses.

High-speed Internet services represented approximately 27.3% and 25.9% of our total revenues for the years ended December 31, 2012 and 2011, respectively. We expect continued growth in residential and commercial high-speed data customers and revenues for the foreseeable future. However, the rate of growth of residential customers and revenues is expected to continue to slow over time as high-speed Internet services become increasingly penetrated.

Telephone services represented approximately 9.2% and 8.6% of our total revenues for the years ended December 31, 2012 and 2011, respectively. We expect increases in both residential and commercial telephone customers and service revenues for the foreseeable future. However, the rate of growth of residential customers and service revenues is expected to slow over time as our telephone services become increasingly penetrated and as an increasing number of homes in the U.S. replace their traditional telephone service with wireless telephone service.

Advertising revenues represented approximately 4.3% and 4.1% of our total revenues for the years ended December 31, 2012 and 2011, respectively.

Other revenues, as described herein, represented approximately 4.5% and 4.4% of our total revenues for the years ended December 31, 2012 and 2011.We have a history of net losses, and may continue to report net losses in the future. We reported net losses of $43.3 million, $15.0 million and $43.6 million for the years ended December 31, 2012, 2011 and 2010, respectively. In general, our net losses principally result from depreciation and amortization expenses associated with our acquisitions and capital expenditures related to expanding and upgrading our cable systems, interest expense and other financing charges related to our indebtedness, losses on termination of derivative contracts, losses on debt extinguishments and other expenses related to the Acquisition.

As of December 31, 2012, we had approximately $4.78 billion of indefinite lived intangible assets, including goodwill of $1.54 billion, franchise rights of $3.04 billion and trade names of $0.2 billion on our consolidated balance sheets. These intangible assets represented approximately 63% of our total assets. Accounting guidance for intangible assets requires that goodwill and other intangible assets deemed to have indefinite useful lives, such as cable franchise rights and trade names are not amortized, but instead are tested at least annually for impairment.

As of September 30, 2012, we had completed Project Imagine, a significant three year bandwidth expansion plan we commenced in 2009. We continue to make significant investments in our infrastructure, including upgrades, rebuilds and line extensions to support our existing operations.

Our business is subject to extensive governmental legislation and regulation. Such regulation has led to increases in our operational and administrative expenses. In addition, our business could be dramatically impacted by changes to the existing regulatory framework, whether triggered by legislative, administrative or judicial rulings. The FCC's National Broadband Plan recommends significant changes to the regulatory framework relating to the provision of broadband Internet services. Congress and the FCC have frequently revisited the subject of communications regulation, and they are likely to do so in the future, particularly in light of the recommendations in the National Broadband Plan.

Cequel Holdings is a party to the Management Agreement, pursuant to which our manager provides certain services to us, including the services of our Chief Executive Officer, our corporate development function and certain legal and regulatory functions, in exchange for management fees, expense reimbursement and long-term incentive compensation.

Acquisition and Divestiture Activity

We continue to evaluate and selectively pursue opportunistic strategic acquisitions that we believe will add value to our existing business. Our strategy focuses on opportunities that either build upon our existing clusters or are large enough to form a new cluster of systems, and, in each case, that enable us to achieve strong financial performance across our systems. We also participate in competitive bidding processes, some of which may involve significant cable systems.

On August 1, 2010, we completed the acquisition of the Greenwood, Mississippi cable system from Windjammer Communications, LLC, purchasing the assets of the cable system, which served approximately 8,000 basic video customers at the time of consummation of the acquisition, for approximately $20.3 million.

On November 30, 2010, we completed the divestiture of two broadband systems serving approximately 2,800 basic video customers. Cash proceeds from this transaction were approximately $4.5 million. We recognized a net gain of approximately $2.9 million on the sale of these assets.

On April 1, 2011, we consummated the NPG Acquisition, which served approximately 81,700 basic video, 46,300 digital video, 61,700 residential high-speed Internet and 19,100 residential telephone customers at the time of consummation of the acquisition for a purchase price of $348.4 million.

On December 31, 2012, we completed the divestiture of systems in Indiana and Illinois serving approximately 2,800 basic video customers. Cash proceeds from this transaction were approximately $4.8 million. The Company recognized an immaterial net loss on the sale of these systems.

Revenues, Costs and Expenses

Video service revenues primarily represent monthly subscription fees charged to residential and commercial customers for our basic, digital and premium programming services, pay-per-view and VOD charges, converter rental revenues and certain recurring fees passed through to our residential and commercial customers, including franchise fees and broadcast retransmission fees. High-speed Internet service revenue is comprised of residential and commercial revenues. Residential high-speed Internet service revenues primarily represent monthly fees charged to residential customers for our high-speed Internet services, including equipment rental and in-home Wi-Fi services. Commercial high-speed data service revenues primarily represent monthly fees charged to small to medium sized commercial establishments for our high-speed data services, including equipment rental, and fees charged to medium to large sized businesses for our broadband service via fiber optic connections. Telephone service revenues primarily represent monthly fees charged to residential and commercial customers, including telephone regulatory fees. Advertising revenues represent the sale of advertising time on various channels. Other revenues include equipment sales, installation charges, wire maintenance charges, security revenues and other miscellaneous revenue streams.

Our significant operating expenses include: video programming costs; employee expenses related to wages and benefits of technical personnel who maintain our cable network, perform customer installation activities and provide customer support; high-speed Internet costs, including costs of bandwidth connectivity and customer provisioning; telephone service costs, including delivery and other expenses; and field operating costs, including outside contractors, vehicle, utilities and pole rental expenses.

Video programming and related costs, which are generally paid on a per customer basis, represent our largest single expense and have been increasing due to increases in the rates charged for these programming services and retransmission consents and the introduction of new programming services to our customers. We expect that our video service margins as a percentage of video service revenues will continue to decline over the next few years as increases in programming costs outpace growth in video service revenues, and are not certain we will be able to pass all such increases on to our customers. However, in order to mitigate such a decline in our video service margins, we continue to review our pricing and programming packaging strategies.

Our significant selling, general and administrative expenses include: wages and benefits for our call centers, customer service and support and administrative personnel; franchise fees and taxes; marketing; bad debt; billing; advertising; and facilities costs.

Results of Operations

We added approximately 113,000 RGUs over the past year, representing 3.3% growth from December 31, 2011.

The following table provides an overview of selected customer data for our cable systems for the time periods specified:

	Approximate as of		
Customer Counts	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
Basic video customers(1)	1,211,200	1,252,200	1,215,700
Digital video customers(2)	837,500	767,300	651,400
Residential high-speed Internet customers(3)	1,002,100	951,400	826,300
Residential telephone customers(4)	471,700	438,600	358,700
Total RGUs(5)	3,522,500	3,409,500	3,052,100

Annual Net Gain/(Loss) (6)(7)	Approximate for Year Ended December 31, 2012	Approximate for Year Ended December 31, 2011	Growth Rates December 31, 2012	Growth Rates December 31, 2011
Basic video customers(1)……………………….	(41,000)	36,500	-3.3%	3.0%
Digital video customers(2)………………………	70,200	115,900	9.1%	17.8%
Residential high-speed Internet customers(3)..	50,700	125,100	5.3%	15.1%
Residential telephone customers(4)……………	33,100	79,900	7.5%	22.3%
Total RGUs(5)………………………………...…...	113,000	357,400	3.3%	11.7%

(1) Basic video customers include all residential customers who receive video cable services. Also included are commercial or multi-dwelling accounts that are converted to 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. This conversion method is consistent with methodology used in determining costs paid to programmers. Our methodology of calculating the number of basic customers may not be identical to those used by other companies offering similar services.

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

(3) Residential high-speed Internet customers include all residential customers who subscribe to our high-speed Internet service. Excluded from these totals are all commercial high-speed data customers, including small and medium sized commercial cable modem accounts and customers who take our broadband service optically, via fiber connections.

(4) Residential telephone 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. Excluded from these totals are all commercial telephone customers.

(5) Total RGUs represents the sum of basic video, digital video, residential high-speed Internet and residential telephone customers, not counting additional outlets within one household. This statistic is computed in accordance with guidelines of the NCTA.

(6) On December 31, 2012, we sold approximately 6,500 RGUs in certain small cable systems in Illinois and Indiana consisting of approximately 2,800 basic video, 900 digital video and 2,800 residential high-speed Internet customers.

(7) On April 1, 2011, we acquired approximately 208,800 RGUs as part of the NPG Acquisition, consisting of approximately 81,700 basic video, 46,300 digital video, 61,700 residential high-speed Internet and 19,100 residential telephone customers. At December 31, 2012, the NPG systems served 220,900 RGUs.

During 2012, we added approximately 113,000 RGUs. This RGU growth resulted from net gains in our digital video, residential high-speed Internet and residential telephone products, offset by basic video losses and the sale of approximately 6,500 RGUs.

The following table presents selected statistical data regarding our residential customer relationships, excluding EBUs, and double play and triple play customers for the periods specified:

	Approximate as of December 31, 2012 (9)	Approximate as of December 31, 2011 (10)	Approximate as of December 31, 2010
Residential customer relationships (1)	1,371,700	1,373,900	1,273,000
Double play (2)	542,700	527,800	481,700
Double play penetration (3)	39.6%	38.4%	37.8%
Triple play (4)	342,200	321,900	266,700
Triple play penetration (5)	24.9%	23.4%	21.0%
Total bundled penetration (6)	64.5%	61.8%	58.8%
Non-video customer relationships(7)	246,800	218,300	169,900
Non-video as a % of total customer relationships (8)	18.0%	15.9%	13.3%

(1) Residential customer relationships represent the number of residential customers who pay for at least one level of service, encompassing video, high-speed Internet or telephone services, without regard to the number of services purchased. For example, a residential customer who purchases only high-speed Internet service and no basic video service will count as one customer relationship, and a residential customer who purchases both basic video and high-speed Internet services will also count as only one customer relationship.

(2) Double play customer numbers reflect residential customers who subscribe to two of our core services (video, high-speed Internet and telephone).

(3) Double play penetration represents double play residential customers as a percentage of customer relationships.

(4) Triple play customer numbers reflect residential customers who subscribe to all three of our core services (video, high-speed Internet and telephone).

(5) Triple play penetration represents triple play residential customers as a percentage of customer relationships.

(6) Total bundled penetration represents the sum of double play and triple play residential customers as a percentage of customer relationships.

(7) Non-video customer relationships represent the number of residential customers who receive at least one level of service, encompassing high-speed Internet or telephone services, but do not receive video services.

(8) Non-video as a percent of total customer relationships represents non-video customer relationships divided by total customer relationships.

(9) Excludes approximately 4,300 total customer relationships and 1,200 double play relationships relating to the Indiana and Illinois systems sold on December 31, 2012.

(10) Includes approximately 89,700 total customer relationships, 31,200 double play relationships, and 13,500 triple play relationships as of April 1, 2011, which were acquired as part of the NPG Acquisition.

The following table provides the approximate commercial high-speed data and telephone customer counts for the periods specified:

	Approximate as of		
	December 31, 2012	**December 31, 2011**	**December 31, 2010**
Commercial data	51,900	47,400	40,200
Commercial telephone	24,100	18,100	11,100

	Approximate for Year Ended		Growth Rates	
Annual Net Gains (1)	**December 31, 2012**	**December 31, 2011**	**December 31, 2012**	**December 31, 2011 (1)**
Commerical data	4,500	7,200	9.5%	17.9%
Commercial telephone	6,000	7,000	33.1%	63.1%

(1) Includes approximately 2,900 commercial Internet and 800 commercial telephone customers as of April 1, 2011, which were acquired as part of the NPG Acquisition.

Commercial high-speed data customers consist of commercial accounts that receive data service via a cable modem and commercial customers that receive broadband service optically, via fiber connections. Commercial telephone customers are commercial accounts that subscribe to our telephone service, and on average have 2.9 and 2.8 telephone lines per customer as of December 31, 2012 and December 31, 2011, respectively. These commercial counts are not included in the residential high-speed Internet, residential telephony or total RGU counts.

Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

The following table sets forth our consolidated statements of operations for the fiscal years ended December 31, 2012 and 2011 (dollars in thousands), and the percentages of revenue that each item represented for the periods presented:

	Year Ended December 31,			
	Combined 2012	% of Revenues	Predecessor 2011	% of Revenues
Revenues	$ 2,054,784	100.0%	$ 1,900,736	100.0%
Costs and expenses:				
Operating (excluding depreciation and amortization)	839,672	40.9%	788,775	41.5%
Selling, general and administrative	455,436	22.2%	407,409	21.4%
Depreciation and amortization	432,206	21.0%	415,486	21.9%
Loss/(gain) on sale of cable assets	1,416	0.1%	(736)	0.0%
Total costs and expenses	1,728,730	84.1%	1,610,934	84.8%
Income from operations	326,054	15.9%	289,802	15.3%
Interest expense, net	(287,002)		(297,194)	
Loss on termination of derivative instruments	(6,565)		-	
Loss on extinguishment of debt	(33,147)		-	
Other expenses	(46,045)		-	
Loss before income taxes	(46,705)		(7,392)	
Benefit/(provision) for income taxes	3,428		(7,585)	
Net loss	$ (43,277)		$ (14,977)	

<u>Revenues</u>

Average monthly revenue per basic video customer increased to $138.61 in 2012, from $126.35 in 2011, or 9.7%. Average monthly revenue per basic video customer represents total annual revenue, divided by twelve, divided by the average number of basic video customers during the respective period. Revenues rose $154.0 million, or 8.1%, of which $28.7 million was attributable to NPG. The remainder of the increase is due to increases in residential high-speed Internet, telephone and advanced digital video revenues, growth in revenues from our commercial business, including carrier services, and growth in advertising revenue during the trailing twelve months. Residential revenue growth resulted from increases in the number of new telephone, high-speed Internet and digital video customers, an increase in the penetration of existing customers for these services, the impact of video and high-speed Internet rate increases, and incremental service revenues from DVR and HDTV services as more customers purchased advanced video services from us. Offsetting this residential growth in part was a decrease in revenue due to basic video customer losses, the impact of bundling and promotional discounts and digital customers purchasing fewer digital tiers of service during the trailing twelve months. Revenues from our commercial business grew due to increases in commercial high-speed data and telephone customers and from increases in cell tower backhaul revenues from carrier customers. Advertising revenue increased due primarily to increased political advertising, as well as increased automotive advertising.

In the first quarter of 2012, we reclassified certain revenue categories from Other revenue to Video revenue, High-speed Internet revenue and Telephone revenue, as applicable, to better align certain revenues historically categorized as Other revenue with their related products. Video revenue now includes reclassified revenue related to converter and equipment rentals, retransmission pass through, franchise fee, copyright fee and other miscellaneous video revenues. High-speed Internet revenue now includes reclassified revenue related to home networking, modem and other data equipment rental. Telephone revenue now includes reclassified revenue related to telephone regulatory fees. Prior periods were reclassified to conform to the current presentation.

Revenue by service offering was as follows for the years ended December 31, 2012 and 2011 (dollars in thousands), and the percentages of revenue that each item represented for the periods presented:

	Year Ended December 31,					
	Combined		Predecessor			
	2012		2011		2012 vs. 2011	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 1,123,430	54.7%	$ 1,081,457	56.9%	$ 41,973	3.9%
High-speed Internet	561,531	27.3%	493,159	25.9%	68,372	13.9%
Telephone	189,179	9.2%	163,867	8.6%	25,312	15.4%
Advertising sales	89,102	4.3%	78,777	4.1%	10,325	13.1%
Other	91,542	4.5%	83,476	4.4%	8,066	9.7%
Total revenues	$ 2,054,784	100.0%	$ 1,900,736	100.0%	$ 154,048	8.1%

Video service revenues increased $42.0 million, or 3.9%. Video service revenues for NPG accounted for $15.5 million of the increase with the remainder due primarily to video rate increases, higher broadcast retransmission and franchise fee revenue and customer growth in our digital and advanced video services, including converter rental revenues for high-definition and DVR capable digital converters, offset in part by the loss of basic video customers and digital customers purchasing fewer digital tiers of service.

High-speed Internet service revenues rose $68.4 million, or 13.9%. High-speed Internet service revenues for NPG accounted for $9.2 million of the increase with the remainder due primarily to an increase in residential high-speed Internet customers, growth in home networking revenues, the impact of residential rate increases, growth in our commercial high-speed data services to small and medium sized businesses and growth in carrier services, including fiber to the tower, and optical Internet and transport revenues.

Telephone service revenues grew $25.3 million, or 15.4%. Telephone service revenues for NPG accounted for $2.2 million of the increase with the remainder due primarily to an increase in residential telephone customers and growth in commercial telephone services to small and medium sized businesses.

Advertising revenues increased $10.3 million, or 13.1%. Advertising revenue for NPG accounted for $1.0 million of the increase. Excluding NPG, the increase in advertising revenue was driven by higher national and local advertising sales revenue, primarily from increased political advertising, as well as increased automotive advertising.

Other revenues increased $8.1 million, or 9.7%. Other revenues from NPG accounted for $0.8 million of the increase and revenues for Excell for the period after acquisition accounted for $1.7 million. The remainder of the increase was due primarily to increases in administrative fee revenue, wire maintenance revenue, security service revenue and commercial installation revenue.

Costs and Expenses

Operating expenses (excluding depreciation and amortization) increased $50.9 million, or 6.5%. Operating expenses for NPG accounted for $13.2 million of the increase with the remainder of the increase due primarily to higher programming costs, including broadcast retransmission consent expenses, higher telephone service expense, increased net technical labor and employee related costs and increased circuit expenses, offset in part by a reduction in certain non-recurring expenses associated with the NPG Acquisition. Programming costs and retransmission consent expenses grew principally as a result of higher contractual rates charged by our programming and broadcast vendors and an increased number of digital customers. Telephone service expense increased due to residential and commercial telephone customer growth. Net technical labor and employee related expenses have increased due to headcount additions, the impact of annual salary increases, increased overtime levels and increased contract labor. Circuit expenses increased to support growth in our fiber to the tower and commercial high-speed data business. Non-recurring operating expenses for contract termination charges associated with the NPG Acquisition in 2011 were $3.0 million, for which there was not a comparable expense in 2012. Operating expenses (excluding depreciation and amortization) as a percentage of revenues were 40.9% and 41.5% for years ended December 31, 2012 and 2011, respectively.

Selling, general and administrative expenses rose $48.0 million, or 11.8%. Selling, general and administrative expenses for NPG were $4.4 million with the remainder of the increase due principally to certain non-recurring expenses, as well as higher labor and employee related expenses, increased expenses associated with our ad sales business and increased marketing expenses. Non-recurring

general and administrative expenses during the year ended December 31, 2012 were $28.9 million, compared to $6.6 million for the year ended December 31, 2011. 2012 non-recurring general and administrative expenses consisted of $19.9 million of compensation and other transaction expenses related to the Acquisition, $8.2 million of compensation expense related to our March and May 2012 equity distributions and $0.8 million related to other miscellaneous non-recurring activities. Non-recurring general and administrative expenses during 2011 comprised of $3.0 million of compensation expense associated with the January 2011 equity distribution and $3.6 million associated with the NPG Acquisition, including due diligence costs, severance, transaction and integration expenses. Labor and employee related expenses increased due to headcount additions and the impact of salary, commission and benefit expense increases, offset in part by decreases in third party call center labor expenses. Representation fees and other expenses associated with our ad sales business grew as the related ad sales revenue increased. Marketing expenses increased in relation to the increase in revenues. Selling, general and administrative expenses as a percentage of revenues were 22.2% and 21.4% for years ended December 31, 2012 and 2011, respectively.

Depreciation and amortization increased $16.7 million, or 4.0%, largely as a result of amortization expense for customer relationship intangible assets established on November 15, 2012.

Income from Operations

Income from operations grew $36.3 million, or 12.5%, as a result of the revenue increases year-over-year outpacing operating, selling and administrative and amortization expense increases, and the full year impact of the 2011 NPG Acquisition.

Interest Expense, net

Interest expense, net, decreased $10.2 million, or 3.4%, due to lower effective interest rates as certain of our interest rate swap agreements expired during the year ended December 31, 2012, offset in part by increased average indebtedness.

Loss on Termination of Derivative Instruments

For the year ended December 31, 2012, we recorded $6.6 million of expenses related to the voluntary termination on March 30, 2012 of our interest rate cap agreements, which were previously designated as hedging instruments. There was no loss on termination of derivative instruments for the year ended December 31, 2011.

Loss on Extinguishment of Debt

For the year ended December 31, 2012, we recorded a $33.1 million loss on the extinguishment of debt. We recorded a loss on the extinguishment of debt in conjunction with our repayment of the Old Credit Facility of $14.2 million in February 2012, as well as a $14.0 million loss on the pay down of the revolving credit facility and a $4.9 million loss on the tender of a portion of the 2017 Notes, in conjunction with the December 28, 2012 issuance of the December 2020 Notes. There was no loss on extinguishment of debt for the year ended December 31, 2011.

Other Expenses

For the year ended December 31, 2012, we recorded $46.0 million of other expenses related to the Acquisition. These fees consisted primarily of lender acknowledgment fees, bond consent fees, bridge commitment fees, legal and other Acquisition transaction related expenses. There were no other expenses for the year ended December 31, 2011.

Benefit/Provision for Income Taxes

We recorded an income tax benefit of $3.4 million for the year ended December 31, 2012. The provision for current year taxes was materially impacted by the Texas Gross Margin tax of $6.6 million which is reflected in the total. The benefit of $3.4 million is at an effective tax rate of 7.3% for the year ended December 31, 2012, as compared to expense for income taxes of $7.6 million for current and deferred income taxes at an effective tax rate of -46.9% for the year ended December 31, 2011. The change to income taxes for the year ended December 31, 2012 was driven primarily by the changes to our corporate tax structure as a result of the Acquisition.

Net Loss

As a result of the factors described above, we incurred a net loss for the year ended December 31, 2012 of $43.3 million, as compared to a net loss of $15.0 million for the year ended December 31, 2011. Net loss for the year ended December 31, 2012 was impacted by loss on the termination of derivative instruments, loss on the extinguishment of debt and other expenses related to the Acquisition, none of which were present in 2011.

Results of Operations for the Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

The following table sets forth our consolidated statements of operations for the fiscal years ended December 31, 2011 and 2010 (dollars in thousands), and the percentages of revenue that each item represented for the periods presented:

	Year Ended December 31,			
	Predecessor 2011	**% of Revenues**	**Predecessor 2010**	**% of Revenues**
Revenues	$ 1,900,736	100.0%	$ 1,689,145	100.0%
Costs and expenses:				
Operating (excluding depreciation and amortization)	788,775	41.5%	707,124	41.9%
Selling, general and administrative	407,409	21.4%	370,053	21.9%
Depreciation and amortization	415,486	21.9%	362,114	21.4%
Gain on sale of cable assets	(736)	0.0%	(4,051)	-0.2%
Total costs and expenses	1,610,934	84.8%	1,435,240	85.0%
Income from operations	289,802	15.3%	253,905	15.0%
Interest expense, net	(297,194)		(259,626)	
Loss on termination of derivative instruments	-		(17,774)	
Loss on extinguishment of debt	-		(16,344)	
Loss before income taxes	(7,392)		(39,839)	
Provision for income taxes	(7,585)		(3,781)	
Net loss	$ (14,977)		$ (43,620)	

<u>*Revenues*</u>

Average monthly revenue per basic video customer increased from $114.40 in 2010 to $126.35, or 10.4% in 2011. Average monthly revenue per basic video customer represents total annual revenue, divided by twelve, divided by the average number of basic video customers during the respective period. Revenues rose $211.6 million, or 12.5%, of which $84.8 million was attributable to NPG. The remainder of the increase is due to increases in residential high-speed Internet, telephone and advanced digital video revenues, and growth in revenues from our commercial business, including carrier services. Residential revenue growth resulted from increases in the number of new telephone, high-speed Internet and digital video customers, an increase in the penetration of existing customers for these services, the impact of video and high-speed Internet rate increases, and incremental service revenues from VOD, DVR and HDTV services as more customers purchased advanced video services from us. Offsetting this residential growth in part was a decrease in revenue due to the impact of bundling and promotional discounts and basic video customer losses. Revenues from our commercial business grew due to increases in commercial high-speed data and telephone customers, and from increases in cell tower backhaul revenues, from carrier customers.

