UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

or

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

For the Transition Period From to

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

CCO Holdings, LLC
CCO Holdings Capital Corp.

(Exact name of registrant as specified in its charter)

Delaware			**86-1067239**
Delaware			**20-0257904**
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)
400 Washington Blvd.	**Stamford**	**Connecticut**	**06902**
(Address of Principal Executive Offices)			(Zip Code)

(203) 905-7801

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company ☐ Emerging growth company ☐

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

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

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

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

Number of shares of common stock of CCO Holdings Capital Corporation outstanding as of June 30, 2021: 1

CCO HOLDINGS, LLC.
CCO HOLDINGS CAPITAL CORP.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 2021

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This quarterly report on Form 10-Q is for the three and six months ended June 30, 2021. The United States Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "CCO Holdings," "we," "us" and "our" refer to CCO Holdings, LLC. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- our ability to sustain and grow revenues and cash flow from operations by offering Internet, video, voice, mobile, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our service areas and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;
- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite ("DBS") operators, wireless broadband and telephone providers, digital subscriber line ("DSL") providers, fiber to the home providers and providers of video content over broadband Internet connections;
- general business conditions, unemployment levels and the level of activity in the housing sector and economic uncertainty or downturn, including the impacts of the Novel Coronavirus ("COVID-19") pandemic to our customers, our vendors and local, state and federal governmental responses to the pandemic;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents and distribution requirements);
- our ability to develop and deploy new products and technologies including mobile products and any other consumer services and service platforms;
- any events that disrupt our networks, information systems or properties and impair our operating activities or our reputation;
- the effects of governmental regulation on our business including subsidies to consumers, subsidies and incentives for competitors, costs, disruptions and possible limitations on operating flexibility related to, and our ability to comply with, regulatory conditions applicable to us;
- the ability to hire and retain key personnel;
- our ability to procure necessary services and equipment from our vendors at reasonable costs;
- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

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

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements.***

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

	June 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,477	$ 710
Accounts receivable, less allowance for doubtful accounts of $193 and $217, respectively	2,543	2,503
Prepaid expenses and other current assets	334	325
Total current assets	4,354	3,538
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of $32,426 and $31,558, respectively	33,179	33,490
Customer relationships, net	4,787	5,615
Franchises	67,322	67,322
Goodwill	29,554	29,554
Total investment in cable properties, net	134,842	135,981
OTHER NONCURRENT ASSETS	3,075	3,102
Total assets	$ 142,271	$ 142,621
LIABILITIES AND MEMBER’S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 8,325	$ 8,243
Payables to related party	57	96
Current portion of long-term debt	1,002	1,008
Total current liabilities	9,384	9,347
LONG-TERM DEBT	86,962	81,744
LOANS PAYABLE - RELATED PARTY	1,078	1,001
DEFERRED INCOME TAXES	53	53
OTHER LONG-TERM LIABILITIES	3,189	3,268
MEMBER’S EQUITY:		
CCO Holdings member's equity	41,582	47,185
Noncontrolling interests	23	23
Total member’s equity	41,605	47,208
Total liabilities and member’s equity	$ 142,271	$ 142,621

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
REVENUES	$ 12,801	$ 11,694	$ 25,320	$ 23,430
COSTS AND EXPENSES:				
Operating costs and expenses (exclusive of items shown separately below)	7,903	7,322	15,634	14,774
Depreciation and amortization	2,349	2,424	4,785	4,917
Other operating (income) expenses, net	(5)	2	299	12
	10,247	9,748	20,718	19,703
Income from operations	2,554	1,946	4,602	3,727
OTHER INCOME (EXPENSES):				
Interest expense, net	(1,001)	(965)	(1,982)	(1,957)
Other income (expenses), net	(130)	33	(88)	(291)
	(1,131)	(932)	(2,070)	(2,248)
Income before income taxes	1,423	1,014	2,532	1,479
Income tax expense	(11)	(7)	(21)	(13)
Consolidated net income	1,412	1,007	2,511	1,466
Less: Net income attributable to noncontrolling interests	(1)	(1)	(1)	(1)
Net income attributable to CCO Holdings member	$ 1,411	$ 1,006	$ 2,510	$ 1,465

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

CCO HOLDINGS, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
(dollars in millions)
Unaudited