Revenue by service offering was as follows for the years ended December 31, 2011 and 2010 (dollars in thousands), and the percentages of revenue that each item represented for the periods presented:

	Year Ended December 31,					
	Predecessor		Predecessor			
	2011		2010		2011 vs. 2010	
	Revenues	% of Revenues	Revenues	% of Revenues	Change	% Change
Video	$ 1,081,457	56.9%	$ 997,234	59.0%	$ 84,223	8.4%
High-speed Internet	493,159	25.9%	412,240	24.4%	80,919	19.6%
Telephone	163,867	8.6%	129,111	7.6%	34,756	26.9%
Advertising sales	78,777	4.1%	76,157	4.5%	2,620	3.4%
Other	83,476	4.4%	74,403	4.4%	9,073	12.2%
Total revenues	$ 1,900,736	100.0%	$ 1,689,145	100.0%	$ 211,591	12.5%

Video service revenues increased $84.2 million, or 8.4%. Video service revenues for NPG accounted for $45.7 million of the increase with the remainder due primarily to video rate increases, higher broadcast retransmission and franchise fee revenue and customer growth in our digital and advanced video services, including converter rental revenues for high-definition and DVR capable digital converters, offset in part by the loss of basic video customers and digital customers purchasing fewer digital tiers of service.

High-speed Internet service revenues rose $80.9 million, or 19.6%. High-speed Internet service revenues for NPG accounted for $25.9 million of the increase with the remainder due primarily to an increase in residential high-speed Internet customers, growth in home networking revenues, the impact of residential rate increases, growth in our commercial high-speed data services to small and medium sized businesses and growth in carrier services, including fiber to the tower, and optical Internet and transport revenues.

Telephone service revenues grew $34.8 million, or 26.9%. Telephone service revenues for NPG accounted for $6.5 million of the increase with the remainder due primarily to an increase in residential telephone customers, growth in commercial telephone services to small and medium sized businesses and increases in regulatory revenues, offset in part by bundling and promotional discounts.

Advertising revenues increased $2.6 million, or 3.4%. Advertising revenue for NPG accounted for $4.6 million of the increase. Excluding NPG, the decrease in advertising revenue was driven by lower revenues from political ad sales, offset in part by increases in advertising sales from automotive and retail advertising.

Other revenues increased $9.1 million, or 12.2%. Other revenues from NPG accounted for $2.1 million of the increase with the remainder due primarily to administrative fee revenue, wire maintenance revenue, security service revenue and residential and commercial installation revenue, offset in part by lower equipment and shopping channel revenue.

Costs and Expenses

Operating expenses (excluding depreciation and amortization) increased $81.7 million, or 11.5%. Operating expenses for NPG accounted for $42.5 million of the increase with the remainder of the increase due primarily to higher programming costs and broadcast retransmission consent expenses, net technical labor and employee related costs, fuel expenses, increased franchise fees and certain non-recurring expenses associated with Hurricane Irene and the acquisition and integration of NPG, offset by decreased telephone and data circuit expenses. Programming costs and retransmission consent expenses grew principally as a result of higher contractual rates charged by our programming and broadcast vendors and an increased number of digital customers. Net technical labor and employee related expenses have increased due to headcount additions, the impact of annual salary increases and increased overtime levels. Contract labor usage increased due to Project Imagine activities. Franchise fee expenses increased consistent with higher franchise fee revenue related to video service revenue increases. Non-recurring operating expenses were $3.8 million, comprised of $3.5 million for contract termination charges associated with the integration of NPG and $0.3 million for expenses related to Hurricane Irene. Circuit and telephone expenses decreased due to lower contractual rates. Operating expenses (excluding depreciation and amortization) as a percentage of revenues were 41.5% and 41.9% for years ended December 31, 2011 and 2010, respectively.

Selling, general and administrative expenses rose $37.4 million, or 10.1%. Selling, general and administrative expenses for NPG were $20.2 million with the remainder of the increase due principally to higher net labor and employee related expenses, increased marketing expenses, increased bad debt expense and certain non-recurring expenses, offset in part by a decreases in non-cash equity

compensation expense. Labor and employee related expenses increased due to headcount additions, the impact of salary and commission increases and increased group health insurance due to headcount additions. Marketing expenses increased in proportion to our revenue growth. Bad debt increased due to overall revenue growth and continued impact of the weakened economy. Non-recurring general and administrative expenses during 2011 comprised of $3.0 million of compensation expense associated with the January 2011 equity distribution and $3.6 million associated with the NPG Acquisition, including due diligence costs, severance, transaction and integration expenses. These expense increases were offset in part by decreases in non-cash equity compensation expense. Selling, general and administrative expenses as a percentage of revenues were 21.4% and 21.9% for the years ended December 31, 2011 and 2010, respectively.

Depreciation and amortization increased $53.4 million, or 14.7%, largely as a result of depreciation and amortization related to NPG cable systems, capital expenditures made as a part of Project Imagine and accelerated depreciation for assets that will be taken out of service.

During 2010, we sold systems in Salem, West Virginia and Oakland, Maryland, serving approximately 2,800 basic video customers, for a gain of approximately $2.9 million. Immaterial net gains on asset disposals accounted for the additional gain in 2010, and all of the gain in 2011.

Income from Operations

Income from operations grew $35.9 million, or 14.1%, as a result of the revenue increases year-over-year outpacing operating, selling and administrative and depreciation and amortization expense increases, offset partially by the impact of compensation expenses related to our January 2011 equity distribution and acquisition, due diligence and integration related expenses.

Interest Expense, net

Interest expense, net, increased $37.6 million, or 14.5%, due to increased average indebtedness after the issuance of $625.0 million of 8.625% Senior Notes issued on January 19, 2011, offset in part by a lower effective interest rate as certain of our interest rate swap agreements expired in 2011.

Loss on Termination of Derivative Instruments

There was no loss on termination of derivative instruments in the year ended December 31, 2011. For the year ended December 31, 2010, we recorded $17.8 million of expenses related to our voluntary termination of certain interest rate swap agreements previously designated as hedging instruments.

Loss on Extinguishment of Debt

There was no loss on extinguishment of debt in the year ended December 31, 2011. For the year ended December 31, 2010, we recorded a $16.3 million loss on the extinguishment of debt in conjunction with our repayment of our Old Credit Facility from the proceeds of the offering of $600.0 million of 8.625% Senior Notes issued on May 4, 2010.

Provision for Income Taxes

We recorded a provision of $7.6 million for current and deferred income taxes at an effective tax rate of -46.9%, for the year ended December 31, 2011, as compared to a provision for income taxes of $3.8 million for current and deferred income taxes at an effective tax rate of -9.5%, for the year ended December 31, 2010. The increase in income tax provision for the year ended December 31, 2011 was primarily driven by our recording an increase in the provision related to our uncertain tax positions.

Net Loss

As a result of the factors described above, we incurred a net loss for the year ended December 31, 2011 of $15.0 million, as compared to a net loss of $43.6 million for the year ended December 31, 2010. Net income for the year ended December 31, 2010 was impacted by a loss on the extinguishment of debt and a loss on the termination of derivative instruments, neither of which were present in 2011.Liquidity and Capital Resources

General

Our primary sources of liquidity and capital resources have been cash flow from operating and financing activities. We believe that existing cash balances, operating cash flows and availability under the revolving credit facility of the 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, pay the Deferred Fee, 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, 2012, we had approximately $208.5 million of cash on hand and approximately $16.4 million of outstanding letters of credit, which reduced the availability under the $500.0 million revolving credit facility of the Credit Facility to approximately $483.6 million.

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 Credit Agreement generally restrict Suddenlink and its restricted subsidiaries from making dividends and other distributions to the Issuers except under certain circumstances. The Credit Agreement permits Suddenlink to make dividends and distributions to Cequel subject to satisfaction of certain conditions, including pro forma compliance with maximum senior secured leverage ratio of 4.25x for the quarters ended after September 30, 2012 through the quarter ended December 31, 2013 and 4.0x thereafter 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 Credit Agreement permits Suddenlink to make dividends and distributions to Cequel for payment of regularly scheduled interest payments on the 2017 Notes through maturity.

In connection with the Acquisition, on October 25, 2012, the Escrow Issuers, issued $500 million aggregate principal amount of the October 2020 Notes. On November 15, 2012, in connection with the consummation of the Acquisition, (i) the Notes Assumption occurred, (ii) the proceeds from the October 2020 Notes offering and other amounts that were deposited into the escrow account were released to Cequel and the Escrow Agreement was terminated and (iii) Cequel used the funds from the escrow account and cash on hand to make a distribution to Cequel Holdings, which used such distribution to fund the $500 million portion of the purchase price required to be paid by Cequel Holdings under the Purchase Agreement, to pay Cequel Holdings' estimated fees and expenses relating to the Acquisition and for general corporate purposes. We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee.

Long-Term Debt and Derivative Instruments

The following table details debt and capital leases outstanding at December 31, 2012 (dollars in thousands):

	As of December 31, 2012		
	Principal Amount	**Accreted Value (a)**	**Scheduled Maturity Date**
Revolving credit facility	$ -	$ -	February 14, 2017
Term loan facility	2,183,500	2,196,937	February 14, 2019
8.625% Senior Notes	1,112,601	1,183,404	November 15, 2017
6.375% Senior Notes	1,500,000	1,534,921	November 15, 2020
Subtotal-credit facility and notes	4,796,101	4,915,262	
Capital leases and other obligations	6,468	6,468	Varies
Total debt and capital leases	$ 4,802,569	$ 4,921,730	

(a) On November 16, 2012, we applied business combination accounting and as such adjusted our debt to reflect fair value. Therefore, as of December 31, 2012, the accreted values presented above generally represent the fair value of the Notes and/or Credit Facility at November 16, 2012, plus/minus the accretions to the balance sheet date of December 31, 2012.

Credit Facility

On February 14, 2012, Suddenlink, Holdings II, certain subsidiaries of Suddenlink and a syndicate of lenders entered into the Credit Agreement, which provides for up to $2.7 billion of loans in the aggregate, consisting of a $2.2 billion term loan facility funded at closing and a $500.0 million revolving credit facility. The revolving credit facility is scheduled to mature on February 14, 2017. The term loan facility is scheduled to mature on February 14, 2019. If the senior secured leverage ratio under the Credit Agreement for the four fiscal quarter period ending June 30, 2017 is greater than or equal to 2.50:1.00 and more than 20% of the original issued amount of the 2017 Notes remain outstanding, the term loan facility will mature on August 15, 2017. The interest rate on the term loans outstanding under the Credit Agreement equals the prime rate plus 2.00% or the LIBOR rate plus 3.00%, with a LIBOR floor of 1.00%, while the interest rate on the revolver loans will equal the prime rate plus 1.50% or the LIBOR rate plus 2.50%. The term loan facility requires quarterly repayments in annual amounts equal to 1.00% of the original principal amount, with the remainder due at maturity. The debt under the 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 Holdings II, as well as all of Suddenlink's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the Credit

Agreement. The Credit Agreement contains customary representations, warranties and affirmative covenants. In addition, the 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 Credit Agreement also contains a maximum senior secured leverage maintenance covenant. Additionally, the 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.

Suddenlink used the proceeds from the term loan facility of the Credit Facility to repay in full and terminate the $2.525 billion Old Credit Facility, which had a balance of $1.941 billion as of February 14, 2012. We also used a portion of the proceeds from the term loan facility of the Credit Facility plus additional borrowings of $160.0 million under the revolving credit facility of the Credit Facility to make a distribution to Cequel Holdings of $370.0 million in March 2012. Cequel Holdings used this distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain payments to holders of options and restricted units of Cequel Holdings.

In connection with the Acquisition, we received an acknowledgment from the lenders under the Credit Facility that an amendment to the termination provisions of the Management Agreement was not materially adverse to them. This amendment to the Management Agreement was entered into on November 15, 2012. In exchange for this acknowledgement, we paid the lenders who executed the acknowledgement an aggregate fee of approximately $12.9 million.

8.625% Senior Notes Due 2017

On November 4, 2009, the Issuers issued $600.0 million aggregate principal amount of 2017 Notes. The 2017 Notes issued in November 2009 were sold at an offering price of 98.580%, which yielded an effective interest rate of 8.875%. We used the net proceeds of the 2017 Notes and cash on hand to prepay $300.0 million of the Old Credit Facility and $300.0 million of the tranche B term loan of our second lien guaranty and credit agreement (the "2nd Lien Credit Facility"), along with related fees and expenses of that offering.

On May 4, 2010, the Issuers issued an additional $600.0 million aggregate principal amount of 2017 Notes under a supplemental indenture to the 2017 Indenture, which form a part of the same series as the 2017 Notes issued in November 2009. These additional 2017 Notes were sold at an offering price of 102.00%, which yielded an effective interest rate of 8.167%. We used the net proceeds of these additional 2017 Notes to repay in full all borrowings under the 2nd Lien Credit Facility, along with related fees and expenses of that offering and for general corporate purposes.

On January 19, 2011, the Issuers issued additional $625.0 million aggregate principal amount of 2017 Notes. These additional 2017 Notes form a part of the same series of notes as the 2017 Notes issued in November 2009 and the additional 2017 Notes issued in May 2010. These 2017 Notes were sold at an offering price of 102.875%, which yielded an effective interest rate of 7.892%. We used the proceeds of these additional 2017 Notes (i) make a distribution to Cequel Holdings which Cequel Holdings used to repay all of the original capital contributions made by holders of preferred interests of Cequel Holdings, and a portion of the capital contributions made by holders of common interests of Cequel Holdings, make certain bonus payments, make certain payments to holders of options and restricted common units issued by Cequel Holdings and (ii) pay related fees and expenses of that offering. On April 1, 2011 we used the remaining portion of the proceeds and cash on hand to consummate the NPG Acquisition.

In connection with the Acquisition, we received consent from the holders of the 2017 Notes to an amendment to the 2017 Indenture which (i) permitted us to make an additional $400 million of restricted payments under the 2017 Indenture to Cequel Holdings from the proceeds of the October 2020 Notes offering and (ii) will reduce the restricted payment basket by $100 million at each of June 30, 2013 and September 30, 2013. In exchange for this consent, on November 15, 2012, we paid holders who consented to the amendment an aggregate fee of approximately $13.5 million and the amendment to the 2017 Indenture became operative.

On December 13, 2012, the Issuers commenced the Tender Offer to purchase for cash up to $750 million aggregate principal amount of the outstanding 2017 Notes at a price of $1,070.57 per $1,000 principal amount. Approximately $712.4 million of the 2017 Notes were validly tendered and not withdrawn pursuant to the Tender Offer. On December 28, 2012, we used the net proceeds from the sale of the December 2020 Notes to pay the purchase price for the 2017 Notes tendered prior to the Early Tender Deadline. The tender call premium included in the tender price of approximately $50.3 million is included in the calculation of loss on extinguishment of debt. The tender offer expired on January 11, 2013 and no additional 2017 Notes were tendered after the Early Tender Deadline (see Footnote 23).

The Issuers have no ability to service interest or principal on the 2017 Notes, other than through any dividends or distributions received from Suddenlink. Suddenlink is restricted in certain circumstances from paying dividends or distributions and otherwise

transferring assets to the Issuers by the terms of the Credit Agreement. However, the Credit Agreement permits Suddenlink to make dividends and distributions to Cequel subject to satisfaction of certain conditions, including pro forma compliance with 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. In addition, the Credit Facility permits Suddenlink to make dividends and distributions to Cequel for payment of regularly scheduled interest payments on the 2017 Notes through maturity. The 2017 Notes are unsecured and are not guaranteed by any subsidiaries of the Issuers, including Suddenlink.

Interest is payable on the 2017 Notes semi-annually in cash on May 15 and November 15 of each year, and the 2017 Indenture contains 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.

6.375% Senior Notes Due 2020

On October 25, 2012, the Escrow Issuers issued $500.0 million aggregate principal amount of the October 2020 Notes. The October 2020 Notes were sold at an offering price of 100%. The proceeds of the October 2020 Notes were placed in an escrow account and following the Notes Assumption the funds were released from the escrow account. Upon the release of the funds from the escrow account, Cequel used the net proceeds from the sale of the October 2020 Notes and cash on hand to make a distribution to Cequel Holdings, which used such distribution to fund a portion of the purchase price required to be paid by Cequel Holdings under the Purchase Agreement, to fund the remaining cash required in connection with the Acquisition resulting from the contribution of the capital stock of Excell in lieu of cash, to pay Cequel Holdings' estimated fees and expenses relating to the Acquisition and for general corporate purposes.

On December 28, 2012, the Issuers issued an additional $1.0 billion aggregate principal amount of the 2020 Notes. These 2020 Notes were sold at an offering price of 103%. The Issuers used the net proceeds from the sale of these 2020 Notes to (i) purchase approximately $712.4 million aggregate principal amount of the 2017 Notes pursuant to the Tender Offer, (ii) make a capital contribution to Suddenlink, which was used to repay all borrowings then outstanding under Suddenlink's revolving credit facility of the Credit Facility and for working capital and general corporate purposes, and (iii) pay related costs, fees and expenses.

The Issuers have no ability to service interest or principal on the 2020 Notes, other than through any dividends or distributions received from Suddenlink. Suddenlink is restricted in certain circumstances from paying dividends or distributions and otherwise transferring assets to the Issuers by the terms of the Credit Agreement. However, the Credit Agreement permits Suddenlink to make dividends and distributions subject to satisfaction of certain conditions, including pro forma compliance with 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 are unsecured and are not guaranteed by any subsidiaries of the Issuers, including Suddenlink.

Interest is payable on the 2020 Notes semi-annually in cash on March 15 and September 15 of each year, commencing on March 15, 2013, and the 2020 Indenture contains 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.

Old Credit Facility

On April 4, 2007, Suddenlink entered into the Old Credit Facility, consisting of a $2.325 billion term loan facility and $200.0 million revolving loan facility. On November 4, 2009, Suddenlink prepaid $300.0 million of term loans under the Old Credit Facility from a portion of the proceeds from the issuance of the 2017 Notes that was contributed to Suddenlink by Cequel. On February 14, 2012, all remaining borrowings under the Old Credit Facility were repaid from a portion of the proceeds of the term loan facility of the Credit Facility.

Derivative Instruments

Suddenlink used interest rate risk management derivative instruments to manage interest rate risks. Using interest rate swap agreements with reputable counterparties, we agreed to exchange the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The interest rate swap agreements expired on October 7, 2012. Suddenlink had interest rate swap agreements totaling a notional amount of $1.350 billion at December 31, 2011 and $0 at December 31, 2012. We do not hold or issue derivative instruments for trading or speculative purposes.

On August 25, 2009, Suddenlink entered into two interest rate caps to protect against increased interest rates. These interest rate caps would not have become effective until April 7, 2012 after a portion of the aforementioned interest rate risk management derivative instruments expired, and would have terminated on January 7, 2013. The notional amounts of the interest rate caps totaled $1.1 billion.

On March 30, 2012, Suddenlink terminated these two interest rate caps. Upon Suddenlink's voluntary termination of the interest rate caps, previously designated as hedging instruments, Suddenlink reversed the $6.6 million loss associated with the interest rate caps included in change in fair value of derivative instruments, and recorded a $6.6 million loss on termination of derivative instruments.

We recorded $17.8 million of expense at December 31, 2010 related to our voluntary termination of certain interest rate swap agreements previously designated as hedging instruments. No such expense was incurred for the years ended December 31, 2012 and 2011.

Financial Covenant Compliance

As of December 31, 2012, we were in compliance with the senior secured leverage maintenance covenant under the Credit Agreement. We expect to remain in compliance with our financial covenant during the next twelve months.

Off Balance Sheet Arrangements

We are not aware of any off-balance sheet arrangements, other than immaterial operating leases and similar commitment contracts.

Contractual Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2012 and for the subsequent five years and thereafter.

	Payments Due by Period (dollars in millions)				
	Total	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Contractual obligations:					
Debt and notes(1)………………………………………….	$ 4,796.1	$ 22.0	$ 66.0	$ 1,156.6	$ 3,551.5
Debt and notes interest payments(2)……………………	1,724.6	278.7	554.7	539.4	351.8
Capital and operating lease obligations………………...	21.4	6.9	7.4	4.9	2.2
Other commitments……………………………………….	47.8	44.8	3.0	-	-
Total contractual obligation………………………………	$ 6,589.9	$ 352.4	$ 631.1	$ 1,700.9	$ 3,905.5

(1) See Footnote 10 of our consolidated financial statements for further discussion of our debt and notes.

(2) Interest payments on variable debt are estimated using amounts outstanding at December 31, 2012 and the average implied forward LIBOR rates applicable for the period during the interest rate reset based on the yield curve in effect at December 31, 2012. Actual interest payments will differ based on actual LIBOR rates and actual amounts outstanding for applicable periods.

We do not expect significant payments related to our deferred tax liabilities or our liability for uncertain tax positions 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 Commitments' table above.

Distributions to Cequel Holdings

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

On January 20, 2011, in connection with the issuance of additional 2017 Notes, we distributed $491.8 million to Cequel Holdings. Cequel Holdings used this distribution to repay $357.1 million of capital contributions to holders of common units, representing a portion of the capital contributions made by holders of common units, and $124.7 million of capital contributions to

holders of preferred units, representing the repayment of all of the capital contributions made by holders of preferred units. In addition, Cequel Holdings paid $9.4 million to the options and restricted unit holders.

On March 13, 2012, we used a portion of the proceeds from the term loan facility of the Credit Facility plus additional borrowings of $160.0 million under the revolving credit facility of the Credit Facility to make a distribution to Cequel Holdings of $370.0 million. Cequel Holdings used such distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain bonus payments and certain payments to holders of options and restricted units of Cequel Holdings.

On May 11, 2012, we used cash on hand to make a distribution to Cequel Holdings of $70.0 million. Cequel Holdings used this distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain payments to holders of options and restricted units of Cequel Holdings.

On November 16, 2012, the Company distributed $520.0 million to Cequel Holdings, which was used in part to fund a portion of the purchase price of the Acquisition, pay for certain transaction fees and expenses related to the Acquisition, and for general corporate purposes.

We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee.

Historical Operating, Investing and Financing Activities

Operating Activities

Net cash provided by operating activities decreased $35.3 million from $460.1 million for the year ended December 31, 2011 to $424.8 million for the year ended December 31, 2012, primarily due to transaction expenses related to the Acquisition and a $50.3 million call premium related to the repayment of the $712.4 million of 2017 Notes that were tendered in the Tender Offer, offset in part by improved operating results.

Net cash provided by operating activities increased $263.4 million from $196.7 million for the year ended December 31, 2010 to $460.1 million for the year ended December 31, 2011, primarily due to improved operating results, the 2010 repayment of $112.3 million in paid-in-kind interest on the 2nd Lien Credit Facility that did not exist for the same period in 2011, and net changes in current assets and liabilities due to timing of payments for interest, prepaid expenses, accrued expenses and other payables.

Investing Activities

Net cash used in investing activities decreased $361.2 million from $720.4 million for the year ended December 31, 2011 to $359.2 million for the year ended December 31, 2012. The decrease in 2012 compared to 2011 is primarily due to the NPG Acquisition, which occurred in 2011, and a decrease in capital expenditures for 2012 as Project Imagine completed on September 30, 2012.

Net cash used in investing activities increased $346.5 million from $373.9 million for the year ended December 31, 2010 to $720.4 million for the year ended December 31, 2011. The increase in 2011 compared to 2010 is primarily due to the NPG Acquisition and an increase in capital expenditures for Project Imagine and related success based capital expenditures.

Financing Activities

Net cash from financing activities decreased to $14.2 million at December 31, 2012 from $99.3 million at December 31, 2011. The net cash provided by financing activities of $14.2 million at December 31, 2012 primarily included the proceeds of the $2.2 billion term loan facility, of which a portion of these proceeds were used to repay the Old Credit Facility, which had a balance of $1.9 billion at February 14, 2012. A portion of the remaining proceeds from the $2.2 billion term loan facility plus a $160.0 million borrowing under the revolving credit facility of the Credit Facility were used to fund the $370.0 million distribution to Cequel Holdings in March 2012. In May 2012, we used cash on hand to make a distribution to Cequel Holdings of $70.0 million. Additionally, in October 2012 the Issuers issued $500.0 million aggregate principal amount of the 2020 Notes. On November 16, 2012, we distributed $520.0 million to Cequel Holdings from the proceeds from the October 2020 Notes offering and cash on hand, which was used by Cequel Holdings to fund a portion of the purchase price of the Acquisition, pay for certain transaction fees and expenses of the Sponsor related to the Acquisition, and for general corporate purposes. In December 2012 the Issuers issued an additional $1.0 billion aggregate principal amount of the 2020 Notes, the proceeds of which were used to repay the $160.0 million of borrowings then outstanding under the revolving credit facility, as well as repurchase $712.4 million of the 2017 Notes in the Tender Offer.

The net cash provided by financing activities of $99.3 million for the year ended December 31, 2011 was comprised primarily of the remainder of the proceeds from the $625.0 million offering of 2017 Notes after making a $491.8 million distribution to Cequel

Holdings and paying related fees and expenses of that offering. In addition, on April 1, 2011 the Company used the remaining portion of the proceeds and cash on hand to consummate the NPG Acquisition.

The net cash provided by financing activities of $209.9 million for the year ended December 31, 2010 was comprised primarily of the remainder of the proceeds from the $600.0 million offering of 2017 Notes after repaying $280.1 million of outstanding debt and paying related fees and expenses of that offering.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Our capital expenditures are funded primarily from cash on hand and cash flows from operating activities. Capital expenditures inclusive of Project Imagine and related success based capital were $348.8 million in 2012, $368.0 million in 2011, and $354.1 million in 2010. See the table below for more details.

Project Imagine was completed as of September 30, 2012. We spent $208.6 million for Project Imagine over the three year period. Total capital expenditures for Project Imagine, including success based capital expenditures, were consistent with the previously announced guidance of $350.0 million for the entire program. During 2013, we expect capital expenditures to be approximately $320.0 million to $330.0 million.

Capital spending for Project Imagine, excluding success based capital expenditures, was $20.3 million, $65.6 million and $87.7 million in 2012, 2011 and 2010, respectively. The amounts for Project Imagine are included in the total capital expenditure amounts set forth above.

We have adopted capital expenditure disclosure guidance as supported by the NCTA. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP.

The following table presents our major capital expenditures categories in accordance with NCTA disclosure guidelines for the years ended December 31, 2012, 2011 and 2010. Figures below are shown in thousands.

	Years Ended December 31,		
	Combined	Predecessor	
	2012	2011 (1)	2010
Customer Premises Equipment	$ 101,664	$ 103,785	$ 118,024
Scalable infrastructure	32,120	46,974	40,479
Line extentions	7,541	7,007	6,151
Upgrade/rebuild	8,574	22,389	27,081
Commercial	35,505	31,954	21,439
Support capital	163,372	155,918	140,950
	$ 348,776	$ 368,027	$ 354,124

(1) Does not include capital expenditures for the NPG systems prior to April 1, 2011.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates and assumptions that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Periodically, we evaluate our estimates, including those related to doubtful accounts, long-lived assets, capitalized costs and accruals. We base our estimates on historical experience and on various other assumptions that we believe are reasonable. Actual results may differ from these estimates under different assumptions or conditions. We believe that the application of the critical accounting policies discussed below requires significant judgments and estimates on the part of management.

We applied business combination accounting for the Acquisition. This resulted in our having a new corporate structure, a new accounting basis in the identifiable assets and liabilities and no retained earnings or accumulated losses. Accordingly, the consolidated financial statements on or after November 16, 2012 are not comparable to the consolidated financial statements prior to that date. The financial statements for the periods ended prior to November 15, 2012 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.

November 16, 2012 was the effective date for the Acquisition. Business combination accounting provides, among other things, for a determination of the value to be assigned to the equity of the company as of a date selected for financial reporting purposes. The value of the Company was approximately $6.6 billion. The value was based upon expected future cash flows of the business discounted at rates reflecting perceived business and financial risks (the discounted cash flows). This valuation and a valuation using

market value multiples for peer companies were blended to arrive at the value. Value is intended to approximate the amount a willing buyer would pay for the assets of the Company. For a summary of the application and valuation of business combination accounting, see Footnote 4.

Property, Plant and Equipment

Property, plant and equipment were recorded at fair value at the date of the Acquisition. Future additions will be recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	7-30 years
Customer equipment and installations	3-7 years
Capitalized leases	6-12 years
Vehicles	3-5 years
Broadband distribution systems	3-20 years
Office furniture, tools and equipment	3-7 years

Assets resulting from leases and leasehold improvements are amortized over the shorter of their estimated life or the term of the related leases. Initial customer installation costs are capitalized as part of broadband distribution systems. Costs related to disconnects and reconnects of customers are expensed as incurred. Expenditures for maintenance and repairs are charged to operations as incurred, while renewals and betterments that extend the useful lives of the assets are capitalized.

Capitalized Internal Costs

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 directly associated with that portion of the capitalized labor and vehicle operating costs related to capitalizable activities.

Accounting for Long-Lived and Intangible Assets

Long-lived Assets

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

Significant judgments in this area involve determining whether a triggering event has occurred, determining the future cash flows for the assets involved and selecting the appropriate discount rate to be applied in determining estimated fair value.

Goodwill and Indefinite-lived Intangible Assets

Goodwill is tested annually for impairment during the fourth quarter or earlier upon occurrence of a triggering event. Goodwill impairment is determined using a two-step process. The first step involves a comparison of our estimated fair value to our carrying amount, including goodwill. In performing the first step, we determine the fair value using a combination of a discounted cash flow ("DCF") analysis and a market-based approach. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based approach. The cash flows employed in the DCF analyses are based on our most recent budget and, for years beyond the budget, our estimates, which are based on assumed growth rates. The discount rates used in the DCF analyses are intended to reflect the risks inherent in our future cash flows. If our estimated fair value

exceeds our carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If our carrying amount exceeds our estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the goodwill with the goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, our estimated fair value is allocated to our assets and liabilities (including any unrecognized intangible assets) as if we had been acquired in a business combination and our fair value was the purchase price paid. If the carrying amount of our goodwill exceeds the implied fair value of our goodwill, an impairment charge is recognized in an amount equal to that excess.

Other intangible assets not subject to amortization, primarily cable franchise rights, are tested annually for impairment during the fourth quarter or earlier upon the occurrence of a triggering event. The impairment test for other intangible assets not subject to amortization involves 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 charge is recognized in an amount equal to that excess. The estimates of fair value of intangible assets not subject to amortization are determined using a DCF valuation analysis. The DCF methodology used to value cable franchise rights entails identifying the projected discrete cash flows related to such cable franchise rights and discounting them back to the valuation date. Significant judgments inherent in this analysis include the selection of appropriate discount rates, estimating the amount and timing of estimated future cash flows attributable to cable franchise rights and identification of appropriate terminal growth rate assumptions. The discount rates used in the DCF analyses are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

Income Taxes

Cequel is a single member limited liability company, and as such is disregarded for income tax purposes. The Company's operating activities are generally included in consolidated income tax returns filed by Cequel Corporation. Based on the preceding sentence, the Company's accounting policy is to provide for income taxes on a separate return basis in accordance with existing guidance from the Financial Accounting Standards Board ("FASB"). Under this guidance, estimated income taxes are provided for amounts payable or refundable on current year income tax returns, as well as the estimated future tax effects attributable to temporary differences and carryforwards. This guidance also requires that a valuation allowance be recorded against deferred tax assets when it is more likely than not that some portion or all 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 recorded.

Recently Issued Accounting Pronouncements

In July 2012, the FASB issued guidance that simplifies how companies test indefinite-lived assets for impairment. Under the new guidance, companies can first assess qualitative factors to determine whether it is necessary to perform a quantitative indefinite-lived intangible asset impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 with early adoption permitted. This guidance is not expected to have a material impact on our consolidated financial statements.

In February 2013, the FASB issued amendments to previously issued guidance on the presentation of reclassification of items out of accumulated other comprehensive income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We used interest rate risk management derivative instruments as permitted under the terms of the Credit Agreement. Our policy was to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements with reputable counterparties, we effectively converted a portion of our floating-rate debt to a fixed-rate basis or we utilized interest rate caps to protect against increases in interest rates. As a result, we reduced the impact of interest rate changes on future interest expense. The interest rate swap agreements expired on October 7, 2012. We had interest rate swap agreements totaling a notional amount of $1.350 billion at December 31, 2011 and $0 at December 31, 2012.

On August 25, 2009, Suddenlink entered into two interest rate caps to protect against increased interest rates. These interest rate caps would not have become effective until April 7, 2012 after a portion of the aforementioned interest rate swaps expired, and would have terminated on January 7, 2013. The notional amounts of the interest rate caps totaled $1.1 billion. On March 30, 2012, Suddenlink terminated these two interest rate caps. Upon our voluntary termination of the interest rate caps, previously designated as hedging instruments, Suddenlink reversed the $6.6 million loss associated with the interest rate caps included in changes in fair value of derivative instruments, and recorded a $6.6 million loss on termination of derivative instruments.

We do not hold or issue derivative instruments for trading or speculative purposes. Our interest rate derivative instruments, which expired on October 7, 2012, were designated as cash flow hedges. The fair value of our derivative instruments was a net liability of $26.2 million at December 31, 2011.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of December 31, 2012 (dollars in millions):

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value at December 31, 2012
Debt:								
Variable rate debt maturities -								
Credit Facility term loan facility	$ 22	$ 22	$ 22	$ 22	$ 22	$ 2,074	$ 2,184	$ 2,205
Average interest rate	4.00%	4.00%	4.00%	4.18%	4.68%	5.30%	4.38%	
Fixed rate debt maturities	$ -	$ -	$ -	$ -	$ 1,113	$ -	$ 1,113	$ 1,189
Average interest rate	-	-	-	-	8.63	-	8.63%	
Fixed rate debt maturities	$ -	$ -	$ -	$ -	$ -	$ 1,500	$ 1,500	$ 1,556
Average interest rate	-	-	-	-	-	6.38%	6.38%	

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, 2012, as applicable, including applicable bank spread.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Auditors

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

In our opinion, the accompanying consolidated balance sheet as of December 31, 2011 and the related consolidated statements of operations, changes in member's equity, comprehensive income and cash flows for the period from January 1, 2012 to November 15, 2012 and for the two years in the period ended December 31, 2011 present fairly, in all material respects, the financial position of Cequel Communications Holdings I, LLC and its subsidiaries (Predecessor) at December 31, 2011 and the results of their operations and their cash flows for the period from January 1, 2012 to November 15, 2012 and for each of the two years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
March 7, 2013

Independent Auditor's Report

To the Member and 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, 2012 and the related consolidated statements of operations, changes in member's equity, comprehensive income and cash flows for the period from November 16, 2012 to December 31, 2012.

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.

Auditor's 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 financial position of Cequel Communications Holdings I, LLC and its subsidiaries at December 31, 2012, and the results of their operations and their cash flows for the period from November 16, 2012 to December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

St. Louis, Missouri
March 7, 2013

Cequel Communications Holdings I, LLC

Consolidated Balance Sheets

(in thousands)

ASSETS	Successor December 31, 2012	Predecessor December 31, 2011
Cash and cash equivalents	$ 208,482	$ 128,663
Accounts receivable, net	181,783	167,539
Deferred tax asset	9,742	-
Prepaid expenses and other assets	19,267	18,580
Total current assets	419,274	314,782
Property, plant and equipment	1,948,970	2,915,264
Less - accumulated depreciation	(55,903)	(1,518,897)
Property, plant and equipment, net	1,893,067	1,396,367
Deferred financing costs, net	14,909	41,287
Intangible assets:		
Subscriber relationships, net	466,611	20,799
Franchise rights, net	3,048,881	1,725,353
Trade Names	188,676	-
Goodwill	1,551,473	575,750
Total intangible assets, net	5,255,641	2,321,902
Other long-term assets	5,825	7,916
Total assets	$ 7,588,716	$ 4,082,254
LIABILITIES AND MEMBER'S EQUITY		
Liabilities:		
Accounts payable	$ 16,846	$ 17,827
Due to affiliates	2,643	3,203
Due to parent	64,600	-
Deferred revenue	138,465	130,072
Accrued expenses	169,902	163,627
Accrued interest	47,948	38,418
Current portion of capital leases and other obligations	4,279	3,940
Current portion of long-term debt	22,000	20,382
Other current liabilities	-	29,607
Total current liabilities	466,683	407,076
Long-term deferred revenue	3,136	2,749
Long-term deferred tax liability	697,011	26,980
Long-term portion of capital leases and other obligations	2,188	6,218
Long-term debt	4,893,262	3,766,347
Other long-term liabilities	321	343
Total liabilities	6,062,601	4,209,713
Commitments and contingencies (Note 13)		
Member's equity		
Member's equity	1,543,677	448,000
Accumulated deficit	(17,562)	(542,701)
Accumulated other comprehensive loss	-	(32,758)
Total member's equity/(deficit)	1,526,115	(127,459)
Total liabilities and member's equity	$ 7,588,716	$ 4,082,254

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

Cequel Communications Holdings I, LLC

Consolidated Statements of Operations

(in thousands)

	Year Ended December 31,			
	Successor Period Ended December 31, 2012	**Predecessor Period Ended November 15, 2012**	**Predecessor Year Ended December 31, 2011**	**2010**
Revenues	$ 264,504	$ 1,790,280	$ 1,900,736	$ 1,689,145
Costs and expenses:				
Operating (excluding depreciation and amortization)	106,190	733,482	788,775	707,124
Selling, general and administrative	51,296	404,140	407,409	370,053
Depreciation and amortization	82,007	350,199	415,486	362,114
Loss/(gain) on sale of cable assets	1,195	221	(736)	(4,051)
Total costs and expenses	240,688	1,488,042	1,610,934	1,435,240
Income from operations	23,816	302,238	289,802	253,905
Interest expense, net	(33,270)	(253,732)	(297,194)	(259,626)
Loss on termination of derivative instruments	-	(6,565)	-	(17,774)
Loss on extinguishment of debt	(18,945)	(14,202)	-	(16,344)
Other expenses	-	(46,045)	-	-
Loss before income taxes	(28,399)	(18,306)	(7,392)	(39,839)
Benefit/(provision) for income taxes	10,837	(7,409)	(7,585)	(3,781)
Net loss	$ (17,562)	$ (25,715)	$ (14,977)	$ (43,620)

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

Cequel Communications Holdings I, LLC

Consolidated Statements of Comprehensive Income

(in thousands)

	Year Ended December 31,			
	Successor Period Ended December 31,	Predecessor Period Ended November 15,	Predecessor Year Ended December 31,	
	2012	2012	2011	2010
Net loss	$ (17,562)	$ (25,715)	$ (14,977)	$ (43,620)
Reclassification of comprehensive loss (1)	-	25,705	-	-
Termination of swap contracts	-	-	-	17,774
Change in fair value of derivative instruments (1)	-	7,053	79,791	41,227
Comprehensive income	$ (17,562)	$ 7,043	$ 64,814	$ 15,381

(1) See Note 12

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

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

	Year Ended December 31,			
	Successor Period Ended December 31, 2012	Predecessor Period Ended November 15, 2012	Predecessor 31, 2011	2010
Cash flows from operating activities:				
Net loss	$ (17,562)	$ (25,715)	$ (14,977)	$ (43,620)
Adjustments to reconcile net loss to cash flows from operating activities				
Loss/(gain) on sale of cable assets	1,195	221	(736)	(4,051)
Depreciation and amortization	82,007	350,199	415,486	362,114
Amortization of deferred financing costs	16	8,635	12,796	12,004
Accretion of revolver discount	350	-	-	-
(Amortization)/Accretion of bond premium/discount	(2,521)	(2,092)	(1,979)	630
(Amortization)/Accretion of term loan premium/discount	(245)	2,405		
Bond premium received	30,000	-	17,969	12,000
Repayment of paid in kind debt interest	-	-	-	(112,254)
Write-off of debt disount/premium	(31,329)	-	-	-
Write-off of deferred financing costs	-	14,202	-	6,599
Non-cash equity compensation expense	-	3,344	2,106	5,331
Loss on termination of derivative instruments	-	6,565	-	-
Deferred income (provision)/tax expense	(11,562)	1,538	1,795	1,886
Unrecognized tax benefit	-	-	3,400	-
Changes in assets and liabilities, excluding acquisitions:				
Accounts receivable	(10,624)	(958)	(19,921)	(20,545)
Prepaid expenses	2,118	122	1,885	(2,609)
Accounts payable	5,752	(7,236)	2,934	(28,811)
Deferred revenue	7,339	1,683	17,313	11,181
Accrued expenses	(50,077)	57,503	22,432	5,331
Accrued interest	38,333	(28,803)	(417)	(8,500)
Net cash provided by operating activities	43,190	381,613	460,086	196,686
Cash flows from investing activities:				
Purchase of property, plant and equipment	(31,697)	(317,079)	(368,027)	(354,124)
Acquisition earnout payment	-	(4,000)	(3,921)	(4,000)
Acquisition of cable systems and service companies	(11,163)	-	(348,448)	(20,298)
Net proceeds from sale of cable systems	4,782	-	-	4,530
Other	(19)	(3)	(29)	(31)
Net cash used in investing activities	(38,097)	(321,082)	(720,425)	(373,923)
Cash flows from financing activities:				
Issuance of long term debt	1,000,000	2,678,000	625,000	600,000
Borrowing/(Payment) on revolving credit facility	(160,000)	160,000	-	-
Repayments of long-term debt	(717,899)	(1,952,397)	(20,382)	(380,096)
Repayments of capital lease obligation	(95)	(3,867)	(3,634)	(343)
Equity contribution	-	27,736	-	-
Equity distribution	(520,001)	(440,000)	(491,849)	-
Financing costs	(14,925)	(42,357)	(9,818)	(9,642)
Net cash (used in)/provided by financing activities	(412,920)	427,115	99,317	209,919
(Decrease)/increase in cash and cash equivalents	(407,827)	487,646	(161,022)	32,682
Cash and cash equivalents, beginning of period	616,309	128,663	289,685	257,003
Cash and cash equivalents, end of period	$ 208,482	$ 616,309	$ 128,663	$289,685
Supplemental cash flow disclosures:				
Cash paid for interest	$ 8,507	$ 273,722	$ 287,074	$255,864
Cash paid for taxes	$ 5	$ 7,029	$ 2,530	$ 2,440
Cash paid to terminate interest swaps	$ -	$ -	$ -	$ 17,774
Notes/Debt call premium	$ 50,273	$ -	$ -	$ 9,745
Noncash transactions:				
Acquisition earnout payable at future date	$ -	$ -	$ (4,000)	$ (3,921)
Other obligations	$ -	$ -	$ 10,582	$ -
Due to parent	$ 64,600	$ -	$ -	$ -

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)

	Member's Equity	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Total Member's Equity
PREDECESSOR:				
Balance, December 31, 2009 Predecessor	$ 932,412	$ (484,104)	$ (171,550)	$ 276,758
Net loss	-	(43,620)	-	(43,620)
Non-cash equity compensation	5,331	-	-	5,331
Termination of swap contracts	-	-	17,774	17,774
Change in fair value of cash flow hedges and interest rate caps	-	-	41,227	41,227
Balance, December 31, 2010 Predecessor	$ 937,743	$ (527,724)	$ (112,549)	$ 297,470
Net loss	-	(14,977)	-	(14,977)
Non-cash equity compensation	2,106	-	-	2,106
Equity distribution	(491,849)	-	-	(491,849)
Change in fair value of cash flow hedges and interest rate caps	-	-	79,791	79,791
Balance, December 31, 2011 Predecessor	$ 448,000	$ (542,701)	$ (32,758)	$ (127,459)
Net loss	-	(25,715)	-	(25,715)
Non-cash equity compensation	3,344	-	-	3,344
Equity distribution	(440,000)	-	-	(440,000)
Equity contribution	27,736	-	-	27,736
Change in fair value of derivative instruments	-	-	7,053	7,053
Reclassification of comprehensive loss	-	-	25,705	25,705
Balance, November 15, 2012	$ 39,080	$ (568,416)	$ -	$ (529,336)
SUCCESSOR:				
Balance, November 16, 2012 Successor	$ 2,128,278	$ -	$ -	$ 2,128,278
Net loss	-	(17,562)	-	(17,562)
Accrued distribution to parent	(64,600)	-	-	(64,600)
Equity distribution	(520,001)	-	-	(520,001)
Balance, December 31, 2012 Successor	$ 1,543,677	$ (17,562)	$ -	$ 1,526,115

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

Cequel Communications Holdings I, LLC
Notes to Consolidated Financial Statements
December 31, 2012, 2011 and 2010

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, a Delaware limited liability company ("Cequel Holdings") and our ultimate parent Cequel Corporation, a Delaware Corporation ("Cequel Corporation"). Cequel Capital Corporation is a wholly owned subsidiary of Cequel (and together with Cequel, the "Issuers"). Cequel Communications, LLC, a Delaware limited liability company, doing business as Suddenlink Communications ("Suddenlink") is an indirect wholly owned subsidiary of Cequel.

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 Credit Agreement 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 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. However, the Credit Agreement permits Suddenlink to make dividends and distributions for the payment of regularly scheduled interest payments on the Issuers' 8.625% Senior Notes due 2017 (the "2017 Notes"), without restrictions. The 2017 Notes and the Issuers' 6.375% Senior Notes due 2020 (the "2020 Notes" and together with the 2017 Notes, the "Notes") are unsecured and are not guaranteed by any subsidiaries of the Issuers, including Suddenlink.

2. Liquidity and Capital Resources

The Company has significant indebtedness and has incurred net losses of $17.6 million, $25.7 million, $15.0 million and $43.6 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively. The Company's net cash flows from operating activities were $43.2 million, $381.6 million, $460.1 million and $196.7 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

The Company requires significant cash to fund debt service requirements, capital expenditures and ongoing operations. The Company's capital expenditures include those necessary to maintain existing operations as well as discretionary spending for upgrading and expanding existing broadband plant technologies. The discretionary portion of the Company's capital expenditures can be deferred or otherwise eliminated in the near term which also provides additional flexibility in managing liquidity requirements. The Company has historically funded these requirements through cash flows from operating activities, borrowings under its $2.7 billion credit facility (the "Credit Facility"), sales of assets, issuances of debt, and cash on hand. However, the mix of funding sources changes from period to period. For the successor period ended December 31, 2012, the Company generated $43.2 million of cash flows from operating activities after paying cash interest of $8.5 million. In addition, the Company used $31.7 million for purchases of property, plant and equipment. For the predecessor period ended November 15, 2012, the Company generated $381.6 million of cash flows from operating activities after paying cash interest of $273.7 million. In addition, the Company used $317.1 million for purchases of property, plant and equipment.

The Company expects that cash on hand, cash flows from operating activities and available credit under its revolving credit facility will be adequate to meet its operating cash needs in 2013.

3. Summary of Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Effective November 16, 2012, the Company applied business combination accounting which requires certain assets and liabilities to be reflected at fair value. For a summary of the application and valuation of business combination accounting, see Footnote 4.

The financial information set forth in this report, unless otherwise set forth or as the context otherwise indicates, includes the accounts of Cequel and its subsidiaries for the period from November 16, 2012 ("Successor"), and of Cequel and its subsidiaries for the periods through November 15, 2012 ("Predecessor").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. All significant intercompany accounts and transactions have been eliminated in consolidation. Actual results could differ from those estimates.