	CCO Holdings Member's Equity	Noncontrolling Interests	Total Member's Equity
BALANCE, December 31, 2020	$ 47,185	$ 23	$ 47,208
Consolidated net income	1,099	—	1,099
Stock compensation expense	134	—	134
Distributions to parent	(4,244)	—	(4,244)
Distributions to noncontrolling interest	—	(1)	(1)
BALANCE, March 31, 2021	44,174	22	44,196
Consolidated net income	1,411	1	1,412
Stock compensation expense	100	—	100
Contributions from parent	2	—	2
Distributions to parent	(4,105)	—	(4,105)
BALANCE, June 30, 2021	$ 41,582	$ 23	$ 41,605

	CCO Holdings Member's Equity	Noncontrolling Interests	Total Member's Equity
BALANCE, December 31, 2019	$ 55,266	$ 23	$ 55,289
Consolidated net income	459	—	459
Stock compensation expense	90	—	90
Contributions from parent	27	—	27
Distributions to parent	(2,685)	—	(2,685)
Distributions to noncontrolling interest	—	(1)	(1)
BALANCE, March 31, 2020	53,157	22	53,179
Consolidated net income	1,006	1	1,007
Stock compensation expense	90	—	90
Contributions from parent	12	—	12
Distributions to parent	(1,290)	—	(1,290)
BALANCE, June 30, 2020	$ 52,975	$ 23	$ 52,998

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

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$ 2,511	$ 1,466
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	4,785	4,917
Stock compensation expense	234	180
Noncash interest income, net	(19)	(21)
Other, net	132	274
Changes in operating assets and liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(40)	173
Prepaid expenses and other assets	(101)	(100)
Accounts payable, accrued liabilities and other	211	(104)
Receivables from and payables to related party	(18)	(90)
Net cash flows from operating activities	7,695	6,695
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(3,675)	(3,338)
Change in accrued expenses related to capital expenditures	(125)	(174)
Other, net	52	(5)
Net cash flows from investing activities	(3,748)	(3,517)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	10,958	7,322
Repayments of long-term debt	(5,759)	(7,892)
Payments for debt issuance costs	(58)	(62)
Borrowings of loans payable - related parties	52	25
Contributions from parent	2	39
Distributions to parent	(8,349)	(3,975)
Distributions to noncontrolling interest	(1)	(1)
Other, net	(25)	(25)
Net cash flows from financing activities	(3,180)	(4,569)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	767	(1,391)
CASH AND CASH EQUIVALENTS, beginning of period	710	3,249
CASH AND CASH EQUIVALENTS, end of period	$ 1,477	$ 1,858
CASH PAID FOR INTEREST	$ 1,987	$ 1,985
CASH PAID FOR TAXES	$ 29	$ 29

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

1. Organization and Basis of Presentation

Organization

CCO Holdings, LLC (together with its subsidiaries, "CCO Holdings," or the "Company") is a leading broadband connectivity company and cable operator. Over an advanced high-capacity, two-way telecommunications network, the Company offers a full range of state-of-the-art residential and business services including Spectrum Internet, TV, Mobile and Voice. For small and medium-sized companies, Spectrum Business® delivers the same suite of broadband products and services coupled with special features and applications to enhance productivity, while for larger businesses and government entities, Spectrum Enterprise provides highly customized, fiber-based solutions. Spectrum Reach® delivers tailored advertising and production for the modern media landscape. The Company also distributes award-winning news coverage, sports and high-quality original programming to its customers through Spectrum Networks and Spectrum Originals.

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

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

Basis of Presentation

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs, impairments of franchises and goodwill, pension benefits and income taxes. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform with the 2021 presentation.

(dollars in millions, except where indicated)

2. Franchises, Goodwill and Other Intangible Assets

Indefinite-lived and finite-lived intangible assets consist of the following as of June 30, 2021 and December 31, 2020:

	June 30, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	$ 67,322	$ —	$ 67,322	$ 67,322	$ —	$ 67,322
Goodwill	29,554	—	29,554	29,554	—	29,554
Wireless spectrum licenses	464	—	464	464	—	464
	$ 97,340	$ —	$ 97,340	$ 97,340	$ —	$ 97,340
Finite-lived intangible assets:						
Customer relationships	$ 18,232	$ (13,445)	$ 4,787	$ 18,230	$ (12,615)	$ 5,615
Other intangible assets	420	(178)	242	420	(159)	261
	$ 18,652	$ (13,623)	$ 5,029	$ 18,650	$ (12,774)	$ 5,876

Amortization expense related to customer relationships and other intangible assets for the three and six months ended June 30, 2021 was $410 million and $850 million, respectively, and $478 million and $986 million for the three and six months ended June 30, 2020, respectively.

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

Six months ended December 31, 2021	$ 753
2022	1,332
2023	1,075
2024	824
2025	576
Thereafter	469
	$ 5,029

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

3. Investments

During the three and six months ended June 30, 2021, the Company recorded impairments on equity investments of approximately $165 million which was recorded in other income (expenses), net in the consolidated statements of operations.

(dollars in millions, except where indicated)

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Accounts payable – trade	$ 675	$ 737
Deferred revenue	498	436
Accrued liabilities:		
Programming costs	2,123	1,940
Labor	1,161	1,370
Capital expenditures	1,059	1,227
Interest	1,090	1,083
Taxes and regulatory fees	545	523
Operating lease liabilities	225	202
Other	949	725
	$ 8,325	$ 8,243

5. Leases

Operating lease expenses were $103 million and $205 million for the three and six months ended June 30, 2021, respectively, and $96 million and $191 million for the three and six months ended June 30, 2020, respectively, inclusive of $33 million and $66 million for the three and six months ended June 30, 2021, respectively, and $30 million and $62 million for the three and six months ended June 30, 2020, respectively, of both short-term lease costs and variable lease costs that were not included in the measurement of operating lease liabilities.

Cash paid for amounts included in the measurement of operating lease liabilities, recorded as operating cash flows in the statements of cash flows, were $138 million and $125 million for the six months ended June 30, 2021 and 2020, respectively. Operating lease right-of-use assets obtained in exchange for operating lease obligations were $205 million and $162 million for the six months ended June 30, 2021 and 2020, respectively.

Supplemental balance sheet information related to leases is as follows.

	June 30, 2021	December 31, 2020
Operating lease right-of-use assets:		
Included within other noncurrent assets	$ 1,152	$ 1,065
Operating lease liabilities:		
Current portion included within accounts payable and accrued liabilities	$ 225	$ 202
Long-term portion included within other long-term liabilities	1,013	941
	$ 1,238	$ 1,143
Weighted average remaining lease term for operating leases	6.0 years	6.4 years
Weighted average discount rate for operating leases	3.6 %	3.9 %

(dollars in millions, except where indicated)

Maturities of operating lease liabilities as of June 30, 2021 are as follows.

Six months ended December 31, 2021	$	144
2022		279
2023		264
2024		217
2025		171
Thereafter		363
Undiscounted lease cash flow commitments		1,438
Reconciling impact from discounting		(200)
Lease liabilities on consolidated balance sheet as of June 30, 2021	$	1,238

The Company has $64 million and $63 million of finance lease liabilities recognized in the consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively, included within accounts payable and accrued liabilities and other long-term liabilities. The related finance lease right-of-use assets are recorded in property, plant and equipment, net. The Company's finance leases were not considered material for further supplemental lease disclosures.

6. Long-Term Debt

Long-term debt consists of the following as of June 30, 2021 and December 31, 2020:

	June 30, 2021		December 31, 2020	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCO Holdings, LLC:				
4.000% senior notes due March 1, 2023	$ 500	$ 498	$ 500	$ 498
5.750% senior notes due February 15, 2026	1,250	1,239	2,500	2,475
5.500% senior notes due May 1, 2026	1,500	1,493	1,500	1,492
5.875% senior notes due May 1, 2027	—	—	800	796
5.125% senior notes due May 1, 2027	3,250	3,227	3,250	3,225
5.000% senior notes due February 1, 2028	2,500	2,474	2,500	2,472
5.375% senior notes due June 1, 2029	1,500	1,501	1,500	1,501
4.750% senior notes due March 1, 2030	3,050	3,042	3,050	3,042
4.500% senior notes due August 15, 2030	2,750	2,750	2,750	2,750
4.250% senior notes due February 1, 2031	3,000	3,002	3,000	3,001
4.500% senior notes due May 1, 2032	2,900	2,927	2,900	2,928
4.500% senior notes due June 1, 2033	1,750	1,728	—	—
Charter Communications Operating, LLC:				
4.464% senior notes due July 23, 2022	3,000	2,994	3,000	2,992
Senior floating rate notes due February 1, 2024	900	901	900	902
4.500% senior notes due February 1, 2024	1,100	1,095	1,100	1,094
4.908% senior notes due July 23, 2025	4,500	4,478	4,500	4,475
3.750% senior notes due February 15, 2028	1,000	989	1,000	989
4.200% senior notes due March 15, 2028	1,250	1,242	1,250	1,241
5.050% senior notes due March 30, 2029	1,250	1,242	1,250	1,242
2.800% senior notes due April 1, 2031	1,600	1,584	1,600	1,583
2.300% senior notes due February 1, 2032	1,000	991	1,000	991
6.384% senior notes due October 23, 2035	2,000	1,984	2,000	1,983