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

Revenue Recognition

Revenues from video, high-speed Internet, telephone and security services are recognized when the related services are provided. 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 term of the contract. Subscriber 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 $5.7 million, $38.9 million, $41.9 million and $37.4 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

Allowance for Doubtful Accounts

The allowance for doubtful accounts represents the Company's best estimate of probable losses in the accounts receivable balance. The allowance is based on the number of days outstanding, customer balances, historical experience and other currently available information.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and accounts receivable. Concentrations 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

The Company purchases certain analog, digital and premium programming provided by program suppliers whose compensation is typically based on a flat fee per customer at the negotiated rates included in the programming contracts. The cost of the right to provide network programming under such arrangements is recorded in operating expenses in the month the programming is distributed. Programming costs are paid each month based on calculations performed by the Company and are subject to adjustment based on periodic audits performed by the programmers. Net programming costs included in the operating costs line item in the accompanying consolidated statements of operations was $71.7 million, $500.1 million, $542.0 million and $480.7 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense, included in the selling, general and administrative expense line item in the accompanying consolidated statements of operations, was approximately $3.7 million, $34.8 million, $35.2 million and $32.7 million, for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

Equity Based Compensation

Cequel Holdings, Cequel's parent, maintained a management unit option plan to award certain employees unit options of Cequel Holdings as an incentive to enhance their long-term performance as well as an incentive to join or remain with the Company. Unit options provided the holder the opportunity to acquire a nonvoting proprietary interest in Cequel Holdings pursuant to the terms and conditions of the plan. The Company accounted for the options in accordance with share-based payment financial accounting standards which requires all share-based payments to employees, including grants of employee equity awards, to be recognized in the consolidated financial statements based on their fair values (see Footnote 21). The plan was terminated on November 15, 2012.

In connection with the consummation of the Acquisition, the general partners of the partnerships that hold the shares of Cequel Corporation (collectively, the "Carry Interest Partnerships"), each adopted separate carried interest plans (see Footnote 21).

Income Taxes

Cequel is a single member limited liability company, and as such is disregarded for income tax purposes. The Company's operating activities are generally included in consolidated income tax returns filed by Cequel Corporation. Based on the preceding sentence, the Company's accounting policy is to provide for income taxes on a separate return basis in accordance with existing guidance from the Financial Accounting Standards Board ("FASB"). Under this guidance, estimated income taxes are provided for amounts payable or refundable on current year income tax returns, as well as the estimated future tax effects attributable to temporary differences and carryforwards. This guidance also requires that a valuation allowance be recorded against deferred tax assets when it is more likely than not that some portion or all 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 recorded. (See Footnote 18)

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.

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 cable transmission and distribution facilities (or fair value at date of Acquisition). While the Company's capitalization is based on specific activities, once capitalized, costs are tracked by fixed asset category at the cable system level and not on a specific asset basis. For assets that are sold or retired, the estimated historical cost and related accumulated depreciation is removed. Costs associated with initial customer installations and the additions of network equipment necessary to enable advanced services are capitalized. Costs capitalized as part of initial customer installations include materials, labor and certain indirect costs. Indirect costs are associated with the activities of the Company's personnel who assist in connecting and activating the new service. Indirect costs include employee benefits and payroll taxes, direct variable costs associated with capitalizable activities, consisting of installation and construction vehicle costs, the cost of dispatch personnel and indirect costs directly attributable to capitalizable activities. Leasehold improvements are amortized over the shorter of their estimated life or the term of the related leases. Costs for repairs and maintenance are charged to operating expense as incurred, while plant and equipment replacements, including replacement of cable drops, are capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	7-30 years
Customer equipment and installations	3-7 years
Capitalized leases	6-12 years
Vehicles	3-5 years
Broadband distribution systems	3-20 years
Office furniture, tools and equipment	3-7 years

Capitalized Internal Costs

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 directly associated with that portion of the capitalized labor and vehicle operating costs related to capitalizable activities. Capitalized internal payroll costs were approximately $2.1 million, $39.9 million, $39.0 million and $35.6 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively. Related capitalized overhead were approximately $1.6 million, $30.2 million, $30.1 million and $26.9 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

Deferred Financing Costs

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

Intangible Assets

Franchise rights are periodically reviewed to determine if each franchise has a finite life or an indefinite life in accordance with goodwill and other intangible asset financial accounting standards. Accordingly, the Company believes its franchises qualify for indefinite life treatment and are not amortized against earnings but instead are tested for impairment annually or more frequently as warranted by events or changes in circumstances (see Footnote 14). Costs incurred in negotiating and renewing broadband franchises are amortized on a straight-line basis over the life of the renewal period.

Accounting for Long-Lived and Intangible Assets

Long-lived Assets

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

Significant judgments in this area involve determining whether a triggering event has occurred, determining the future cash flows for the assets involved and selecting the appropriate discount rate to be applied in determining estimated fair value.

Goodwill and Indefinite-lived Intangible Assets

Goodwill is tested annually for impairment during the fourth quarter or earlier upon occurrence of a triggering event. Goodwill impairment is determined using a two-step process. The first step involves a comparison of the estimated fair value of the Company to its carrying amount, including goodwill. In performing the first step, the Company determines the fair value using a combination of a discounted cash flow ("DCF) analysis and a market-based approach. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based approach. The cash flows employed in the DCF analyses are based on the Company's most recent budget and, for years beyond the budget, the Company's estimates, which are based on assumed growth rates. The discount rates used in the DCF analyses are intended to reflect the risks inherent in the future cash flows of the Company. If the estimated fair value of the Company exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of the Company exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the goodwill with the goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the Company is allocated to all of the assets and liabilities of the Company (including any unrecognized intangible assets) as if the Company had been acquired in a business combination and the fair value of the Company was the purchase price paid. If the carrying amount of the Company's goodwill exceeds the implied fair value of that goodwill, an impairment charge is recognized in an amount equal to that excess.

Other intangible assets not subject to amortization, primarily cable franchise rights, are tested annually for impairment during the fourth quarter or earlier upon the occurrence of a triggering event. The impairment test for other intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the asset group exceeds the estimated undiscounted cash flows, the asset would be deemed to be impaired. The impairment charge would then be measured as the difference between the estimated fair value of the asset and its carrying value. The estimates of fair value of intangible assets not subject to amortization are determined using a DCF valuation analysis. The DCF methodology used to value cable franchise rights entails identifying the projected discrete cash flows related to such cable franchise rights and discounting them back to the valuation date. Significant judgments inherent in this analysis include the selection of appropriate discount rates, estimating the amount and timing of estimated future cash flows attributable to cable franchise rights and identification of appropriate

terminal growth rate assumptions. The discount rates used in the DCF analyses are intended to reflect the risk inherent in the projected future cash flows generated by the respective intangible assets.

The results of the Company's impairment analyses completed in the fourth quarters of 2012 and 2011 indicated no impairment of its goodwill.

Asset Retirement Obligations

Accounting for asset retirement obligations, requires that a liability be recognized for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. If a lease or franchise agreement is not renewed, certain of the Company's franchise agreements and leases contain provisions requiring the Company to remove equipment or restore facilities. The Company expects to continually renew its franchise agreements and has concluded that the related franchise right is an indefinite lived intangible asset. The Company would be required to incur substantial restoration or removal costs related to these franchise agreements in the unlikely event a franchise agreement containing such a provision were no longer expected to be renewed. The Company would record an estimated liability at the time that it became probable that a franchise agreement would not be renewed. The obligations related to the removal provisions contained in the Company's lease agreements or any disposal obligations related to the Company's operating assets are not material to the Company's consolidated financial condition or results of operation or are not estimable.

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 Footnote 11).

Derivative Financial Instruments

Accounting for derivative financial instruments requires that all derivative instruments be recognized on the balance sheet at fair value. Suddenlink previously used interest rate risk management derivative instruments, such as interest rate swap agreements and interest rate caps, as permitted under the terms of the Credit Facility. The Company's policy is to manage interest costs using a mix of fixed and variable rate debt. The Company does not hold or issue derivative instruments for trading or speculative purposes. See Footnote 13 for further discussion of accounting for derivative and hedging activities.

Recently Issued Accounting Pronouncements

In July 2012, the FASB issued guidance that simplifies how companies test indefinite-lived assets for impairment. Under the new guidance, companies can first assess qualitative factors to determine whether it is necessary to perform a quantitative indefinite-lived intangible asset impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 with early adoption permitted. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued amendments to previously issued guidance on the presentation of reclassification of items out of accumulated other comprehensive income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. This guidance is not expected to have a material impact on the Company's consolidated financial statements.

4. Acquisition

On November 15, 2012, Cequel Corporation acquired all of the outstanding common equity interests in Cequel Holdings pursuant to the Purchase and Sale Agreement ("the Purchase Agreement"), and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated (the "Acquisition"). Cequel Corporation is owned by limited partnerships affiliated with each of CIE Management IX Limited, (collectively "BC Partners"), CPP Investment Board (USRE II) Inc. ("CPPIB" and BC Partners each a "Sponsor" and collectively the "Sponsors"), and Jerald L. Kent, our Chairman and Chief Executive Officer, Thomas P. McMillin, our Executive Vice President and Chief Operating Officer and Mary E. Meduski, our Executive Vice President and Chief Financial Officer, (collectively, the "Management Investors"). Cequel Corporation beneficially owns 100% of the voting stock of Cequel Holdings. The purchase

price for the Acquisition was approximately $2.485 billion, comprised of an aggregate of approximately $1.92 billion of cash equity contributions by limited partnerships affiliated with the Sponsors, a $65.1 million contribution by a limited partnership affiliated with the Management Investors, consisting of approximately $53.1 million of cash equity contributions and an approximate $12.0 million contribution of all of the capital stock of Excell Communications, Inc., ("Excell"), and the remainder from Cequel Holdings, funded from the net proceeds of the offering of the 2020 Notes on October 25, 2012, (the "October 2020 Notes") and cash on hand. The purchase price of $2.485 billion, plus debt assumed as of March 31, 2012, valued the Company at approximately $6.6 billion.

On October 25, 2012, Cequel Communications Escrow I, LLC ("Escrow LLC") and Cequel Communications Escrow Capital Corporation ("Escrow Corporation" and with Escrow LLC, the "Escrow Issuers") issued $500.0 million aggregate principal amount of the October 2020 Notes. On November 15, 2012, (i) Escrow LLC merged with and into Cequel and Escrow Corporation merged with and into Cequel Capital, which mergers resulted in the surviving entities assuming each respective Escrow Issuer's obligations under the Indenture governing the 2020 Notes (the "2020 Indenture") and the October 2020 Notes (the "Notes Assumption"), (ii) the proceeds from the sale of the October 2020 Notes and other amounts deposited into the escrow account established pursuant to the Escrow and Security Agreement, dated as of October 25, 2012, (the "Escrow Agreement"), by and among the Escrow Issuers, Cequel and the U.S. Bank National Association, as escrow agent, were released to Cequel and (iii) following such release, the Escrow Agreement was terminated. Upon the release of the funds from the escrow account, Cequel used the net proceeds from the sale of the October 2020 Notes and cash on hand to make a distribution to Cequel Holdings, which used such distribution to fund a portion of the purchase price required to be paid by Cequel Holdings under the Purchase Agreement, to pay Cequel Holdings' estimated fees and expenses relating to the Acquisition and for general corporate purposes.

In July 2012, we received an acknowledgment from the lenders under the Credit Facility that a proposed amendment to the termination provisions of the Management Agreement was not materially adverse. This amendment to the Management Agreement was entered into on November 15, 2012. In exchange for this acknowledgement, we paid the lenders who executed the acknowledgement an aggregate fee of approximately $12.9 million, which is included in other expenses on the consolidated statement of operations.

In August, we received consent from the holders of the 2017 Notes to an amendment to the Indenture governing the 2017 Notes (the "2017 Indenture") which (i) permitted us to make an additional $400 million of restricted payments under the 2017 Notes Indenture to Cequel Holdings from the proceeds of the October 2020 Notes offering and (ii) will reduce the restricted payment basket by $100 million at each of June 30, 2013 and September 30, 2013. In exchange for this consent, on November 15, 2012, we paid holders who consented to the amendment an aggregate fee of approximately $13.5 million, which is included in other expenses on the consolidated statement of operations, and the amendment to the 2017 Indenture became operative.

On November 15, 2012, all of the capital stock of Excell, a tower services business, was contributed to Cequel Corporation by a limited partnership affiliated with the Management Investors, and Cequel Corporation contributed all of such capital stock of Excell to Suddenlink. Following such contribution, Excell became a subsidiary of Suddenlink.

We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee (the "Deferred Fee").

As a result of the Acquisition, the Company recorded certain non-recurring expenses associated with the transaction. The Company recorded $19.9 million of non-recurring expenses in Selling, General and Administrative Expense on the consolidated statement of operations for the predecessor period ended November 15, 2012. These expenses primarily related to compensation and other employee related expenses resulting from completion of the Acquisition. In addition, the Company recorded $46.0 million of financing and other transaction related expenses in Other Expense on the consolidated statement of operations for the predecessor period ended November 15, 2012.

We applied business combination accounting for the Acquisition. This resulted in the Company having a new accounting basis in the identifiable assets and liabilities and no retained earnings or accumulated losses. Accordingly, the consolidated financial statements on or after November 16, 2012 are not comparable to the consolidated financial statements prior to that date. The financial statements for the periods ended prior to November 15, 2012 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.

The Company applied business combination accounting on November 16, 2012. Business combination accounting provides, among other things, for a determination of the value to be assigned to the equity of the company as of a date selected for financial reporting purposes. The value of the Company was set forth at approximately $6.6 billion. The value was based upon the purchase price that BC Partners and CPPIB paid for the Company on November 15, 2012, and including liabilities assumed. Further, discounted cash flows ("DCF") analysis was completed for purchase price allocation purposes. A more detailed explanation of the DCF analysis is discussed below.

The basis for the DCF analysis 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 DCF analysis was completed using a discount rate of approximately 9.5% based on the Company's cost of equity and after−tax cost of debt and perpetuity growth rates of 1.9% − 2.4%. The value is 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. The following table summarizes the estimates of the fair values of the assets acquired and liabilities assumed in the Acquisition.

(in dollars in millions)		**Amounts Recognized as of November 16, 2012**
Current assets	$	83.5
Accounts receivable		171.4
Property, plant and equipment		1,924.7
Goodwill		1,551.5
Intangible assets		3,729.9
Other noncurrent assets		6.1
Current liabilities		(368.5)
Long-term debt		(4,774.9)
Deferred income taxes		(709.0)
Other noncurrent liabilities		(6.4)
Total	$	1,608.3

The significant assumptions related to the valuations of our assets and liabilities in connection with business combination accounting include the following:

Property, plant and equipment was valued at fair value of $1.9 billion as of November 16, 2012. 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.

The Company identified the following intangible assets to be valued: franchise rights, trade names and subscriber relationships. Franchise rights were valued using the greenfield method and were valued at $3,048.9 million as of November 16, 2012. Trade names were valued using a deviation of the income approach, known as the royalty savings method, and were valued at $188.7 million as of November 16, 2012. Subscriber relationships were valued using a deviation of the excess earnings method and were valued at $492.4 million as of November 16, 2012. (See Footnote 14)

Long−term debt was valued at fair value as of November 16, 2012 using quoted market prices.

The carrying value of most other assets and liabilities approximated fair value as of November 16, 2012. The contractual value of accounts receivable as of November 16, 2012 is approximately $185.0 million, compared to a fair value of $171.4 million.

As a result of applying business combination accounting, the Company recorded goodwill of $1.6 billion, 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. The purchase allocation is preliminary and subject to change.

5. Acquisition of Broadband Systems and Service Companies

On August 1, 2010, the Company completed the acquisition of the Greenwood, Mississippi cable system from Windjammer Communications, LLC, purchasing the assets of the cable system, which serves approximately 8,000 basic video customers, for approximately $20.3 million.

On April 1, 2011, the Company completed its acquisition from News-Press & Gazette Company of all of the issued and outstanding capital stock of NPG Cable, Inc., Mercury Voice & Data Company and NPG Digital Phone, Inc. (collectively, "NPG"), for a purchase price of $348.4 million (the "NPG Acquisition"). NPG served approximately 208,8000 RGUs, consisting of approximately 81,700 basic, 46,300 digital, 61,700 high-speed Internet and 19,100 telephony customers at the time of consummation of the NPG Acquisition. The operating results of NPG have been consolidated from the date of acquisition and have a material impact on our year-over-year operating results as well as metrics.

6. Divestiture of Broadband Systems

On November 30, 2010, the Company completed the divestiture of two broadband systems serving approximately 2,800 basic video customers. Cash proceeds from this transaction were approximately $4.5 million. The Company recognized a net gain of approximately $2.9 million on the sale of these assets.

On December 31, 2012, we completed the divestiture of systems in Indiana and Illinois serving approximately 2,800 basic video customers. Cash proceeds from this transaction were approximately $4.8 million. The Company recognized an immaterial net loss on the sale of these systems.

7. Accounts Receivable

Accounts receivable consisted of the following as of December 31 (dollars in thousands):

	Successor 2012	Predecessor 2011
Accounts receivable - trade	$ 185,711	$ 180,261
Allowance for doubtful accounts	(3,928)	(12,722)
Accounts receivable, net	$ 181,783	$ 167,539

On November 16, 2012, the Company applied business combination accounting and as such adjusted its accounts receivable to reflect fair value. (See Footnote 4)

8. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of December 31 (dollars in thousands):

	Successor 2012	Predecessor 2011
Land	$ 24,224	$ 18,052
Buildings and improvements	93,200	85,507
Capitalized Leases	1,492	4,548
Vehicles	35,981	72,881
Broadband distribution systems	1,730,321	2,630,172
Office furniture, tools and equipment	63,752	104,104
	1,948,970	2,915,264
Less accumulated depreciation	(55,903)	(1,518,897)
Property, plant and equipment, net	$ 1,893,067	$ 1,396,367

Depreciation expense was $56.2 million, $340.0 million $394.9 million and $332.1 million for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively. Depreciation expense for assets that will be taken out of service primarily in connection with a significant three year bandwidth expansion plan that

commenced in 2009 ("Project Imagine"), and which was completed as of September 30, 2012, was $0.6 million, $7.5 million and $11.4 million for predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively. No such amount was necessary for the successor period ended December 31, 2012.

On November 16, 2012, the Company applied business combination accounting and as such adjusted its property, plant and equipment to reflect fair value and adjusted remaining useful lives for existing property, plant and equipment. (See Footnote 4)

9. Capital Lease and Other Obligations

Capital lease and other obligations consist of capital leases related to facilities and a multi-year vendor service agreement. On January 1, 2011, the Company entered into a vendor service agreement which includes a three year financing commitment totaling approximately $10.6 million, of which $3.8 million was outstanding at December 31, 2012. The service agreement is cancelable with 45 days written notice.

10. Long Term Debt

Outstanding debt consisted of the following at December 31 (dollars in thousands):

	Successor 2012	Predecessor 2011
Credit Facility	$ 2,196,937	$ 1,941,398
8.625% Senior Notes due 2017	1,183,405	1,845,331
6.375% Senior Notes due 2020	1,534,920	-
Total Debt	4,915,262	3,786,729
Less: Current Portion	22,000	20,382
Long-Term Debt	$ 4,893,262	$ 3,766,347

Credit Facility

On February 14, 2012, Suddenlink, Cequel Communications Holdings II, LLC ("Holdings II"), Cequel's direct subsidiary and the direct parent of Suddenlink, certain subsidiaries of Suddenlink and a syndicate of lenders entered into a Credit and Guaranty Agreement, (the "Credit Agreement"), which provides for up to $2.7 billion of loans in the aggregate, consisting of a $2.2 billion term loan facility funded at closing and a $500.0 million revolving credit facility (collectively, the "Credit Facility"). The revolving credit facility is scheduled to mature on February 14, 2017. The term loan facility is scheduled to mature on February 14, 2019. If the senior secured leverage ratio under the Credit Agreement for the four fiscal quarter period ending June 30, 2017 is greater than or equal to 2.50:1.00 and more than 20% of the original issued amount of the 2017 Notes remains outstanding, the term loan facility will mature on August 15, 2017. The interest rate on the term loans outstanding under the Credit Agreement equals the prime rate plus 2.00% or the LIBOR rate plus 3.00%, with a LIBOR floor of 1.00%, while the interest rate on the revolver loans will equal the prime rate plus 1.50% or the LIBOR rate plus 2.50%. The term loan facility requires quarterly repayments in annual amounts equal to 1.00% of the original principal amount, with the remainder due at maturity. The debt under the 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 Holdings II, as well as all of Suddenlink's existing and future direct and indirect subsidiaries, subject to certain exceptions set forth in the Credit Agreement. The Credit Agreement contains customary representations, warranties and affirmative covenants. In addition, the 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 Credit Agreement also contains a maximum senior secured leverage maintenance covenant. Additionally, the 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.

Suddenlink used the proceeds from the term loan facility of the Credit Facility to repay in full and terminate its existing $2.525 billion credit facility (the "Old Credit Facility"), which had a balance of $1.941 billion as of February 14, 2012. The Company also used a portion of the proceeds from the term loan facility of the Credit Facility plus additional borrowings of $160.0 million under the revolving credit facility of the Credit Facility to make a distribution to Cequel Holdings of $370.0 million in March 2012. Cequel Holdings used this distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain payments to holders of options and restricted units of Cequel Holdings.

8.625% Senior Notes Due 2017

On November 4, 2009, the Issuers issued $600.0 million aggregate principal amount of 2017 Notes. The 2017 issued in November 2009 were sold at an offering price of 98.580%, which yielded an effective interest rate of 8.875%. We used the net proceeds of the 2017 Notes and cash on hand to prepay $300.0 million of the Old Credit Facility and $300.0 million of the tranche B term loan of our then outstanding debt in conjunction with our second lien guaranty and credit agreement (the "2nd Lien Credit Facility"), along with related fees and expenses of that offering. On May 4, 2010, the Issuers issued an additional $600.0 million aggregate principal amount of 2017 Notes under a supplemental indenture to the 2017 Indenture, which form a part of the same series as the 2017 Notes issued in November 2009. These additional 2017 Notes were sold at an offering price of 102.00%, which yielded an effective interest rate of 8.167%. We used the net proceeds of these additional 2017 Notes to repay in full all borrowings under a $675.0 million 2nd Lien Credit Facility, along with related fees and expenses of that offering and for general corporate purposes.

On January 19, 2011, the Issuers issued additional $625.0 million aggregate principal amount of 2017 Notes. These additional 2017 Notes form a part of the same series of notes as the 2017 Notes issued in November 2009 and additional 2017 Notes issued in May 2010. These 2017 Notes were sold at an offering price of 102.875%, which yielded an effective interest rate of 7.892%. The Issuers used the proceeds of the 2017 Notes issued in January 2011 to (i) make a distribution to Cequel Holdings which Cequel Holdings used to repay all of the original capital contributions made by holders of preferred interests of Cequel Holdings, and a portion of the capital contributions made by holders of common interests of Cequel Holdings, make certain bonus payments, make certain payments to holders of options and restricted common units issued by Cequel Holdings and (ii) pay related fees and expenses of that offering. On April 1, 2011 we used the remaining portion of the proceeds and cash on hand to consummate the NPG Acquisition.

The Issuers have no ability to service interest or principal on the 2017 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 Credit Agreement. However, the Credit Agreement permits Suddenlink to make dividends and distributions subject to satisfaction of certain conditions, including pro forma compliance with 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 2017 Notes are unsecured and are not guaranteed by any subsidiaries of the Issuers, including Suddenlink.

On December 28, 2012, we repaid $712.4 million aggregate principal amount of the 2017 Notes, pursuant to a tender offer, described below.

6.375% Senior Notes Due 2020

On October 25, 2012, the Escrow Issuers, each subsidiaries of Cequel, issued $500.0 million aggregate principal amount of the October 2020 Notes. The October 2020 Notes were sold at an offering price of 100%. Interest is payable on the October 2020 Notes semi-annually in cash on March 15 and September 15, commencing on March 15, 2013. The proceeds of the October 2020 Notes were placed in an escrow account along with interest payable through March 11, 2013. Upon consummation of the Acquisition, Cequel and Cequel Capital become obligors under the October 2020 Notes.

On December 28, 2012, the Issuers issued $1.0 billion aggregate principal amount of the December 2020 Notes. The December 2020 Notes were sold at an offering price of 103%. Interest is payable on the December 2020 Notes semi-annually in cash on March 15 and September 15, commencing on March 15, 2013. The Issuers used the net proceeds from the sale of the December 2020 Notes to (i) purchase $712.4 million aggregate principal amount of the Issuers' 2017 Notes pursuant to a tender offer for such notes, (ii) make a capital contribution to Cequel Communications, LLC, an indirect subsidiary of Cequel ("Suddenlink"), which was used to repay all outstanding borrowings under Suddenlink's revolving credit facility and for working capital and general corporate purposes, and (iii) pay related costs, fees and expenses.

The Issuers have no ability to service interest or principal on the 2020 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 Credit Agreement. However, the Credit Agreement permits Suddenlink to make dividends and distributions subject to satisfaction of certain conditions, including pro forma compliance with 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 are unsecured and are not guaranteed by any subsidiaries of the Issuers, including Suddenlink.

December 2012 Tender Offer

On December 13, 2012, the Company commenced a tender offer (the "Tender Offer") for up to $750.0 million of the 2017 Notes. The Tender Offer expired on January 11, 2013, and included an early settlement date of December 28, 2012. The Tender Offer

was for a price of 104.057, however, any 2017 Notes that tendered prior to December 28, 2012 received a tender price of 107.057. At December 28, 2012 the Company repaid $712.4 million of tendered 2017 Notes, and paid a tender call premium of approximately $50.3 million, which is included in the calculation of loss on extinguishment of debt. No additional 2017 Notes were tendered by the tender close date of January 11, 2013. (See Footnote 23)

Old Credit Facility

On April 4, 2007, Suddenlink entered into the Old Credit Facility, consisting of a $2.325 billion term loan facility and $200.0 million revolving loan facility. On November 4, 2009, Suddenlink prepaid $300.0 million of term loans under the Old Credit Facility from a portion of the proceeds from the issuance of the 2017 Notes that was contributed to Suddenlink by Cequel. On February 14, 2012, all remaining borrowings under the Old Credit Facility were repaid from a portion of the proceeds of the term loan facility of the Credit Facility.

Loss on Extinguishment of Debt

We recorded an $18.9 million and $14.2 million loss on the extinguishment of debt for the successor period ended December 31, 2012 and the predecessor period ended November 15, 2012, respectively. In the successor period ended December 31, 2012, we recorded a $14.0 million loss on the pay down of the revolving credit facility and a $4.9 million loss on the partial repayment of the 2017 Notes, in conjunction with the December 28, 2012 issuance of the 6.375% Notes. In the predecessor period ended November 15, 2012, we recorded a $14.2 million loss on the extinguishment of debt in conjunction with our repayment of the Old Credit Facility. For the year ended December 31, 2010, the Company recorded a $16.3 million loss on the extinguishment of debt, in conjunction with the Company's repayment of its second lien guaranty and credit agreement (the "2nd Lien Credit Facility"), from the proceeds of the offering of the Notes issued on May 4, 2010. There was no loss on extinguishment of debt for the year ended December 31, 2011.

The Company's debt agreements include restrictive covenants such as restrictions on additional indebtedness. The Credit Agreement also requires the Company to satisfy a financial maintenance covenant. The Company was in compliance with that covenant as of December 31, 2012.

The future maturities of long-term debt, excluding premiums and discounts, as of December 31, 2012 are (dollars in thousands):

Year	Amount
2013	$ 22,000
2014	22,000
2015	22,000
2016	22,000
2017	1,134,601
Thereafter	3,573,500
Total debt	$ 4,796,101

On November 16, 2012, we applied business combination accounting and as such adjusted our debt to reflect fair value. (See Footnote 4)

The Company's debt had an estimated fair value of $4,950.7 million and $3,829.4 million as of December 31, 2012 and 2011, respectively. The estimated fair value of the Company's debt is based on quoted market prices for the debt (Level 2). Unrealized gains or losses on debt do not result in the realization or expenditure of cash and are not recognized for financial reporting purposes.

11. Fair Value of Financial Instruments

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. Fair value may be subsequently adjusted 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.

The carry amounts of cash, receivables and payables approximate fair value (Level 3) because of the short maturity of those instruments.

The Company's financial assets and liabilities that are accounted for at fair value on a recurring basis as of December 31, 2011 are presented in the table below (dollars in thousands). The interest rate cap agreements were terminated on March 30, 2012 and the interest rate swap agreements expired on October 7, 2012 (see Footnote 12).

	Predecessor Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Other long-term assets:				
Interest rate caps	$ -	$ 13	$ -	$ 13
Other current and long-term liabilities:				
Interest rate swaps	$ -	$ 26,207	$ -	$ 26,207

12. Derivative Instruments

The Company used interest rate risk management derivative instruments as permitted under the terms of the Credit Agreement. The Company's policy was to manage interest costs using a mix of fixed and variable rate debt. Using interest rate swap agreements with reputable counterparties, the Company effectively converted a portion of Suddenlink's floating-rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense. The interest rate swap agreements expired on October 7, 2012. Suddenlink had interest rate swap agreements totaling a notional amount of $1.350 billion at December 31, 2011.

The Company formally documented, designated and assessed the effectiveness of transactions that receive hedge accounting. Changes in the fair value of derivative instruments related to the effective portion of interest rate hedges is recorded in accumulated other comprehensive loss. Changes in fair value of derivative instruments related to the ineffective portion of interest rate hedges, and changes in the fair value of derivative instruments not designated as hedges are recorded in the consolidated statements of operations.

The Company did not hold or issue derivative instruments for trading or speculative purposes. Suddenlink's interest rate derivative instruments, which expired on October 7, 2012, were designated as cash flow hedges. The fair value of Suddenlink's interest rate swaps was a liability of $26.2 million at December 31, 2011. The fair value is included in other current and liabilities.

On February 14, 2012, in conjunction with Suddenlink entering into the Credit Agreement, the Company lost hedge effectiveness accounting treatment related to its derivative instruments, including interest rate swaps and caps, as the underlying debt that the derivative instruments were associated with was repaid. On February 14, 2012, the Company reclassified $19.1 million of accumulated other comprehensive loss associated with the accumulated changes in fair value of the interest rate swaps to changes in fair value of derivative instruments on the income statement. Subsequent changes in the fair market value of interest rate agreements flow through the income statement. From February 14, 2012 to October 7, 2012, the Company recorded a $19.1 million increase, in the fair value of the interest rate swaps on the income statement. The increases were due primarily to the change in the fair value of the remaining interest rate swap agreements, as well as the expiration of interest rate swap agreements in April and October 2012.

On August 25, 2009, Suddenlink entered into two interest rate caps to protect against increased interest rates. These interest rate caps would not have become effective until April 7, 2012 after a portion of the aforementioned interest rate swaps expired, and would have terminated on January 7, 2013. The notional amounts of the interest rate caps totaled $1.1 billion. On February 14, 2012, the Company reclassified $6.6 million of accumulated other comprehensive loss associated with the accumulated changes in fair value of the interest rate caps to changes in fair value of derivative instruments on the income statement.

On March 30, 2012, Suddenlink terminated these two interest rate caps. Upon Suddenlink's voluntary termination of the interest rate caps, previously designated as hedging instruments, Suddenlink reversed the $6.6 million loss associated with the interest rate caps included in changes in fair value of derivative instruments, and recorded a $6.6 million loss on termination of derivative

instruments. At December 31, 2011, the fair value of the interest rate caps was approximately $0.1 million and is reflected in other short-term assets.

Suddenlink recorded $6.6 million and $17.8 million, in predecessor periods of 2012 and 2010, respectively, of expense related to our voluntary termination of certain derivative instruments, previously designated as hedging instruments. No such expense was incurred for the year ended December 31, 2011.

Derivatives designated as hedging instruments, Predecessor period ended December 31, 2011		
	Liabilities	
	Other Current Liabilities	**Other Long-Term Liabilities**
Cash flow interest rate hedges	$ 26,207	$ -
	Assets	
	Other Current Assets	**Other Long-Term Assets**
Interest rate caps	$ 13	$ -

13. Commitments and Contingencies

Letters of Credit

At December 31, 2012 and 2011, the Company had approximately $16.4 million and $16.0 million, respectively, of outstanding letters of credit. The outstanding letters of credit reduced the availability under the $500.0 million revolving credit facility of the Credit Facility to approximately $483.6 million.

Lease Arrangements

The Company, as an integral part of its broadband operations, has entered into lease contracts for site leases and office space. At December 31, 2012, future minimum lease payments are approximately $6.2 million in 2013, $3.5 million in 2014, $2.7 million in 2015, $2.3 million in 2016, $1.5 million in 2017, and $2.0 million thereafter. Rent expense for site leases and office space was approximately $1.0 million, $6.2 million, $6.7 million and $6.3 million for the successor period ended December 31, 2012, the predecessor period ended November 15, 2012, and the predecessor years ended December 31, 2011 and 2010, respectively.

The Company also rents utility poles used in its operations. Generally pole rentals are cancellable on short notice, but the Company anticipates that such rentals will recur. Rent expense for pole rental attachments was approximately $1.7 million, $10.2 million, $11.3 million and $11.1 million for the successor period ended December 31, 2012, the predecessor period ended November 15, 2012, and the predecessor years ended December 31, 2011 and 2010, respectively.

Litigation

We are defendants or co-defendants in several lawsuits claiming infringement of various patents relating to various aspects of our businesses. Other industry participants are also defendants in certain of these cases, and, in many cases, we expect that any potential liability would be the responsibility of our equipment vendors pursuant to applicable contractual indemnification provisions.

In the event that a court ultimately determines that we infringe on any intellectual property rights, we may be subject to substantial damages and/or an injunction that could require us or our vendors to modify certain products and services we offer to our subscribers, as well as negotiate royalty or license agreements with respect to the patents at issue. We intend to defend the actions vigorously, but can give no assurance that any adverse outcome would not be material to our consolidated financial condition, results of operations, or liquidity.

From time to time, the Company is involved in other litigation and regulatory proceedings arising out of our operations. Management believes that the Company 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 the Company's business, financial position, results of operations or liquidity.

14. Intangible Assets

The Company does not amortize indefinite lived intangible assets. Accordingly, all franchises that qualify for indefinite life treatment are not amortized against earnings but instead are tested for impairment annually, or more frequently as warranted by events

or changes in circumstances. Based on testing of impairment of indefinite lived intangible asset guidance, franchises are aggregated into essentially inseparable asset groups to conduct the valuations. The asset groups generally represent geographic clustering of the Company's broadband systems into groups by which such systems are managed and by which the franchise rights are associated and tracked. Management believes such grouping represents the highest and best use of those assets for purposes of evaluating impairment of its franchises. The impairment test for intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. The Company determines the fair value of the intangible asset using a DCF analysis, which utilizes significant unobservable inputs (Level 3) within the fair value hierarchy. Determining fair value requires the exercise of significant judgment, including judgment about appropriate discount rates, perpetual growth rates, the amount and timing of expected future cash flows, as well as relevant comparable company earnings multiples for the market-based approach.

The Company performs its impairment assessment of its goodwill at the same inseparable asset group level as franchises discussed above. The asset groups generally represent geographic clustering of the Company's broadband systems into groups by which such systems are managed and by which goodwill is tracked. The impairment test for goodwill involves a comparison of the estimated fair value to its carrying amount, including goodwill. The Company determines its fair value using a combination of a DCF analysis and a market-based approach, which utilize significant unobservable inputs (Level 3) within the fair value hierarchy.

On November 16, 2012, the Company applied business combination accounting and adjusted its franchise, goodwill and other intangible assets including trademarks and customer relationships to reflect fair value. As a result of applying business combination accounting, the Company recorded goodwill, which is tax deductible, of $1.6 billion, which represents the excess of organization value over amounts assigned to the other assets and liabilities. (See Footnote 4)

The Company determined the estimated fair value utilizing an income approach model based on the present value of the estimated discrete future cash flows attributable to each of the intangible assets identified for each unit assuming a discount rate. This approach makes use of unobservable factors such as projected revenues, expenses, capital expenditures, and a discount rate applied to the estimated cash flows. The determination of the discount rate was based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows.

The Company estimated discounted future cash flows using reasonable and appropriate 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 estimates and assumptions made in the Company's valuations are inherently subject to significant uncertainties, many of which are beyond its 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 significantly affect the measurement value include the assumptions regarding revenue growth, programming expense growth rates, the amount and timing of capital expenditures and the discount rate utilized.

Franchises, for valuation purposes, are defined as the future economic benefits of the right to solicit and service potential customers (customer marketing rights), and the right to deploy and market new services, such as interactivity and telephone, to potential customers (service marketing rights). Franchises rights of $3.0 billion were recorded as a result of the application of business combination accounting. Franchises are expected to generate cash flows indefinitely and as such will continue to be tested for impairment annually.

Subscriber relationships, for valuation purposes, represent the value of the business relationship with existing customers (less the anticipated customer churn), and are calculated by projecting the discrete future after−tax cash flows from these customers, including the right to deploy and market additional services to these customers. The Company recorded $492.4 million of customer relationships in connection with the application of business combination accounting. Subscriber relationships will be amortized on an accelerated method over useful lives of four to six years based on the period over which current customers are expected to generate cash flows.

The Company recorded $188.7 million in trade names in connection with the application of business combination accounting. The fair value of trade names was determined using the relief from royalty method which applies a fair royalty ratio to estimated revenue. As the Company expects to continue to use each trade name indefinitely, trade names have been assigned an indefinite life and will be tested annually for impairment.

The results of the Company's analysis of indefinite-lived intangible assets as of December 31, 2012 and 2011 indicated no impairment of the carrying value of those assets and no accumulated impairment of goodwill existed.

Indefinite-lived and finite-lived intangible assets are presented in the following table at December 31 (dollars in thousands):

	Successor 2012			Preecessor 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible						
Franchises	$ 3,048,862	$ -	$ 3,048,862	$ 1,724,571	$ -	$ 1,724,571
Trade Names	$ 188,676	$ -	$ 188,676	$ -	$ -	$ -
Goodwill	$ 1,551,473	$ -	$ 1,551,473	$ 575,750	$ -	$ 575,750
	$ 4,789,011	$ -	$ 4,789,011	$ 2,300,321	$ -	$ 2,300,321
Finite-lived intangible						
Franchises	$ 20	$ (1)	$ 19	$ 1,018	$ (236)	$ 782
Subscriber relationships	$ 492,378	$ (25,767)	$ 466,611	$ 65,549	$ (44,750)	$ 20,799
	$ 492,398	$ (25,768)	$ 466,630	$ 66,567	$ (44,986)	$ 21,581

Franchise amortization expense represents the amortization related to franchises that did not qualify for indefinite-life treatment, including costs associated with franchise renewals. Franchise amortization expense for the successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010 was immaterial. Subscriber relationships amortization expense was $25.8 million, $10.2 million, $20.6 million and $29.9 for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

A summary of the changes in the carrying value of the Company's goodwill for the successor period ended December 31, 2012 and the predecessor period ended November 15, 2012 and the predecessor year ended December 31, 2011 (dollars in thousands):

	Predecessor Ended November 15, 2012			Predecessor Ended December 31, 2011		
	Gross	Accumulated Impairment Charge	Carrying Value	Gross	Accumulated Impairment Charge	Carrying Value
Balance at beginning of year	$ 575,750	$ -	$ 575,750	$ 516,344	$ -	$ 516,344
CoStreet Earnout	1,332	-	1,332	2,678	-	2,678
NPG Acquisition	-	-	-	56,728	-	56,728
Balance at end of period	$ 577,082	$ -	$ 577,082	$ 575,750	$ -	$ 575,750

	Successor Ended December 31, 2012		
	Gross	Accumulated Impairment Charge	Carrying Value
Balance at beginning of period	$ 1,551,473	$ -	$ 1,551,473
Balance at end of period	$ 1,551,473	$ -	$ 1,551,473

In the predecessor periods of 2012 and 2011, the Company recorded $1.3 million and $2.7 million of goodwill related to the CoStreet earnout. During 2011, the Company recorded $56.7 million related to the NPG Acquisition. The Company recorded $1.6 billion of goodwill related to the Acquisition and business combination accounting. The Acquisition valuations were determined utilizing discounted cash flow methodology based upon management's estimates as discussed above.

The Company has upgraded the technological state of many of its broadband systems since the commencement of operations and has experience with local franchise authorities where the franchises exist and believes all franchises will be renewed indefinitely.

The following table sets forth the estimated amortization expense on intangible assets for the fiscal years ending December 31 (dollars in thousands):

Year	Amount
2013	$ 195,044
2014	111,221
2015	65,869
2016	52,263
2017	29,176
Thereafter	13,057
	$ 466,630

15. Revenues

Revenue by service offering consisted of the following (dollars in thousands):

	Successor Ended December 31, 2012	Predecessor Ended November 15, 2012	Predecessor Year Ended December 31, 2011	Predecessor Year Ended December 31, 2010
Video	141,833	981,597	1,081,457	997,234
High Speed Internet	74,082	487,449	493,159	412,240
Telephone	24,513	164,666	163,867	129,111
Advertising Sales	11,350	77,752	78,777	76,157
Other	12,726	78,816	83,476	74,403
Total Revenues	264,504	1,790,280	1,900,736	1,689,145

In the first quarter of 2012, we reclassified certain revenue categories from Other revenue to Video revenue, High-speed Internet revenue and Telephone revenue, as applicable, to better align certain revenues historically categorized as Other revenue with their related products. Video revenue now includes reclassified revenue related to converter and equipment rentals, retransmission pass through, franchise fee, copyright fee and other miscellaneous video revenues. High-speed Internet revenue now includes reclassified revenue related to home networking, modem and other data equipment rental. Telephone revenue now includes reclassified revenue related to telephone regulatory fees. Prior periods were reclassified to conform to the current presentation.

16. Operating Expenses

Operating expenses by key expense components consisted of the following (dollars in thousands):

	Successor Ended December 31, 2012	Predecessor Ended November 15, 2012	Predecessor Year Ended December 31, 2011	Predecessor Year Ended December 31, 2010
Programming	71,688	500,072	542,034	480,670
High Speed Internet	6,129	42,009	45,267	41,957
Telephony	7,080	47,816	49,898	50,078
Plant and Operating	21,293	143,585	151,576	134,419
Total Operating Expenses	106,190	733,482	788,775	707,124

17. Selling, General and Administrative Expenses

Selling, general and administrative expenses by key expense components consisted of the following (dollars in thousands):

	Successor Ended December 31, 2012	Predecessor Ended November 15, 2012	Predecessor Year Ended December 31, 2011	2010
General and Administrative	38,083	280,546	297,001	274,771
Marketing	6,096	52,397	53,675	47,066
Corporate Overhead and Management Fees	7,117	53,461	56,733	48,216
Total Seeling, General and Administrative Expenses	51,296	386,404	407,409	370,053

18. Income and Other Taxes

All operations are held through Cequel and its direct and indirect subsidiaries. Cequel is a single-member limited liability company and is disregarded for income tax purposes. The Company's operating activities are generally included in consolidated filings of Cequel Corporation. As such, the Company records a tax provision reflective of its inclusion in a consolidated corporate return.

In 2007, for state income taxes, the Company's Texas based operations became subject to the state's gross margins tax. During 2012, the Company and the Texas Comptroller's office agreed on a methodology for calculating the gross margins tax. As a result of this agreement, the Company no longer requires a provision for an uncertain tax position related to the gross margins tax.

Components of the Company's provision for income taxes for the years ended December 31, 2012, 2011 and 2010 were as follows (dollars in thousands):

	Successor Period Ended December 31, 2012	Predecessor Period Ended November 15, 2012	Predecessor Year Ended December 31, 2011	2010
Current Tax Expense:				
Federal	$ -	$ -	$ -	$ -
State	724	5,871	5,790	1,895
Total Current	724	5,871	5,790	1,895
Deferred Tax Expense:				
Federal	(10,715)	1,402	1,636	1,719
State	(846)	136	159	167
Total Deferred	(11,561)	1,538	1,795	1,886
Total Provision for Income Taxes	$ (10,837)	$ 7,409	$ 7,585	$ 3,781

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

	Successor Period Ended December 31, 2012	Predecessor Period Ended November 15, 2012	Predecessor Year Ended December 31,	
			2011	2010
Tax at U.S. statutory rate	35.0 %	34.0 %	34.0 %	34.0 %
State taxes, net of benefit	1.1	7.4	(6.3)	3.3
Losses allocated to limited liability companies not subject to income taxes	-	(31.6)	(153.7)	(77.9)
Uncertain tax position	-	-	(21.0)	-
Decrease in valuation allowance	-	(4.9)	100.6	32.5
Distribution to restricted units and option holders	3.2	0.5	3.0	-
Return to provision	-	(4.2)	(3.7)	-
Other, net	(1.1)	2.1	0.2	(1.4)
Effective tax rate	38.2 %	3.3 %	(46.9) %	(9.5) %

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. Significant components of the Company's deferred tax liabilities and assets are as follows as of December 31 (dollars in thousands):

	2012	2011
Deferred tax assets:		
Net operating loss carryforwards	$ 168,552	$ 129,088
Tax over book basis of amortizable assets	-	-
Alternative minimum tax credit carryforwards	-	5,858
Indirect tax benefit	-	108
Other	9,769	1,597
Total gross deferred tax assets	178,321	136,651
Less valuation allowance	-	(66,708)
Net deferred tax asset	178,321	69,943
Deferred tax liabilities:		
Book over tax basis of depreciable assets	(277,211)	(79,100)
Book over tax basis of amortizable assets	(588,379)	(17,823)
Other	-	-
Gross deferred tax liabilities	(865,590)	(96,923)
Net deferred tax liabilities	$ (687,269)	$ (26,980)

The Company has approximately $452.7 million and $346.1 million of net operating loss carryforwards in 2012 and 2011, respectively, which will expire at various dates through 2032. The net operating loss carryforwards are subject to certain limitations arising from changes in ownership rules under the Internal Revenue Code. The Company does not expect the limitations to impact the ability to utilize the losses prior to their expiration. As part of the Acquisition, Cequel Corporation acquired approximately $940 million of net operating loss carryforwards which will expire at various dates between 2025 and 2032. The acquired net operating loss carryforwards from the Acquisition are subject to certain limitations arising from changes in ownership rules under the Internal Revenue Code as well, and are not reflected in the financial statements of the Company as they reside at Cequel Corporation. The Company does expect to utilize the acquired net operating loss carryforwards as a result of inclusion in the consolidated tax return of Cequel Corporation for periods subsequent to the Acquisition. The utilization of the Company 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. Changes in the Company's reserve for uncertain income tax positions, excluding the related accrual for interest and penalties are presented below (dollars in thousands):

	Successor Period Ended December 31,	Predecessor Period Ended November 15,	Predecessor Year Ended December 31,	
	2012	2012	2011	2010
Balance as of beginning of period	33,127	95,212	92,155	95,288
Additions for tax positions related to prior years	-	-	1,019	-
Reductions for tax positions related to prior years	-	(26)	(323)	(3,133)
Additions for tax positions related to the current year	-	-	2,361	-
Reductions for tax positions related to the current year	-	-	-	-
Reductions due to settlements with taxing authorities	-	(3,380)	-	-
Reductions due to expiration of statute of limitations	-	-	-	-
Balance as of end of period	33,127	91,806	95,212	92,155

After consideration of the uncertain tax positions characteristics, the Company has concluded that none of the unrecognized tax benefits, if recognized, would affect the effective tax rate.

No tax years for the Company are currently under examination for income taxes. Tax years ending 2008 through 2011 remain subject to examination and assessment. In addition, certain carryforward attributes that were generated prior to 2008 may still be adjusted upon examination by the IRS to the extent utilized in a period open to examination.

We adjust our 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. We recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 we have no accrued interest or penalties related to uncertain tax positions.

The Company does not anticipate that the uncertain tax positions will change significantly within the next twelve months. However, various events could cause the Company's current expectations to change in the future.

19. Related Party Transactions

Pursuant to the Amended and Restated Cequel Communications Management Agreement, dated as of February 14, 2012 (the "Management Agreement"), Cequel III, LLC ("Cequel III") provides certain executive, including the services of our CEO, administrative and managerial services to the broadband systems owned by Cequel Holdings and its subsidiaries. Compensation under the terms of the agreement is an annual base fee of $5.3 million, set in 2006, paid quarterly in arrears. The base fee increases 5% annually on each anniversary date of the Management Agreement. The Cequel Holdings Board of Directors approved an additional incentive fee of $0.3 million, $0.5 million, $1.5 million and $1.5 million to Cequel III, LLC for the successor period ended December 31, 2012, the predecessor period ended November 15, 2012 and the predecessor years ended December 31, 2011 and 2010.