(dollars in millions, except where indicated)

5.375% senior notes due April 1, 2038	800	787	800	786
3.500% senior notes due June 1, 2041	1,500	1,482	—	—
6.484% senior notes due October 23, 2045	3,500	3,468	3,500	3,468
5.375% senior notes due May 1, 2047	2,500	2,506	2,500	2,506
5.750% senior notes due April 1, 2048	2,450	2,392	2,450	2,392
5.125% senior notes due July 1, 2049	1,250	1,240	1,250	1,240
4.800% senior notes due March 1, 2050	2,800	2,797	2,800	2,797
3.700% senior notes due April 1, 2051	2,050	2,031	2,050	2,030
3.900% senior notes due June 1, 2052	2,400	2,321	—	—
6.834% senior notes due October 23, 2055	500	495	500	495
3.850% senior notes due April 1, 2061	1,850	1,809	1,350	1,339
4.400% senior notes due December 1, 2061	1,400	1,389	—	—
Credit facilities	10,012	9,949	10,150	10,081
Time Warner Cable, LLC:				
4.000% senior notes due September 1, 2021	1,000	1,002	1,000	1,008
5.750% sterling senior notes due June 2, 2031 [a]	865	919	854	911
6.550% senior debentures due May 1, 2037	1,500	1,665	1,500	1,668
7.300% senior debentures due July 1, 2038	1,500	1,759	1,500	1,763
6.750% senior debentures due June 15, 2039	1,500	1,703	1,500	1,706
5.875% senior debentures due November 15, 2040	1,200	1,253	1,200	1,254
5.500% senior debentures due September 1, 2041	1,250	1,258	1,250	1,258
5.250% sterling senior notes due July 15, 2042 [b]	899	869	889	859
4.500% senior debentures due September 15, 2042	1,250	1,146	1,250	1,145
Time Warner Cable Enterprises LLC:				
8.375% senior debentures due March 15, 2023	1,000	1,081	1,000	1,104
8.375% senior debentures due July 15, 2033	1,000	1,262	1,000	1,270
Total debt	87,526	87,964	82,143	82,752
Less current portion:				
4.000% senior notes due September 1, 2021	(1,000)	(1,002)	(1,000)	(1,008)
Long-term debt	$ 86,526	$ 86,962	$ 81,143	$ 81,744

[a] Principal amount includes £625 million remeasured at $865 million and $854 million as of June 30, 2021 and December 31, 2020, respectively, using the exchange rate at the respective dates.

[b] Principal amount includes £650 million remeasured at $899 million and $889 million as of June 30, 2021 and December 31, 2020, respectively, using the exchange rate at the respective dates.

The accreted values presented in the table above represent the principal amount of the debt adjusted for original issue discount or premium at the time of sale, deferred financing costs, and, in regards to debt assumed in acquisitions, fair value premium adjustments as a result of applying acquisition accounting plus the accretion of those amounts to the balance sheet date. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. In regards to the fixed-rate British pound sterling denominated notes (the “Sterling Notes”), the principal amount of the debt and any premium or discount is remeasured into US dollars as of each balance sheet date. See Note 8. The Company has availability under the Charter Communications Operating, LLC ("Charter Operating") credit facilities of approximately $4.7 billion as of June 30, 2021.

In March 2021, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $1.5 billion aggregate principal amount of 3.500% senior secured notes due June 2041 at a price of 99.544% of the aggregate principal amount, $1.0 billion aggregate principal amount of 3.900% senior secured notes due June 2052 at a price of 99.951% of the aggregate principal amount and an additional $500 million aggregate principal amount of 3.850% senior secured notes due April 2061 at a price of 94.668% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including distributions to the Company's parent companies to fund buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including $750 million of CCO Holdings' 5.750% notes due February 2026.

(dollars in millions, except where indicated)

In June 2021, Charter Operating and Charter Communications Operating Capital Corp. issued an additional $1.4 billion of 3.900% senior secured notes due June 2052 priced at 95.578% of the aggregate principal amount and $1.4 billion aggregate principal amount of 4.400% senior secured notes due December 2061 at a price of 99.906% of the aggregate principal amount. Net proceeds were used to pay related fees and expenses and for general corporate purposes, including distributions to the Company's parent companies to fund buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including $500 million of CCO Holdings' 5.750% notes due February 2026, all of CCO Holdings' 5.875% notes due May 2027, and in July 2021, $1.0 billion of Time Warner Cable, LLC's 4.000% notes due September 2021.