Total compensation paid to Cequel III, LLC under the Management Agreement for the successor period ended December 31, 2012, the predecessor period ended November 15, 2012 and the predecessor years ended December 31, 2011 and 2010 was approximately $2.0 million, $5.7 million, $8.2 million and $7.8 million, respectively, included in the selling, general and administrative line in the accompanying consolidated statements of operations. Cequel III enters into various contracts with vendors, including programming contracts, on behalf of the Company in which such costs are included in the Company's financial statements and are paid directly by the Company. At December 31, 2012 and 2011, the Company had approximately $2.6 million and $3.2 million, respectively, recorded as a payable to Cequel III, LLC, primarily related to management and incentive fees, at December 31, 2012 and 2011.

Prior to the consummation of the Acquisition, the Chief Executive Officer of the Company had a direct equity interest in Cequel Holdings, the Company's parent, and an indirect equity interest through equity interests he held in two separate entities that were investors in Cequel Holdings.

On November 15, 2012, all of the capital stock of Excell, a tower service business, was contributed to Cequel Corporation by a limited partnership affiliated with the Management Investors, and Cequel Corporation contributed all of such capital stock of Excell to Suddenlink. Following such contribution, Excell became a subsidiary of Suddenlink.

On November 15, 2012, Cequel Corporation entered into a Transaction Fee Agreement with the Sponsors and the Management Investors, pursuant to which Cequel Corporation will pay the Sponsors and the Management Investors the Deferred Fee or advisory services the Sponsors and the Management Investors provided in connection with the Acquisition. We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee.

On November 15, 2012, Cequel Corporation entered into an Advisory Agreement with each Sponsor, pursuant to which Cequel Corporation will pay each Sponsor an annual fee of $1 million beginning in 2013 for providing advisory and consulting services in relation to the business, finances, operations and other affairs of Cequel Corporation and its subsidiaries.

A new director is chief executive officer and founder of a financial advisory firm that Cequel Holdings engaged in connection with the Acquisition. On November 15, 2012, our parent paid this firm $15 million. This firm is also an investor in BC Partners.

An affiliate of a former unit holder of Cequel Holdings served as joint book-runner and lead arranger for the 2012 Credit Agreement, 2012 Acquisition and certain of the 2012, 2011 and 2010 issuances of Notes. For these services, this affiliate received fees of approximately $5.8 million, $2.2 million and $2.7 million, for the predecessor periods ended November 15, 2012 and the predecessor years ended December 31, 2011 and 2010, respectively, which were included in the deferred financing costs line in the accompanying balance sheets. In addition, Cequel Holdings paid $5.0 million for financial advisory services related to the Acquisition to an affiliate of a former unit holder of Cequel Holdings.

An equity holder who held 5% or more of Cequel Holdings' common units, prior to the consummation of the Acquisition, is senior counsel in a legal firm that provided legal services to the Company. For the predecessor periods ended November 15, 2012 and the predecessor years ended December 31, 2011 and 2010, the legal fees for services provided by this firm were approximately $1.3 million, $0.6 million and $1.8 million, respectively. Additionally, on November 15, 2012, our parent paid this firm $2.0 million.

20. Employee Benefit Plan

The Company's employees may participate in a 401(k) plan that is administered by Cequel III, LLC, 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 $0.6 million, $4.5 million, $4.1 million and $3.1 million, to the 401(k) plan for successor period ended December 31, 2012, predecessor period ended November 15, 2012, and the predecessor years of 2011 and 2010, respectively.

21. Equity Based Compensation

Option Plan

In May 2006, Cequel Holdings, Cequel's parent, adopted the Suddenlink Communications 2006 Management Unit Option Plan ("the Option Plan") to award certain employees unit options of Cequel Holdings as an incentive to enhance their long-term performance as well as an incentive to join or remain with the Company. The Option Plan was terminated on November 15, 2012. The Option Plan provided the holder of unit options the opportunity to acquire a nonvoting proprietary interest in the Company pursuant to the terms and conditions of the plan. The Option Plan provided that unit options representing an aggregate of five percent of the aggregate equity value of Cequel Holdings on the date of adoption of the Option Plan could be granted to participants. The unit options generally had a ten year term and vested ratably over the first four years. The Company accounted for all share-based payments to employees, including grants of employee equity awards, as compensation expense in the financial statements based on their fair values at the time of grant.

The following table summarizes the activity of the Option Plan for the Predecessor period ended November 15, 2012:

	Predecessor Period Ended November 15, 2012	
	Shares	Weighted Average Excerise Price
Options outstanding, beginning of period	4,624,000	$ 8.45
Granted	190,000	$ 12.01
Forfeited, cancelled or exercised	(4,814,000)	
Options oustanding, end of period	-	

The following table summarizes the weighted average fair value of options granted for the predecessor period ended November 15, 2012 and the predecessor years ended December 31, 2011 and 2010. These fair values were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Predecessor Period Ended November 15, 2012	Predecessor Period Ended December 31,	
	2012	2011	2010
Fair value per share	$1.60 - $2.44	$1.82 - $4.34	$5.81 - $8.05
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	25.50% - 26.96%	27.46% - 67.89%	51.85% - 53.91%
Risk free interest rate	0.29% - 0.35%	0.23% - 0.77%	1.84% - 2.75%
Expected option life	2.25 years	2.25 years	6.3 years

During predecessor period ended November 15, 2012 and predecessor years 2011 and 2010, using an expected 5.0% forfeiture rate, the aggregate fair value of options granted was $0.3 million, $0.5 million and $0.9 million, respectively. The Company recognized non-cash unit option compensation expense of approximately $3.4 million, $2.1 million and $5.3 million in predecessor period ended November 15, 2012 and predecessor years 2011 and 2010, respectively.

In 2010 and on January 19, 2012, Cequel Holdings awarded restricted stock units (“RSUs”) to two senior executives, our COO and CFO. These awards reflected the former Cequel Holdings board of directors’ general desire to supplement the granting of stock options with RSUs to these executives. The value of these awards was based on the fair market value of the RSUs consistent with past awards of stock options, while the vesting conditions - 100% only after five years subject to acceleration for the executive's death or a change in corporate control - were longer than past stock option grants, and not pro rata like past stock options, in order to maximize the RSUs’ retention value for the award recipients.

As a result of the Acquisition, all unvested options and unvested restricted units as of November 15, 2012 immediately vested, and were cashed out and cancelled in a reorganization of our parent company structure following the consummation of the Acquisition. Compensation expense of approximately $2.2 million related to the accelerated unvested options was recognized in the period ended November 15, 2012.

Carried Interest Plan

In connection with the Acquisition, the Carry Interest Partnerships each adopted separate carried interest plans (collectively the “Carried Interest Plan”). The purpose of the Carried Interest Plan is to provide participation in our long-term success and growth as an incentive to our executives, key employees, directors and other individuals who are responsible for and contribute to our management, growth and profitability, (“participants”), and to attract, retain and reward such participants.

Pursuant to the Carried Interest Plan, each Carry Interest Partnership is permitted to issue no more than 1,000,000 carry units. The Carry Interest Partnerships issued an aggregate of approximately 964,100 carry interests on December 14, 2012. The awarded carry units that are forfeited or cancelled in accordance with the Carried Interest Plan are available, under certain terms and conditions, for reissue in subsequent awards. In certain instances following cessation of their services on behalf of us, the participants have put rights or the Carry Interest Partnerships have call rights, with respect to such participants’ carry units.

The carry units will vest in quarterly installments over four years. Certain adjustments to the vesting schedules and/or certain distributions may occur in respect of certain specified events in connection with the Carried Interest Plan, which include: (i) a sale or series of sales by BC Partners or CPPIB to the other resulting in the transferring sponsor owning less than 35% of its original total sponsor ownership interest following such transaction, (ii) a sale or series of sales by the Sponsors to third parties resulting in the

sponsors together owning less than 35% of their aggregate original Sponsor ownership interests, (iii) a sale or series of sales by either BC Partners or CPPIB to third parties resulting in such Sponsor owning less than 35% of its original total Sponsor ownership interest, or (iv) a sale of substantially all of the assets of Cequel Corporation or a sale of substantially all of its shares.

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

22. Equity Distributions

On January 20, 2011, in connection with the issuance of the 2017 Notes, we distributed $491.8 million to Cequel Holdings. Cequel Holdings used this distribution to repay $357.1 million of capital contributions to holders of common units, representing a portion of the capital contributions made by holders of common units, and $124.7 million of capital contributions to holders of preferred units, representing the repayment of all of the capital contributions made by holders of preferred units. In addition, Cequel Holdings paid $9.4 million to the option and restricted unit holders.

On March 13, 2012, we used a portion of the proceeds from the term loan facility of the Credit Facility plus additional borrowings of $160.0 million under the revolving credit facility to make a distribution to Cequel Holdings of $370.0 million. Cequel Holdings used such distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain bonus payments and certain payments to holders of options and restricted units of Cequel Holdings.

On May 11, 2012, we used cash on hand to make a distribution to Cequel Holdings of $70.0 million. Cequel Holdings used this distribution to repay a portion of the capital contributions made by holders of common units of Cequel Holdings and to make certain payments to holders of options and restricted units of Cequel Holdings.

In connection with the consummation of the Acquisition, all of the outstanding common equity interests in Cequel Holdings were purchased by Cequel Corporation and all other equity interests in Cequel Holdings (including preferred equity interests), and rights to purchase equity interests in Cequel Holdings, were retired, redeemed or otherwise terminated.

On November 15, 2012, the former owners of Cequel Holdings contributed $27.7 million to the Company to pay certain transaction fees and expenses of the Acquisition.

In November 2012, the Company distributed $520.0 million to Cequel Holdings, which was used in part to fund a portion of the purchase price of the Acquisition, pay for certain transaction fees and expenses of the Sponsor related to the Acquisition, and for general corporate purposes.

We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee.

23. Subsequent Events

The Company has updated its review of subsequent events as of March 7, 2013 noting the following event which requires disclosure.

December Tender Offer

As discussed in Footnote 10, the Company's tender offer for up to $750 million of the 2017 Notes closed on January 11, 2013. No additional amounts were tendered in 2013 after the early settlement date of December 28, 2012.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Pursuant to (i) Section 4.14(a) of the 2017 Indenture and (ii) Section 4.12 of the 2020 Indenture, 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, are required to be included in or to accompany this Annual Report.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

Pursuant to the Management Agreement and the management agreement between Cequel Corporation and our manager, the general authority to make any and all of the day-to-day management decisions for Cequel Corporation and its subsidiaries, which includes Cequel and its subsidiaries, is delegated to the manager. The delegation of such management decisions is subject to, among other things, the reasonable direction of the board of directors of Cequel Corporation.

The current board of directors of Cequel Corporation is comprised of ten directors. In addition, CPPIB has the right to appoint one additional director. The following table sets forth certain information regarding the individuals who currently serve on the board of directors of Cequel Corporation and Cequel Holdings:

Name	Age	Position
Jerald L. Kent	56	Chairman of the Board
Fahim Ahmed	34	Director
Aryeh B. Bourkoff	40	Director
Justin Bateman	39	Director
Jim Fasano	43	Director
Eugene V. Fife	72	Independent Director
Erik Levy	38	Director
Thomas P. McMillin	51	Director
Mary E. Meduski	54	Director
Raymond Svider	50	Director

The following table sets forth certain information regarding the individuals who currently serve as our executive officers and key employees:

Name	Age	Position
Jerald L. Kent*	56	Chairman and Chief Executive Officer
Peter M. Abel	48	Senior Vice President, Corporate Communications
Terry M. Cordova	51	Senior Vice President and Chief Technology Officer
Jerrold A. Dow	49	Chief Marketing and Sales Officer
James B. Fox	43	Senior Vice President and Chief Accounting Officer
Ralph G. Kelly	55	Senior Vice President, Treasurer
Wendy Knudsen*	45	Executive Vice President and Secretary
Patricia L. McCaskill	65	Senior Vice President and Chief Programming Officer
Thomas P. McMillin	51	Executive Vice President and Chief Operating Officer
Mary E. Meduski	54	Executive Vice President and Chief Financial Officer
Robert L. Putnam	51	Senior Vice President and Chief Information Officer
Craig L. Rosenthal	41	Senior Vice President and General Counsel, Assistant Secretary
Kevin A. Stephens	51	Senior Vice President, Commercial & Advertising Operations
Douglas G. Wiley	64	Senior Vice President, Human Resources

* These executive officers are employed by and compensated by our manager

Biographical Information for our Directors and Executive Officers

Directors

Jerald L. Kent. Mr. Kent is our Chairman and Chief Executive Officer ("CEO") and has served as Chairman and CEO of our predecessor since May 2006, and was Chairman and CEO of one of our holding companies prior to May 2006. Mr. Kent was one of the founders of our manager in 2002, and currently serves as President, CEO and sole manager of our manager. In addition, from 2002 to 2006, Mr. Kent served as Chairman and CEO of AAT Communications Corp. ("AAT"). Mr. Kent was a co-founder and managing partner of Charter Communications, Inc. in 1993, and subsequently became President and CEO of Charter Communications, Inc., a position he held until 2001. Mr. Kent currently is a member of the board of directors of Cable Television Laboratories, Inc., C-SPAN, the Kenrick/Glennon Seminary, the NCTA, the St. Louis Zoo and The Cable Center. In addition, he serves as Vice Chair of the Board of The Magic House and Chairman of the Regional Justice Information Services. Mr. Kent is the non-executive Chairman of Cequel Sites Holdings, LLC and its current subsidiary, Network Partners Communications, LLC. Mr. Kent serves as Chairman of the Compensation Committee of Cequel Corporation.

Fahim Ahmed. Mr. Ahmed is a Partner of BC Partners based in its New York office. He initially joined BC Partners' London office in 2006 from the Boston Consulting Group ("BCG"), where he spent four years in New York, Washington D.C., and London. Over the years, he has participated in a number of investments of BC Partners, including Intelsat, Office Depot, Dometic, Foxtons and Suddenlink. He has an undergraduate degree from Harvard College and a graduate degree in economics from the University of Oxford, where he was a Rhodes Scholar.

Justin Bateman. Mr. Bateman is a Senior Partner at BC Partners. He is based in BC Partners' New York office. He initially joined BC Partners in London in 2000 and then left to attend INSEAD in 2002, re-joining BC Partners in London in 2003 and relocating to New York in 2008. Prior to BC Partners he was at PricewaterhouseCoopers where he spent three years in Transaction Services working on due diligence projects for both financial investors and corporate clients. He has an MBA from INSEAD, a degree in Economics from Cambridge University and is an Associate Chartered Accountant (ACA). He has or has had involvement in the following portfolio companies of BC Partners: MultiPlan Inc., Office Depot, Intelsat, Regency, BDR Thermea, General Healthcare Group and Suddenlink. Mr. Bateman is a director of Office Depot, Intelsat and Multiplan Inc. Mr. Bateman serves on the Audit Committee of Cequel Corporation.

Aryeh B. Bourkoff. Mr. Bourkoff is CEO and Founder of LionTree LLC, (" LionTree"), a financial services firm providing a broad range of advisory and corporate finance services and investing alongside clients to create enhanced value. Until April 2012, he was Vice Chairman and Americas Head of Investment Banking at UBS Investment Bank ("UBS"). Prior to that, Mr. Bourkoff was Joint Global Head of Technology, Media and Telecom Investment Banking at UBS. Mr. Bourkoff joined UBS in 1999 and held senior roles in equity research, fixed income research and other positions in investment banking through 2010. Before joining UBS, Mr. Bourkoff was a high yield research analyst at CIBC World Markets from 1997 to 1999 and Smith Barney from 1995 to 1997. Mr. Bourkoff graduated with a B.A. in Economics from the University of California, San Diego.

Jim Fasano. Mr. Fasano is Vice President and head of Principal Investing, responsible for CPPIB's direct investments in private equity. He joined CPPIB in 2004 and has been a member of its Principal Investing group since its inception. Prior to joining CPPIB in 2004, he worked in the Investment Banking group at Merrill Lynch & Co., focusing on companies in the media and telecommunications sectors. Previously, he was a member of the Mergers & Acquisitions group at RBC Capital Markets and a Commissioned Officer in the Canadian Armed Forces. Mr. Fasano holds a Bachelor of Engineering degree from the Royal Military College of Canada and an International Master of Business Administration degree from the University of Chicago Graduate School of Business. Mr. Fasano currently serves on the boards of IMS Health, LHP Hospital Group, NEWAsurion and Kinetic Concepts Inc. ("KCI"). Mr. Fasano is a member of the Compensation Committee of Cequel Corporation.

Eugene V. Fife. Mr. Fife has served as the Founder and Managing Principal of Vawter Capital LLC, a private investment firm, since December 1999. Mr. Fife joined the board of directors of Office Depot in July 2012, and currently serves as a member of the Governance Committee. Mr. Fife served as a member of the board of directors of Caterpillar, Inc. from 2002 to 2012, and during his tenure was chair of the Audit Committee and Governance Committee. In May 1997, Mr. Fife joined the board of directors of Eclipsys and served as the non-executive Chairman of Eclipsys' board of directors from 2001 until 2010. Mr. Fife served as a member of the board of directors of Allscripts from August 2010 to April 2012. Mr. Fife was formerly a Partner at Goldman Sachs where he served as a member of the Management Committee and as the chairman of Goldman Sachs International. Since retiring from Goldman Sachs in 1995, Mr. Fife continues to serve as a Senior Director. Mr. Fife is a graduate of Virginia Polytechnic Institute and State University and of the Graduate School of Business at the University of Southern California. Mr. Fife is a member of the Audit Committee of Cequel Corporation.

Erik Levy. Mr. Levy is a Senior Principal at CPPIB. Mr. Levy joined CPPIB in 2005 as a founding member of the Principal Investing group and has either led or been involved with several investments including Suddenlink, KCI, IMS Health, and Skype. Prior to joining CPPIB, Mr. Levy was a management consultant with Bain & Company in Toronto and Paris. Mr. Levy holds a Master of Business Administration degree from the Rotman School of Management at the University of Toronto and a Bachelor of Science degree in Actuarial Mathematics from Concordia University. Mr. Levy is currently a Director of KCI, also serving on its Compensation, Audit and Executive Committees, and is a member of CPPIB's Private Debt Investment Committee. Mr. Levy serves on the Audit Committee of Cequel Corporation.

Thomas P. McMillin. Mr. McMillin joined Suddenlink in February 2006 as Executive Vice President and Chief Financial Officer, bringing 19 years of experience in the cable and telecommunications industry. In July 2006 he assumed his current responsibilities as Chief Operating Officer overseeing all Suddenlink business operations serving more than 1.4 million residential and business customers in 18 states. He also oversees the company's marketing and sales, customer care, technology, commercial services and media sales functions. In addition to his responsibilities as Suddenlink's Chief Operating Officer, Mr. McMillin is a member of Women in Cable Telecommunications ("WICT"), the Society of Cable Telecommunications Engineers, the Cable & Telecommunications Association for Marketing ("CTAM"), and serves as a member of the Board of Directors of the CTAM Education Foundation. Prior to joining Suddenlink, Mr. McMillin was Chief Financial Officer for First Broadcasting, a Dallas-based developer and operator of radio broadcast stations. Additionally, Mr. McMillin has been Chief Financial Officer for Clearwire Technologies, Inc., AMFM, Inc., and Marcus Cable; served as Chief Operating Officer for Novo Networks, Inc.; and served in various financial positions for Crown Cable and Cencom Cable. He began his professional career in 1983 with Arthur Andersen & Co. Mr. McMillin holds a Bachelor of Science in Accountancy from the University of Missouri—Columbia.

Mary E. Meduski. With more than 25 years of financial experience in the media and telecommunications industries, Ms. Meduski was named Executive Vice President and Chief Financial Officer for Suddenlink in July 2006, where oversees the company's finance, accounting, treasury, tax, programming and information technology functions. In addition, she plays a key role in the corporate development and investor relations activities of the Company. In addition to her responsibilities as Suddenlink's Chief Financial Officer, Ms. Meduski serves as Chair, and an Executive Board Member for WICT. Before joining Suddenlink, Ms. Meduski served as Executive Vice President and Chief Financial Officer of AAT. Prior to joining AAT, Ms. Meduski was a Managing Director of the Media and Communications Investment Banking Groups of TD Securities and BankBoston Capital. Ms. Meduski holds a Bachelor of Arts degree from Cornell University (where she serves on the President's Council of Cornell Women) and a Masters in Business Administration from Boston University, where she graduated first in her class.

Raymond Svider. Mr. Svider has been Co-Chairman of BC Partners since December 2008, and has been a Managing Partner of BC Partners since 2003. He joined BC Partners in 1992 in Paris before moving to London in 2000 to lead its investments in the technology and telecommunications industries. Over the years, Mr. Svider has participated in or led a variety of investments including Tubesca, Nutreco, UTL, Neopost, Polyconcept, Neuf Telecom, Unity Media/Tele Columbus, Intelsat S.A., Office Depot Inc., Multiplan Inc. and Hamilton Sundstrand Industrial ("HSI"). He is currently on the boards of Office Depot, Intelsat, Multiplan and HSI. Prior to joining BC Partners, Mr. Svider worked in investment banking at Wasserstein Perella in New York and Paris, and at BCG, in Chicago. Mr. Svider holds a Master of Business Administration from the University of Chicago and a Master of Science in Engineering from both École Polytechnique and École Nationale Superieure des Telecommunications in France. Mr. Svider is a member of the Compensation Committee of Cequel Corporation.

Executive Officers who are Not Directors

Peter M. Abel. Mr. Abel has served in various capacities with Suddenlink and our manager since 2003, including his current role as Senior Vice President, Corporate Communications of Suddenlink. Prior to joining Suddenlink, Mr. Abel was a senior vice president and senior partner at Fleishman-Hillard. Mr. Abel is on the board of directors of the Association of Cable Communicators.

Terry M. Cordova. Mr. Cordova has served in various capacities with Suddenlink and our manager since March 2003, including his current role as Senior Vice President and Chief Technology Officer of Suddenlink. Before joining Suddenlink, Mr. Cordova was Division Vice President of Engineering for Charter Communications' Southeast Division. Mr. Cordova is Vice Chair of the Society of Cable Telecommunications Engineers.

Jerrold A. Dow. Mr. Dow has served as Chief Sales and Marketing Officer of Suddenlink since February 2008. Prior to joining Suddenlink, Mr. Dow was Chief Marketing Officer of Vanguard Car Rental (National/Alamo) from 2004 to 2007.

James B. Fox. Mr. Fox has served as Chief Accounting Officer of Suddenlink since December 2009. Prior to joining Suddenlink, Mr. Fox served as Chief Financial Officer of Mobile Armor, Inc. from 2007 to 2009, was the Practice Leader for Finance Managed Services for DataServ LLC, and was Senior Vice President of Finance for Reuters Group PLC from 2002 to 2005. Mr. Fox currently serves as a member of the board of directors or board of managers, as applicable, of Suddenlink and its direct and indirect subsidiaries. Mr. Fox is a Certified Public Accountant.

Ralph G. Kelly. Mr. Kelly has served in various capacities with Suddenlink and our manager since 2003, including his most current role as Senior Vice President and Treasurer of Suddenlink. Before joining Suddenlink, Mr. Kelly was Senior Vice President and Treasurer for Charter Communications. Mr. Kelly currently serves as a member of the board of directors or board of managers, as applicable, of Suddenlink and its direct and indirect subsidiaries. Mr. Kelly is a Certified Public Accountant.

Wendy Knudsen. Ms. Knudsen has served as Executive Vice President and Secretary of Suddenlink since May 2005. In addition, she currently serves as Executive Vice President and General Counsel of our manager. Ms. Knudsen was Senior Vice President and General Counsel of AAT from 2003 until 2006. Ms. Knudsen is a member of the state bars of California, Massachusetts, Missouri, New Jersey and New York, and a member of the United States Supreme Court bar.