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

The Charter Operating notes are subject to the terms and conditions of the indenture governing the Charter Operating notes. The Charter Operating notes contain customary representations and warranties and affirmative covenants with limited negative covenants. The Charter Operating indenture also contains customary events of default.

In April 2021, CCO Holdings and CCO Holdings Capital Corp. jointly issued $1.0 billion of 4.500% senior unsecured notes due June 2033 at par, and in June 2021, an additional $750 million of the same series of notes was issued at a price of 99.250% of the aggregate principal amount. The net proceeds were used for general corporate purposes, including distributions to the Company's parent companies to fund potential buybacks of Charter Class A common stock and Charter Holdings common units, to repay certain indebtedness and to pay related fees and expenses.

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

CCO Holdings may redeem some or all of the notes at any time at a premium. Beginning in 2030, the optional redemption price declines to 100% of the principal amount, plus accrued and unpaid interest, if any.

In addition, at any time prior to 2024, CCO Holdings may redeem up to 40% of the aggregate principal amount of the notes at a premium plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more equity offerings (as defined in the indenture); provided that certain conditions are met. In the event of specified change of control events, CCO Holdings must offer to purchase the outstanding notes from the holders at a purchase price equal to 101% of the total principal amount of the notes, plus any accrued and unpaid interest.

Losses on extinguishment of debt are recorded in other income (expenses), net in the consolidated statements of operations and consisted of the following.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
CCO Holdings notes redemption	$ (46)	$ (36)	$ (75)	$ (63)

(dollars in millions, except where indicated)

7. Loans Payable - Related Party

Loans payable - related party as of June 30, 2021 and December 31, 2020 consists of loans from Charter Communications Holding Company, LLC (“Charter Holdco”) to Charter Operating of $743 million and $727 million, respectively, and loans from Charter to Charter Operating of $335 million and $274 million, respectively. Interest accrued at LIBOR plus 1.25% on the loans payable from Charter Holdco and LIBOR plus 2.00% on the loans payable from Charter during the periods ending June 30, 2021 and December 31, 2020.

8. Accounting for Derivative Instruments and Hedging Activities

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

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The Company is required to post collateral on the cross-currency derivative instruments when the derivative contracts are in a liability position. In April 2019, the Company entered into a collateral holiday agreement for 60% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years, as well as a ten year collateral cap on the remaining 40% of the cross-currency swaps which limits the required collateral posting on that 40% of the cross-currency swaps to $150 million. In March 2021, the collateral holiday for 20% of the swaps was extended to November 2022 in consideration for the Company's agreement to post collateral over a threshold amount on that 20% portion of the swaps from March 2021 through October 2021. The fair value of the Company's cross-currency derivatives was $206 million and $184 million and is included in other long-term liabilities on its consolidated balance sheets as of June 30, 2021 and December 31, 2020, respectively.

The Company’s derivative instruments are not designated as hedges and are marked to fair value each period, with the impact recorded as a gain or loss on financial instruments in the consolidated statements of operations in other income (expenses), net. While these derivative instruments are not designated as hedges for accounting purposes, management continues to believe such instruments are closely correlated with the respective debt, thus managing associated risk.

The effect of financial instruments are recorded in other income (expenses), net in the consolidated statements of operations and consisted of the following.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Change in fair value of cross-currency derivative instruments	$ (85)	$ 61	$ (22)	$ (365)
Foreign currency remeasurement of Sterling Notes to U.S. dollars	(6)	3	(21)	111
Gain (loss) on financial instruments, net	$ (91)	$ 64	$ (43)	$ (254)

9. Fair Value Measurements

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

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

(dollars in millions, except where indicated)

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of June 30, 2021 and December 31, 2020 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

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

As of June 30, 2021 and December 31, 2020, accounts receivable, net on the consolidated balance sheets includes approximately $363 million and $338 million of current equipment installment plan receivables, respectively, and other noncurrent assets includes approximately $173 million and $134 million of noncurrent equipment installment plan receivables, respectively.

Financial instruments accounted for at fair value on a recurring basis and classified within Level 2 of the valuation hierarchy include the Company's cross-currency derivative instruments which are recorded in other-long term liabilities on the consolidated balance sheets and were valued at $206 million and $184 million as of June 30, 2021 and December 31, 2020, respectively.