Patricia L. McCaskill. Ms. McCaskill has served in various capacities with Suddenlink and our manager since 2003, including her most current role as Senior Vice President and Chief Programming Officer of Suddenlink. Before joining Suddenlink, Ms. McCaskill was Vice President, Programming and Pay-Per-View, for Charter Communications. Ms. McCaskill serves on of the board of directors of the NCTC.

Robert L. Putnam. Mr. Putnam has served in various capacities with Suddenlink and our manager since 2003, including his most current role as Senior Vice President and Chief Information Officer of Suddenlink.

Craig L. Rosenthal. Mr. Rosenthal has served in various capacities with Suddenlink and our manager since 2003, including his most current role as Senior Vice President, General Counsel of Suddenlink. Prior to joining Suddenlink, Mr. Rosenthal was an attorney with Husch & Eppenberger, LLC (now Husch Blackwell Sanders LP). Mr. Rosenthal is currently a member of the board of directors or board of managers, as applicable, of Suddenlink and its direct and indirect subsidiaries. In addition, Mr. Rosenthal is a member of the Missouri and Illinois State Bar Associations and a member of the Federal Communications Bar Association.

Kevin A. Stephens. Mr. Stephens has served as head of our Commercial & Advertising Operations since 2006. Mr. Stephens serves on the Board of Directors of the Cable Advertising Bureau and the National Association for Multi-Ethnicity in Communications, the Boys & Girls Clubs of Collin County, Texas and the Institute for Communication Technology Management at the University of Southern California.

Douglas G. Wiley. Mr. Wiley has served as Senior Vice President of Human Resources of Suddenlink since June 2007. Prior to joining Suddenlink, Mr. Wiley was Senior Vice President of Human Resources for Xspedius Communications from 2002 to 2006.

Board Leadership

Pursuant to the terms of the Stockholders Agreement (as defined herein), our Chief Executive Officer is appointed as Chairman of the Cequel Corporation Board of Directors, and has one vote on such board.

The Cequel Corporation Board of Directors has one independent director who is appointed by the Sponsors pursuant to the terms of the Stockholders Agreement and has one vote and serves as the Chairman of the Audit Committee of Cequel Corporations. In addition, the Sponsors have the right to jointly appoint one additional director to the board of Cequel Corporation.

Committees of the Board and Risk Management Oversight

Prior to the consummation of the Acquisition, Cequel Holdings had three standing committees of the Board: the Audit Committee, the Executive Committee and the Compensation Committee.

The Audit Committee consisted of Jerald L. Kent, Thomas J. Carella, James L. Nelson (Chairman of the Committee), Andrew Salter, Peter R. Ezersky and David W. Zalaznick. Among other functions, the Audit Committee, under the leadership of the independent director, oversaw risk management for us and received periodic reports about risk management matters from our auditors and certain of our executive officers. Certain of our legal, accounting, human resources, and other executive officers oversaw our risk management on a daily basis in consultation with our auditors and attorneys when appropriate. Such officers and the Audit Committee reported periodically to the Cequel Holdings' Board regarding risk management matters.

The Compensation Committee consisted of Jerald L. Kent, B. James Ford, Bradley Gross, Michael Huber and David Zalaznick. Among other functions, the principal duty of the Compensation Committee was to oversee the compensation of our executive officers, including plans and programs relating to cash compensation, incentive compensation and other benefits.

The Executive Committee consisted of Jerald L. Kent, B. James Ford, Gerald Cardinale and Michael Huber. Among other functions, the principal duty of the Executive Committee was to make decisions and take necessary actions that required approval of the board of Cequel Holdings when such decisions were needed in a timeframe that made it not feasible or not practicable to convene a full meeting of the board in time to make such decisions and take such actions.

Following the consummation of the Acquisition, pursuant to the terms of the Stockholders Agreement, Cequel Corporation has two standing committees of the board of directors: the Audit Committee and the Compensation Committee.

The Audit Committee consists of Eugene Fife, Erik Levy and Justin Bateman. Among other functions, the Audit Committee, oversees risk management for us and receives periodic reports about risk management matters from our auditors and certain of our executive officers. Certain of our legal, accounting, human resources, and other executive officers oversee our risk management on a daily basis in consultation with our auditors and attorneys when appropriate. Such officers and the Audit Committee report periodically to the Cequel Corporation Board of Directors regarding risk management matters.

Since we are not subject to the reporting requirements of the Exchange Act, we are not required to and have not made a determination as to whether any member of our Audit Committee qualifies as an audit committee "financial expert," as such term is defined by the rules and regulations of the SEC

The Compensation Committee consists of Jerald L. Kent (Chairman of the Committee), Jim Fasano and Raymond Svider. Among other functions, the principal duty of the Compensation Committee is to oversee the compensation of our executive officers, including plans and programs relating to cash compensation, incentive compensation and other benefits.

Code of Ethics

Portions of our employee handbook, which apply to our employees and our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, have been posted on our website (www.suddenlink.com). These policies are designed to reasonably deter wrongdoing and promote honest and ethical business conduct and professional standards, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, compliance with applicable governmental laws, rules and regulations and prompt internal reporting of violations of the policies through the EthicsPoint Reporting System. We intend to post any amendments to or any waivers from a provision of these policies on our website.

ITEM 11. EXECUTIVE COMPENSATION

Executive Compensation in 2012

Below is an explanation of how our compensation program was designed and operated in 2012 and our named executive officers ("NEOs") for 2012: (i) Jerald L. Kent, as our principal executive officer, (ii) Mary E. Meduski, as our principal financial officer, and (iii) Thomas P. McMillin, Jerrold A. Dow and Terry M. Cordova, as our three other most highly compensated executive officers collectively such officers, together with Ms. Meduski, the "Suddenlink NEOs" for the fiscal year ended December 31, 2012. For the titles, ages, and biographical information of our NEOs, please refer to Item 10 "Directors, Executive Officers and Corporate Governance" above. The Summary Compensation Table and separate tables below disclose each NEO's total compensation for fiscal year 2012.

Compensation Discussion and Analysis –2012 Summary

In 2012, our executive compensation program for NEOs reflected our practices as a privately-held company, and accordingly the Cequel Holdings board of directors prior to the Acquisition and the Cequel Corporation board of directors and/or compensation committee after the Acquisition made all decisions in the course of regularly-scheduled meetings. Management participated in board and compensation committee meetings at which executive compensation decisions were made, but no NEO participated in or voted on any compensatory decision that affected him personally. The members of the Cequel Holdings board of directors prior to the Acquisition and the Cequel Corporation board of directors and compensation committee after the Acquisition accordingly controlled all of the compensation decisions for our NEOs with the exception of our principal executive officer who is compensated exclusively by the manager in its sole discretion.

We believe that the executive compensation decisions disclosed below were appropriate based on our 2012 financial performance, on general economic conditions, and on the applicable board's and compensation committee's review, and other factors relevant to the board's and compensation committee's annual salary and bonus determinations. In particular, our NEOs (with the exception of our principal executive officer who is compensated by the manager) received target-level total compensation principally because we achieved financial and other operating results in 2012 that accomplished the principal objectives identified in our business plan.

Overview of Executive Compensation Philosophy and Its Key Elements

As a general matter, prior to the consummation of the Acquisition, the Cequel Holdings board of directors and compensation committee undertook and the Cequel Corporation board of directors after the Acquisition undertakes to provide our NEOs (with the exception of our principal executive officer who is compensated by the manager) with compensation that is highly performance-based and competitive in our industry. We are engaged in a very competitive industry, and our success depends on attracting and retaining qualified executives through providing them with a carefully considered balance of fixed and variable (performance-based) compensation. To that end, the Cequel Holdings board and compensation committee prior to the Acquisition and the Cequel Corporation board of directors and/or compensation committee after the Acquisition provided our NEOs (with the exception of our principal executive officer who is compensated by the manager) with total compensation in 2012 through a combination of the following components that reflect our consistent practices for past years:

- a base salary commensurate with each NEO's experience and length of service with us;
- the opportunity to earn incentive compensation through cash bonuses targeted at up to a certain percentage of base salary depending on that NEO's level, and through the vesting of past stock-based awards and through the granting and vesting of stock-based awards and carry interest awards to certain NEO's; and
- participation in our broad-based employee benefits programs providing health and life insurance coverage, 401(k) benefits, and certain perquisites and other nondiscriminatory fringe benefits.

Elements of Executive Compensation

Base Salary. In general, we provide base salary as fixed compensation for services rendered in the position that the NEO serves with the exception of our principal executive officer who is compensated by the manager. With this in mind, the board of directors and compensation committee determines base salaries in their discretion, after considering a variety of factors including each NEO's qualifications and experience, prior employment, industry knowledge, scope of responsibilities, individual performance, and general industry practices. Specific weightings are not applied to these factors. Base salaries are generally set when an NEO begins employment and are adjusted annually, if necessary, and are intended to provide competitive and fair compensation for basic job performance.

Annual Bonus. For 2012, the Cequel Corporation board of directors established corporate and individual performance targets based on our business plan, and then making cash bonus awards shortly after year end, in all cases based on the board's subjective and qualitative assessment of how our financial results and the NEO's individual performance compared to targeted performance and the NEO's individual performance-based goals (with the exception of our principal executive officer who is compensated by the manager). As a result, although we follow a general formula as a guide for determining bonuses, the Cequel Corporation board of directors has made final bonus determinations solely at their discretion. The bonuses for all NEOs and certain other employees were within a range of 0%-75% of base salary for the years 2010 through 2012. The Cequel Corporation board of directors made 2012 annual bonus determinations shortly after the end of our fiscal year, with payments made soon afterward.

Stock Based Awards. Prior to the Acquisition, our NEOs, other than our principal executive officer, received compensation in the form of stock option awards in conjunction with their respective dates of hire that generally vested in four annual installments and that related to common units in Cequel Holdings. Such awards were granted in 2006 and 2008, respectively, to select NEOs. The Cequel Holdings board of directors believed that these awards, when considered along with the awarding of RSUs to certain NEO's that began in 2010 and 2012 (as described below) served their intended purpose through 2012, and the Cequel Corporation board of directors has issued carry unit awards under the new Carried Interest Plan, and may do so again in 2013 and future years. The key provisions of our stock based plan and our Carried Interest Plan are discussed in the "Summary of Material Compensation Plans or Arrangements" below.

Perquisites. Our NEOs, other than our principal executive officer who is compensated by the manager, receive perquisites and other fringe benefits that are available on equivalent terms to our employees generally.

Retirement and Welfare Plan Benefits. All of our executive officers are eligible to participate in health, welfare, and fringe benefits that are available to our employees generally, as well in a defined contribution 401(k) plan sponsored by our manager. Participants in the 401(k) plan are allowed to make pre-tax contributions up to 75% of their annual compensation, not to exceed the annual limitation set forth in Section 402(g) of the Internal Revenue Code for any plan year. We make a matching contribution equal to 50% of a participant's salary deferrals up to 6% of a participant's compensation. We also may make a discretionary profit sharing contribution to the 401(k) plan for the benefit of all participating employees, which amount is subject to change from year to year.

Distributions. On November 15, 2012, in connection with the consummation of the Acquisition we paid $79.7 million to the options and restricted unit holders of Cequel Communications Holdings. The distribution to NEOs is summarized in the Summary Compensation Table below.

Process for Making Compensation-related Decisions for NEOs

In April 2012, we engaged the services of Aon Hewitt ("Aon") as an independent advisor on matters of executive compensation (the "Engagement") with respect to fiscal 2012. We determined that no conflicts of interest exist between us and Aon (or any individuals working on the Company's account on Aon's behalf).

Aon's services primarily involved Aon's preparation of a report concerning the competitiveness of our senior executive compensation levels, with such report referencing outside data, including data in respect of a defined "peer group" of 11 companies in our industry that Aon recommended and that we considered to be suitable to us in one or more meaningful ways, which included such other companies' revenues, market capitalization, operational and geographical structure, and industries/markets, as well as third party considerations. This information was drawn from publicly available proxy filings.

In addition to the peer group data for the peer companies, we also used compensation survey data that Aon drew from anonymous surveys of private company executive compensation practices and levels of pay. Using this peer group and survey data, Aon provided us with a detailed competitive assessment of the annual salary, target total cash compensation and target total direct compensation (which consists of the sum of annual salary, target annual cash incentives and the value of annual long-term incentive awards) for our executives, including our NEOs.

In December 2012, our principal executive officer presented to the Cequel Corporation board of directors salary adjustments and 2012 bonuses to be made in 2013, which recommendations factored in the results of Aon's analysis in some instances. The 2012 carry unit recommendations for our NEOs (excluding our principal executive officer who is compensated by the manager) and certain other employees were approved at the Acquisition closing. The Cequel Board of Directors voted to approve these recommendations.

Specific Executive Compensation Decisions for 2012

Prior to consummation of the Acquisition, the board of directors of Cequel Holdings and/or compensation committee and the Cequel Corporation board of directors after the Acquisition made the following decisions in 2012 with respect to each distinctive component of executive compensation for our NEOs:

Base Salary. The annual base salary as of the end of fiscal year 2012 for each NEO is presented in the table below, and represents an increase of 3% from 2011 to 2012, due to merit increases that were uniformly applied to most executives, plus adjustments as a result of the change of control of the Company.

Executive	**2012**
Jerald L. Kent, Chairman & Chief Executive Officer (1)	$0
Mary E. Meduski, Executive Vice President and Chief Financial Officer	$ 364,626
Thomas P. McMillin, Executive Vice President and Chief Operating Officer	$ 364,626
Jerrold A. Dow, Chief Marketing and Sales Officer	$ 284,109
Terry M. Cordova, Chief Technology Officer	$ 258,766

(1) Jerald L. Kent is paid by our manager for services provided pursuant to the Management Agreement. Pursuant to the Management Agreement, Cequel Holdings pays an annual management fee to our manager for services to us, including those of Mr. Kent, which is subject to annual increases. In 2012, the management fee was approximately $7.7 million. Mr. Kent receives compensation from our manager as determined by the sole manager of our manager. For a description of our Management Agreement, see "Certain Relationships and Related Party Transactions—Management Agreement."

Annual Bonus. In 2012, we made cash bonus awards under a program designed to reward the achievements of our NEOs (excluding our principal executive officer who is compensated by the manager) and certain employees over the fiscal year. For the Suddenlink NEOs, 65% of their bonuses for 2012 performances reflected the weighted average performance to budget for each of our regions based on a calculation of the percentage that each region contributed to our consolidated operating cash flow ("OCF"); 10% of their bonuses for 2012 reflected the ratio of total corporate expense to consolidated OCF; and 25% of their bonuses for 2012 reflected a subjective assessment of performance including performance versus department budget, with a total maximum payout equal to 200%

of the amount of a full bonus payment at their target bonus level percentage. The actual bonuses that our NEO's received were based on the following determinations that the Cequel Corporation board of directors made:

- Ms. Meduski and Mr. McMillin and Mr. Dow were each eligible for cash bonuses of up to 116.8% of a full bonus payment at their respective target bonus percentage of 50% of base salary, based on Cequel Corporation board's application of the criteria disclosed above. Mr. Cordova was eligible for cash bonuses of up to 116.8% of the amount of a full bonus payment at his respective target bonus percentage of 40% of base salary, based on Cequel Corporation board's application of the criteria disclosed above.

- The actual bonus for the Suddenlink NEOs for 2012 reflected the determination that (i) the corporate goals had been reached representing an overall achievement for our regions of 116.3% attainment level and an achievement of 120% of target of the corporate expense to consolidated OCF ratio, and (ii) that each such NEO fully satisfied his or her individual performance goals.

- The actual bonus payments are reported in the "Non-equity Incentive Plan Compensation" column of the Summary Compensation Table below and equaled approximately 58.4% of the base salary for Ms. Meduski and Mr. McMillin; 54.7% for Mr. Dow for 2012 and 49.4% of the base salary for Mr. Cordova.

Carry Unit Awards. In December 2012, each Carry Interest Partnership issued carry units to our NEOs pursuant to the Carried Interest Plan. See "Summary of Material Compensation Plans or Arrangements – Carried Interest Plan" for more information.

Other Benefits. Cequel Corporation's board of directors did not make any changes to our severance, retirement, welfare, or fringe benefit plans or practices in 2012, on the premise that these arrangements satisfied current corporate needs and objectives.

Other Potential Post-Employment or Change of Control Benefits

We do not have employment agreements with our NEOs and have no contractual obligations to provide post-employment benefits due to termination of employment. All awards under the 2006 Plan and the 2002 Plan became fully vested at the closing of the Acquisition, and were cashed out and cancelled. For more information on change of control benefits related to carry units under the Carried Interest Plan, see "Summary of Material Compensation Plans or Arrangements – Carried Interest Plan" for more information.

Issuers' Historical Executive Compensation

Pursuant to the Management Agreement, our manager is responsible for managing our business affairs. Certain of our executive officers, including Jerald L. Kent, who are employees of our manager, do not receive cash compensation from us for serving as executive officers. In addition, certain of our executive officers, including those listed in the "Summary Compensation Table," have in the past received additional compensation from our manager in the manager's discretion. The amounts paid by our manager to such executive officers are determined independently by our manager. Pursuant to the Management Agreement, we pay an annual management fee to our manager, which is subject to annual increases. In 2012, the management fee was approximately $7.7 million.

Summary Compensation Table

The table below summarizes the total compensation paid or earned by each of our chief executive officer, chief financial officer and three other most highly compensated officers during the years ended December 31, 2012, 2011 and 2010.

Name and Principal Position	Year	Salary Award ($1)	Option Award $(1)	Non-equity Incentive Plan Compensation $(2)	Change in Pension Volume and NQ DC Earnings $	All Other Compensation $(3)	Total $
Jerald L. Kent (4)……………………..	2012	-	-	-	-	-	-
Chairman and	2011	-	-	-	-	-	-
Chief Executive Officer	2010	-	-	-	-	-	-
Mary E. Meduski……………………..	2012	364,626	-	212,932	-	12,941,193	13,518,751
Executive Vice President and	2011	354,006	-	200,000	-	739,981	1,293,987
Chief Financial Officer	2010	343,695	452,053	257,679	-	1,242	1,054,669
Thomas P. McMillin……………………..	2012	364,626	-	212,932	-	12,702,756	13,280,314
Executive Vice President and	2011	354,006	-	200,000	-	739,981	1,293,987
Chief Operating Officer	2010	343,695	452,053	257,679	-	810	1,054,237
Jerrold A. Dow………………………	2012	284,109	-	155,543	-	3,111,031	3,550,683
Senior Vice President and	2011	275,834	-	139,103	-	225,810	640,747
Chief Marketing and Sales Officer	2010	267,800	-	200,778	-	810	469,388
Terry M. Cordova……………………..	2012	258,766	-	127,813	-	2,786,877	3,173,456
Senior Vice President and	2011	251,229	-	146,768	-	251,242	649,239
Chief Technology Officer	2010	243,912	-	157,408	-	788	402,108

(1) Amounts are determined in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation — Stock Compensation. We use the Black-Scholes method to calculate the valuation of options. See footnote 20 to our audited financial statements which are included in Item 8 of this document.

(2) Includes formula-based amounts paid as management incentive bonuses pursuant to calculations described in more detail in the "*Annual Bonus*" section above.

(3) Represents imputed income from Company provided life insurance, and payments related to the equity distributions in January 2011, March 2012, May 2012 and those related to the Acquisition in November 2012.

(4) Jerald L. Kent is paid by our manager for services provided pursuant to the Management Agreement. For a description of our management agreement, see "Certain Relationships and Related Party Transactions—Management Agreement."

Summary of Material Compensation Plans or Arrangements

2006 Management Unit Option Plan

Prior to the consummation of the Acquisition, Cequel Holdings maintained, and granted options to purchase units of Cequel Holdings pursuant to the Suddenlink Communications 2006 Management Unit Option Plan, ("the 2006 Plan"), which was effective May 16, 2006, and which prohibited the granting of new options after the tenth anniversary of the adoption of the 2006 plan. The purpose of the 2006 Plan was to provide incentives to our executives, key employees, directors and other individuals who was responsible for and contributed to our management, growth and profitability to participate in our long-term success and growth, and to attract, retain and reward such personnel. We received no cash consideration for the granting of options under the 2006 Plan.

All awards under the 2006 Plan became fully vested at the closing of the Acquisition, and were cashed out and cancelled in a reorganization of our parent company structure following the consummation of the Acquisition. The 2006 Plan has been terminated following consummation of the Acquisition.

2002 Management Unit Option Plan

Prior to the consummation of the Acquisition, certain of our executive officers and other employees who were previously employees of our manager also held options to purchase units of our manager pursuant to the Cequel III, LLC 2002 Management Unit Option Plan, as amended and restated, (the "2002 Plan"), which was initially effective February 1, 2002. The 2002 Plan was amended during 2006 to, among other things, permit the options granted to certain former employees of our manager to continue after our equity restructuring in 2006 when such employees were transferred to Suddenlink from our manager. The 2002 Plan was generally identical to the 2006 Plan, except that the 2002 Plan related to our manager rather than to Cequel Holdings.

All awards under the 2002 Plan became fully vested at the closing of the Acquisition, and were cashed out and cancelled. The 2002 Plan was terminated following consummation of the Acquisition.

Restricted Unit Awards

On March 4, 2010, December 13, 2010, and January 19, 2012, Cequel Holdings awarded restricted units to two senior executives, Thomas P. McMillin, our current Chief Operating Officer, and Mary E. Meduski, our current Chief Financial Officer. These awards reflected the Cequel Holdings board of directors' general desire to supplement the granting of stock options with restricted units issued by Cequel Holdings to these executives.

The value of the awards of restricted units made on March 4, 2010, December 13, 2010 and January 19, 2012 were based on the fair market value of the restricted units and the vesting conditions were 100% after five years subject to acceleration for the executive's death or a change in corporate control. In addition, the awards provided that with respect to any distributions that Cequel Holdings pays to holders of units in Cequel Holdings between the grant date and settlement date of the awards, that the holder of the awards would receive a portion of such distribution as if the holder owned the number of common units in Cequel Holdings corresponding to the vested number of restricted units held by such holder. Such distributions were payable, in the discretion of the board of directors of Cequel Holdings or its compensation committee, in cash and/or additional units of Cequel Holdings.

All of the foregoing restricted unit awards became fully vested at the closing of the Acquisition, and were cashed out and cancelled in a reorganization of our parent company structure following the consummation of the acquisition. The amount paid to restricted unit award holders was equal to the value of the units subject to the award, based on the purchase price per unit payable under the Purchase Agreement.

General Employee Benefit Plans

All of our executive officers are eligible to participate in health, welfare, and fringe benefits that are available to our employees generally, as well in a defined contribution 401(k) plan sponsored by our manager. Participants in the 401(k) plan are allowed to make pre-tax contributions up to 75% of their annual compensation, not to exceed the annual limitation set forth in Section 402(g) of the Internal Revenue Code for any plan year. We make a matching contribution equal to 50% of a participant's salary deferrals up to 6% of a participant's compensation. We also may make a discretionary profit sharing contribution to the 401(k) plan for the benefit of all participating employees, which amount is subject to change from year to year.

Carried Interest Plan

In connection with the consummation of the Acquisition, the Carry Interest Partnerships each adopted the Carried Interest Plan. The purpose of the Carried Interest Plan is to provide participation in our long-term success and growth as an incentives to our executives, key employees, directors and other individuals who are responsible for and contribute to our management, growth and profitability, which we refer to as participants, and to attract, retain and reward such participants.

Pursuant to the Carried Interest Plan, each Carry Interest Partnership is permitted to issue no more than 1,000,000 carry units. On December 14, 2012, each Carry Interest Partnership issued an aggregate of approximately 964,100 carry units to participants. The awarded carry units that are forfeited or cancelled in accordance with the Carried Interest Plan are available, under certain terms and conditions, for reissue in subsequent awards. In certain instances following cessation of their services on behalf of Cequel Corporation or its subsidiaries, the participants have put rights or the Carry Interest Partnerships have call rights, with respect to such participants' carry units.

The carry units will vest in quarterly installments over four years. For non-senior executive management participants (i) unvested carry units will be forfeited upon cessation of employment or other services on behalf of Cequel Corporation or its subsidiaries and (ii) with respect to vested units, the Carry Interest Partnerships will have the right to call such carry units for their fair market value. For senior executive management participants, who are Jerald L. Kent, Mary E. Meduski, Thomas P. McMillin, Kevin A. Stephens and Terry M. Cordova, (i) unvested carry units have certain accelerated vesting upon a termination without cause or resignation for good reason, and such executive management participants will have certain put rights with respect to vested carry units in such instances, (ii) if any such management participant resigns without good reason, the Carry Interest Partnerships will have a call right with respect to such participant's vested carry units and (iii) if any such management participant is terminated for cause, all carry units, whether vested or unvested, will be forfeited.

Certain adjustments to the vesting schedules and/or certain distributions may occur in respect of certain specified events in connection with the Carry Interest Plan, which include: (i) a sale or series of sales by BC Partners or CPPIB to the other resulting in the transferring Sponsor owning less than 35% of its original total Sponsor ownership interest following such transaction, (ii) a sale or series of sales by the Sponsors to third parties resulting in the sponsors together owning less than 35% of their aggregate original Sponsor ownership interests, (iii) a sale or series of sales by either BC Partners or CPPIB to third parties resulting in such Sponsor owning less than 35% of its original total Sponsor ownership interest, or (iv) a sale of substantially all of the assets of Cequel Corporation or a sale of substantially all of its shares.

The Carried Interest Plan entitles participants to receive certain percentages of net cash proceeds received by the carry partnerships in connection with sales by the carry partnerships of class A common stock or class B common stock of Cequel Corporation, dividends from Cequel Corporation or amounts received upon liquidation or dissolution of Cequel Corporation. The amounts are paid to participants once threshold amounts have been received by the carry partnerships and paid to the Sponsors and Management Investors in Cequel Corporation, and the percentage of cash proceeds to which the participants are entitled increases as the return to the Sponsors and such Management Investors increases.

Compensation Committee Interlocks and Insider Participation

Prior to the consummation of the Acquisition, the Cequel Holdings Compensation Committee consisted of Jerald L. Kent, B. James Ford, Bradley Gross, Michael Huber and David Zalaznick. With the exception of Jerald L. Kent, who served as the Chairman and Chief Executive Officer of Cequel Holdings and each of its subsidiaries, none of our officers, employees or former officers served as a member of the Cequel Holdings Compensation Committee during 2012. With the exception of Jerald L. Kent, who serves as the sole manager of our manager, which sole manager determines certain compensation arrangements for the manager, including the compensation of Mr. Kent, no committee member had any interlocking relationships requiring disclosure under applicable rules and regulations.

For a description of certain relationships and transactions with members of our board of directors or their affiliates, see "Item 13. Certain Relationships and Related Party Transactions."

Compensation Committee Report

The Compensation Committee of Cequel Corporation has reviewed the Compensation Discussion & Analysis required by Item 402(b) with management, and recommended to the Cequel Board of Directors that it be included in this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Cequel Corporation directly owns all of the membership interests in Cequel Holdings and Cequel Holdings directly owns all of the membership interests in Cequel. As of the date of this Annual Report, co-investors and limited partnerships affiliated with the Sponsors and the Management Investors collectively beneficially own 100% of Cequel Corporation's common stock by virtue of their shared voting rights with respect to the election of directors as described below. For the purposes of voting the common stock of Cequel Corporation for all matters other than the election of directors, which is described below, each of the Sponsors vote approximately 48.36% of the common stock of Cequel Corporation and the Management Investors vote approximately 3.28% of the common stock of Cequel Corporation. No director or officer of the Company directly owns any membership interest in the Company. Certain directors and officers of the Company are participants in the Carried Interest Plan adopted by each general partner of the limited partnerships affiliated with the Sponsors and the Management Investors. For more information about the Carried Interest Plan, see "Item 10. Directors, Executive Officers and Corporate Governance — Summary of Material Compensation Plans or Arrangements — Carried Interest Plan."

Our business and affairs are managed by the Cequel Corporation Board of Directors, which is identical to the board of directors of Cequel and Cequel Holdings. The composition of the Cequel Corporation Board of Directors is governed by the Stockholders Agreement among the stockholders of Cequel Corporation referenced above and Cequel Corporation, which provides that the Cequel Corporation Board of Directors shall consist of up to eleven directors and certain stockholder groups have the right to appoint and remove certain directors of Cequel Corporation. Pursuant to the terms of the Stockholders Agreement, as of the date of this Annual Report, subject to certain conditions, each Sponsor has the right to appoint and remove three directors and, jointly, the Sponsors have the right to appoint and remove two directors one of whom will be "independent" under the Exchange Act. Pursuant to the terms of the Stockholders Agreement, Jerald L. Kent, our Chief Executive Officer, is appointed as Chairman of the Cequel Corporation Board of Directors and each of Mary E. Meduski, our Executive Vice President and Chief Financial Officer, and Thomas P. McMillin, our Executive Vice President and Chief Operating Officer, is also a director of Cequel Corporation. For more information about current composition of the Cequel Corporation Board of Directors, see "Item 10. Directors, Executive Officers and Corporate Governance." For more information about director designation rights, see "Item 13. Certain Relationships and Related Party Transactions, and Director Independence — Stockholders Agreement."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS AND DIRECTOR INDEPENDENCE

Our employee handbook, portions of which are posted on our website at www.suddenlink.com, prohibits all employees, including the senior officers of Suddenlink, our manager, and each of their respective affiliates and direct and indirect subsidiaries, from engaging in any activity that creates an actual or perceived conflict of interest, including ensuring that their personal, family or financial interests do not influence business dealings or relationship they may have on behalf of Suddenlink, our manager, and each of their respective affiliates and direct and indirect subsidiaries. Specifically, employees are prohibited from (a) influencing transactions on behalf of Suddenlink, our manager, and each of their respective affiliates and direct and indirect subsidiaries with any supplier or customer with whom they or a family member has a personal or financial relationship, (b) working for, representing or favoring for personal reasons a supplier in its dealings with Suddenlink, our manager, and each of their respective affiliates and direct and indirect subsidiaries, (c) using resources of Suddenlink, our manager, and each of their respective affiliates and direct and indirect subsidiaries to perform outside activities not sponsored or approved by Suddenlink, our manager, or each of their respective affiliates and direct and indirect subsidiaries and (d) performing any telecommunications work in a vendor or outside employment capacity for any customer of Suddenlink, our manager, or each of their respective affiliates and direct and indirect subsidiaries. Additionally, we have procedures for reporting violations of these policies including reporting violations through EthicsPoint, our confidential third party reporting system for violations of our employee policies.

Management Agreement

In May 2006, Cequel Holdings entered into the Management Agreement with Cequel III, LLC, which is currently controlled by Jerald L. Kent, our Chief Executive Officer. Pursuant to the Management Agreement, the manager provides the services of Jerald L. Kent, our Chief Executive Officer, and certain members of our senior corporate management, including Wendy Knudsen. On February 14, 2012, the Management Agreement was amended and restated to permit our CEO to participate in certain other business activities of the manager that do not interfere with his duties as our CEO. In connection with the consummation of the Acquisition, on November 15, 2012, the Management Agreement was further amended to modify the termination provisions thereof and the

description of the terms of the management agreement provided below reflects such amendment. The Management Agreement delegates the general authority to manage and operate the business, properties, personnel and activities of Cequel Holdings and its subsidiaries, which includes the Company to our manager. The delegation of such management decisions is subject to, among other things, the reasonable discretion of the board of our parent company. This agreement requires us to pay the manager the following fees:

- an annual management fee, which increases annually by 5% on a compounded basis, payable quarterly in arrears, which management fee was approximately $6.8 million for the annual management term ended in May 2012, and is currently approximately $7.1 million for the annual management term ending in May 2013; and
- for so long as the Master Network Access and Service Agreement, which we refer to as the Level 3 Service Agreement, between Level 3 Communications, Inc. (formerly Broadwing Communications, LLC), which we refer to as Level 3, and the manager saves Cequel Holdings at least $3 million per year as compared to the cost of obtaining the same services from the least expensive available third party provider, a deferred management fee of $3 million per year, payable after the return of capital to investors.

Additionally, if Cequel Holdings performs well, a discretionary bonus incentive fee in an amount determined by the board of directors or the compensation committee of Cequel Holdings may be paid to the manager each year.

We paid the manager under the Management Agreement fees of approximately $7.8 million in the year ended December 31, 2010, and $8.2 million in the year ended December 31, 2011 and $7.7 million in the year ended December 31, 2012.

The Management Agreement will be terminated, among other circumstances, (i) upon the sale of all or substantially all of the assets of Cequel Holdings and its subsidiaries and certain change of control events with respect to Cequel Holdings, in each case, upon a written election of termination by either Cequel Holdings or the manager to the other party, (ii) automatically upon the dissolution of Cequel Holdings, Suddenlink or any other direct or indirect wholly-owned subsidiaries of Cequel Holdings or (iii) automatically upon the occurrence and/or continuance of certain bankruptcy proceedings. The management agreement may be terminated under other circumstances, including if Jerald L. Kent ceases to be Chief Executive Officer, for cause by Cequel Holdings and for good reason by the manager.

On November 15, 2012, Cequel Corporation entered into a management agreement with the manager pursuant to which the manager provides the services of our CEO and certain members of our senior corporate management.

Our manager received carrying units on December 14, 2012. See "Summary of Material Compensation Plans or Arrangements – Carried Interest Plan" for more information.

Stockholders Agreement

We are governed by the Cequel Corporation Board of Directors and certain rights and obligations with respect to our corporate governance are governed by the stockholders agreement of Cequel Corporation dated November 15, 2012 (the "Stockholders Agreement"), by and among Cequel Corporation and stockholders and limited partnerships parties thereto. The limited partnership affiliated with the Management Investors holds equity interests in Cequel Corporation and is a party to the Stockholders Agreement in addition to the limited partnerships affiliated with the Sponsors. The Stockholders Agreement provides for the following.

Appointment of directors. The Stockholders Agreement provides for a board of directors with a total of up to eleven directors. Certain stockholder groups have the right to appoint and remove directors as set forth below:

BC Partners has the right to appoint and remove three directors so long as it holds 66% or more of its aggregate number shares of common stock of Cequel Corporation, ("Shares"). If BC Partners holds less than 66% but 33% or more of its aggregate number of Shares, it will have the right to appoint and remove only two directors. If BC Partners holds less than 33% but 10% or more of its aggregate number of Shares, it will have the right to appoint and remove only one director. In the event BC Partners holds less than 10% but 5% or more of its aggregate number of Shares, it will only be entitled to certain board observation rights. On November 15, 2012, BC Partners appointed Raymond Svider, Justin Bateman, and Fahim Ahmed to the board of directors.

CPPIB has the right to appoint and remove three directors so long as it holds 66% or more of its aggregate number of Shares. If CPPIB holds less than 66% but 33% or more of its aggregate number of Shares, it will have the right to appoint and remove only two directors. If CPPIB holds less than 33% but 10% or more of its aggregate number of Shares, it will have the right to appoint and remove only one director. In the event CPPIB holds less than 10% but 5% or more of its aggregate number of Shares, it will only be entitled to certain board observation rights. On November 15, 2012, CPPIB appointed Jim Fasano and Erik Levy to the board of directors. CPPIB currently has the right to appoint one additional director.

In addition, so long as each Sponsor holds at least 10% of its aggregate number of Shares, the Sponsors shall jointly have the right to appoint and remove two independent directors, one of whom is required to qualify as "independent" under the Exchange Act. On November 15, 2012, the Sponsors jointly appointed Aryeh B. Bourkoff to the board of directors. On December 12, 2012, the Sponsors jointly appointed Eugene V. Fife to the board of directors, who is designated as an independent director.

Jerald L. Kent is appointed as Chairman of the board of directors of Cequel Corporation by virtue of being Cequel Corporation's Chief Executive Officer.

Mary E. Meduski, our Executive Vice President and Chief Financial Officer, is appointed to the board of directors for so long as Ms. Meduski is an employee of Cequel Corporation or its subsidiaries and the Management Agreement has not been terminated.

Thomas P. McMillin, our Executive Vice President and Chief Operating Officer, is appointed to the board of directors for so long as Mr. McMillin is an employee of Cequel Corporation or its subsidiaries and the Management Agreement has not been terminated.

Board action. Pursuant to the Stockholders Agreement, certain material corporate actions, including without limitation, our ability to incur certain additional indebtedness, refinance certain of our existing indebtedness, create certain liens, redeem or prepay certain debt, pay dividends, make certain investments, enter into certain transactions with affiliates, enter into new lines of business, engage in consolidation, mergers and acquisitions and make certain capital expenditures, require the approval of the board of directors of Cequel Corporation and subject to certain limited exceptions, the approval of one director appointed by each sponsor. Subject to certain conditions, such approval right held by each sponsor may be assigned to a third party.

Restrictions on transfer. The Stockholders Agreement contains restrictions on the transfer of Shares and customary "drag-along," "tag along" and "pre-emptive" rights.

IPO rights. Subject to certain conditions, BC Partners or CPPIB may require Cequel Corporation to effect an initial public offering. In such case, each holder of Shares shall have the right to participate in the initial public offering. In addition, each holder of Shares is entitled to customary "demand" and "piggyback" rights.

Excell

On November 15, 2012, all of the capital stock of Excell, a tower services business, was contributed to Cequel Corporation by a limited partnership affiliated with the Management Investors, and Cequel Corporation contributed all of such capital stock of Excell to Suddenlink. Following such contribution, Excell became a subsidiary of Suddenlink.

Transaction fee agreement

On November 15, 2012, Cequel Corporation entered into a Transaction Fee Agreement with the Sponsors and the Management Investors, pursuant to which Cequel Corporation will pay the Sponsors and the Management Investors the Deferred Fee for advisory services the Sponsors and the Management Investors provided in connection with the Acquisition. We accrued $64.6 million to make a distribution to Cequel Corporation in April 2013, which will be used by Cequel Corporation to pay the Deferred Fee.

Advisory agreements

On November 15, 2012, Cequel Corporation entered into an Advisory Agreement with each Sponsor, pursuant to which Cequel Corporation will pay each Sponsor an annual fee of $1 million beginning in 2013 for providing advisory and consulting services in relation to the business, finances, operations and other affairs of Cequel Corporation and its subsidiaries.

Level 3

Our manager is a party to the Level 3 Service Agreement whereby Level 3 provides Suddenlink with intercity private line circuits and Internet transit capacity.

We paid Level 3 fees of approximately $7.2 million in 2012 with respect to the Level 3 Service Agreement.

Initial Purchasers

An affiliate of certain funds affiliated with Goldman, Sachs & Co. ("the Goldman Funds"), which prior to the consummation of the Acquisition held more than 5% of Cequel Holdings' common units, served as a joint book-running manager for the offering of the October 2020 Notes, and received $1.25 million.

In connection with the entry into the Credit Agreement, an affiliate of the Goldman Funds served as an arranger and joint book-runner. For the services associated with such role, such affiliate received a total fee of approximately $4.0 million. This amount does not include any amounts such affiliate may have received in its capacity as a revolver or term loan lender.

In connection with the entry into the Purchase Agreement, a subsidiary of Cequel Holdings entered into a commitment letter for bridge financing related to the Acquisition. This subsidiary of Cequel Holdings was required to pay a commitment fee upon the consummation of the Acquisition. In connection with the commitment to provide a portion of the bridge facility, an affiliate of the Goldman Funds received a fee of approximately $0.8 million.

In addition, in connection with the acknowledgement under the Credit Facility to the amendment to the Management Agreement, an affiliate of the Goldman Funds received an acknowledgement fee of $0.2 million.

LionTree

Aryeh Bourkoff, our independent director is CEO and founder of LionTree, a financial advisory firm Cequel Holdings engaged in connection with the Acquisition. In connection with the consummation of the Acquisition, on November 15, 2012, Cequel Holdings paid LionTree $15 million. Liontree is also an investor in BC Partners.

Certain Programming Agreements

Cequel III Programming, LLC, a wholly-owned subsidiary of our manager, enters into the programming agreements, pursuant to which we obtain our programming.

Jerald L. Kent, our Chairman and Chief Executive Officer, serves on the board of directors of C-SPAN, a party to one of our programming agreements. We paid C-SPAN fees of approximately $0.9 million in 2012.

Certain Transportation Arrangements

Cequel III Aviation, LLC, a subsidiary of our manager, provides an airplane for our use on certain business trips. We paid our manager fees of approximately $0.5 million in 2012 with respect to the use of the airplane.

Legal Fees

Daniel Bergstein, one of the owners of Turnip Truck, LLC, which prior to the consummation of the Acquisition held 5% or more of Cequel Holdings' common units, is a senior counsel of Paul Hastings LLP, a law firm that provides legal services to us. The legal fees for services provided by Paul Hastings LLP were approximately $3.0 million in 2012.

Director Independence

Except for Eugene V. Fife, our independent director, none of our directors would be considered independent under the independence standards of the New York Stock Exchange.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Fees for professional services provided by our independent auditors, PricewaterhouseCoopers LLP, in each of the last two fiscal years, in each of the following categories are as follows:

	2012	2011
Audit Fees	$1,095,500	$905,000
Tax Fees	$790,000	$515,000
All Other Fees	$0	$0
	$1,885,500	$1,420,000

Audit fees are principally for the annual audit of our consolidated financial statements, quarterly reviews of our interim consolidated financial statements, and for work done in conjunction with our entering into the Credit Agreement and related loans on February 14, 2012 and Notes issuances on December 13, 2012, October 25, 2012 and January 19, 2011, for the years ended 2012 and 2011, respectively. Audit fees also include work performed in conjunction with the Acquisition for 2012 and other due diligence for 2011. Tax fees are principally for federal and state tax compliance services, as well as due diligence acquisition work, with additional Acquisition related expenses in 2012.

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by our independent auditor. The policy provides for preapproval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

EXHIBITS:

The documents listed below are exhibits to this Annual Report and are available on the company website (www.suddenlink.com).

Exhibit Number	Title
2.1	Stock Purchase Agreement By and Between News-Press and Gazette Company and Cequel Communications dba Suddenlink Communications, dated as of November 24, 2010, and Letter Agreement Amendment dated March 31, 2011
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 November 4, 2009, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association, as Trustee
4.2	Form of 8.625% Senior Subordinated Note due 2017 (included in Exhibit 4.1)
4.3	First Supplemental Indenture dated May 4, 2010, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association, as Trustee
4.4	Second Supplemental Indenture dated January 19, 2011, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association, as Trustee
4.5	Third Supplemental Indenture dated August 6, 2012, by and among Cequel Communications Holdings I, LLC, Cequel Capital Corporation and U.S. Bank National Association as Trustee
4.6	Indenture, dated October 25, 2012, by and among Cequel Communications Holdings I, LLC (as successor by merger to Cequel Communications Escrow I, LLC), Cequel Capital Corp (as successor by merger to Cequel Communications Escrow Capital Corp) and U.S. Bank National Association, as Trustee
4.7	Form of 6.375% Senior Notes due 2020
10.1	Second Amended and Restated Cequel Communications Management Agreement dated November 15, 2012
10.2	Credit and Guaranty Agreement dated February 14, 2012 by and among Cequel Communications, LLC, Cequel Communications Holdings II, LLC and their subsidiaries, Various Lenders, and Credit Suisse as Administrative Agent
10.3	Pledge and Security Agreement dated February 14, 2012, by and among Cequel Communications, LLC, the additional grantors thereunder, and Credit Suisse AG, acting

	through its Cayman Islands Branch, as Collateral Agent
10.4	Pledge and Security Agreement dated February 14, 2012, by and among Cequel Communications Holdings II, LLC and Credit Suisse AG, acting through its Cayman Islands Branch, as Collateral 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

FINANCIAL STATEMENT SCHEDULE:

The financial statement schedule — Schedule II — Valuation and Qualifying Accounts — is part of this Annual Report.

Exhibit 12.1

Cequel Communications Holdings I, LLC

Computation of Ratios of Earnings to Fixed Charges

	Year Ended December 31,					
	Successor Period Ended December 31, 2012	Predecessor Period Ended November 15, 2012	Predecessor Year Ended December 31, 2011	2010	2009	2008
	(In thousands, except ratio amounts)					
Earnings:						
Loss before income taxes	$ (28,399)	$ (18,306)	$ (7,392)	$ (39,839)	$ (39,592)	$ (64,022)
Interest expense	33,270	253,732	286,379	246,990	235,389	250,455
Amortization of debt issuance costs	2,400	4,150	10,815	12,635	12,563	9,537
Interest component of rent expense (1)	888	5,460	6,016	5,797	5,594	6,114
Earnings available for fixed charges	$ 8,159	$ 245,036	$ 295,818	$ 225,583	$ 213,954	$ 202,084
Fixed Charges:						
Interest expense	$ 33,270	$ 253,732	$ 286,379	$ 246,990	$ 235,389	$ 250,455
Amortization of debt issuance cost	2,400	4,150	10,815	12,635	12,563	9,537
Interest component of rent expense (1)	888	5,460	6,016	5,797	5,594	6,114
Total fixed charges	$ 36,558	$ 263,342	$ 303,210	$ 265,422	$ 253,546	$ 266,106
Ratio of earnings to fixed charges	-	-	-	-	-	-
Deficiency of earnings over fixed charges	$ (28,399)	$ (18,306)	$ (7,392)	$ (39,839)	$ (39,592)	$ (64,022)

(1) Management believes a reasonable approximation (one-third) is deemed to be the interest factor included in rental

Cequel Communications Holdings I, LLC

Schedule II – Valuation and Qualifying Accounts

	Balance at beginning of period	Provision	Write-offs	Other	Balance at end of period
December 31, 2010 - Predecessor					
Allowance for doubtful accounts:	$ 8,766	$ 24,029	$ (21,768)	$ -	$ 11,027
Deferred tax asset vauation allowance:	$ 95,910	$ (12,936)	$ -	$ -	$ 82,974
December 31, 2011 - Predecessor					
Allowance for doubtful accounts:	$ 11,027	$ 28,033	$ (26,338)	$ -	$ 12,722
Deferred tax asset vauation allowance:	$ 82,974	$ (16,266)	$ -	$ -	$ 66,708
November 15, 2012 - Predecessor					
Allowance for doubtful accounts:	$ 12,722	$ 23,930	$ (23,067)	$ -	$ 13,585
Deferred tax asset vauation allowance:	$ 66,708	$ (60)	$ -	$ -	$ 66,648
December 31, 2012 - Successor					
Allowance for doubtful accounts:	$ -	$ 3,928	$ -	$ -	$ 3,928
Deferred tax asset vauation allowance:	$ -	$ -	$ -	$ -	$ -

SIGNATURES

Pursuant to (i) Section 4.14 of the 2017 Indenture and (ii) Section 4.12 of the 2020 Indenture, Cequel has duly caused this Annual Report to be signed on their behalf by the undersigned, thereunto duly authorized.

CEQUEL COMMUNICATIONS HOLDINGS I, LLC

Date: March 7, 2013

By: /s/ Jerald L. Kent

Name: Jerald L. Kent

Title: Chairman and Chief Executive Officer

(Principal Executive Officer)

By: /s/ Mary E. Meduski

Name: Mary E. Meduski

Title: Executive Vice President and Chief Financial Officer

Pursuant to (i) Section 4.14 of the 2017 Indenture and (ii) Section 4.12 of the 2020 Indenture, this Annual Report has been signed below by the following persons on behalf of the Issuers and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Jerald L. Kent Jerald L. Kent	Chairman and Chief Executive Officer; Chairman of the Board	March 7, 2013
/s/ Fahim Ahmed Fahim Ahmed	Director	March 7, 2013
/s/ Aryeh B. Bourkoff Aryeh B. Bourkoff	Director	March 7, 2013
/s/ Justin Bateman Justin Bateman	Director	March 7, 2013
/s/ Jim Fasano Jim Fasano	Director	March 7, 2013
/s/ Eugene V. Fife Eugene V. Fife	Independent Director	March 7, 2013
/s/ Erik Levy Erik Levy	Director	March 7, 2013
/s/ Thomas P. McMillin Thomas P. McMillin	Director	March 7, 2013
/s/ Mary E. Meduski Mary E. Meduski	Director	March 7, 2013
/s/ Raymond Svider Raymond Svider	Director	March 7, 2013