The estimated fair value of the Company’s senior notes and debentures as of June 30, 2021 and December 31, 2020 is based on quoted market prices in active markets and is classified within Level 1 of the valuation hierarchy, while the estimated fair value of the Company’s credit facilities is based on quoted market prices in inactive markets and is classified within Level 2.

A summary of the carrying value and fair value of debt as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes and debentures	$ 78,015	$ 87,958	$ 72,671	$ 84,163
Credit facilities	$ 9,949	$ 9,963	$ 10,081	$ 10,063

Nonfinancial Assets and Liabilities

The Company’s nonfinancial assets such as equity-method investments, franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. When such impairments are recorded, fair values are generally classified within Level 3 of the valuation hierarchy.

(dollars in millions, except where indicated)

10. Revenues

The Company’s revenues by product line are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Internet	$ 5,221	$ 4,530	$ 10,307	$ 8,937
Video	4,378	4,371	8,722	8,793
Voice	394	451	793	908
Residential revenue	9,993	9,352	19,822	18,638
Small and medium business	1,042	983	2,054	1,979
Enterprise	636	606	1,274	1,228
Commercial revenue	1,678	1,589	3,328	3,207
Advertising sales	411	249	755	614
Mobile	519	310	1,011	568
Other	200	194	404	403
	$ 12,801	$ 11,694	$ 25,320	$ 23,430

11. Operating Costs and Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Programming	$ 2,978	$ 2,873	$ 5,966	$ 5,765
Regulatory, connectivity and produced content	668	488	1,268	1,039
Costs to service customers	1,827	1,848	3,631	3,696
Marketing	741	719	1,492	1,485
Mobile	586	413	1,158	787
Other	1,103	981	2,119	2,002
	$ 7,903	$ 7,322	$ 15,634	$ 14,774

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand and pay-per-view programming. Regulatory, connectivity and produced content costs represent payments to franchise and regulatory authorities, costs directly related to providing video, Internet and voice services as well as payments for sports, local and news content produced by the Company. Included in regulatory, connectivity and produced content costs is content acquisition costs for the Los Angeles Lakers’ basketball games and Los Angeles Dodgers’ baseball games, which are recorded as games are exhibited over the contract period. Costs to service customers include costs related to field operations, network operations and customer care for the Company’s residential and SMB customers, including internal and third-party labor for the non-capitalizable portion of installations, service and repairs, maintenance, bad debt expense, billing and collection, occupancy and vehicle costs. Marketing costs represent the costs of marketing to current and potential commercial and residential customers including labor costs. Mobile costs represent costs associated with the Company's mobile service such as device and service costs, marketing, sales and commissions, retail stores, personnel costs, taxes, among others. Other includes corporate overhead, advertising sales expenses, indirect costs associated with the Company’s enterprise business customers and regional sports and news networks, property tax and insurance expense and stock compensation expense, among others.

(dollars in millions, except where indicated)

12. Other Operating (Income) Expenses, Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Special charges, net	$ (2)	$ 6	$ 255	$ 25
(Gain) loss on disposal of assets, net	(3)	(4)	44	(13)
	$ (5)	$ 2	$ 299	$ 12

Special charges, net

Special charges, net primarily includes net amounts of litigation settlements, including the $220 million tentative settlement with Sprint Communications Company L.P. (“Sprint”) and T-Mobile USA, Inc. ("T-Mobile") for the six months ended June 30, 2021 discussed in Note 18, and employee termination costs.

(Gain) loss on disposal of assets, net

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

13. Other Income (Expenses), Net

Other income (expenses), net consist of the following for the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Loss on extinguishment of debt (see Note 6)	$ (46)	$ (36)	$ (75)	$ (63)
Gain (loss) on financial instruments, net (see Note 8)	(91)	64	(43)	(254)
Other pension benefits, net (see Note 19)	173	11	191	21
Loss on equity investments, net (see Note 3)	(166)	(6)	(161)	5
	$ (130)	$ 33	$ (88)	$ (291)

14. Stock Compensation Plans

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

Charter granted the following equity awards for the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	16,800	11,600	1,241,800	1,265,300
Restricted stock	4,600	6,000	4,600	6,000
Restricted stock units	9,100	7,600	354,200	415,900

Charter stock options and restricted stock units generally cliff vest three years from the date of grant. Stock options generally expire ten years from the grant date and restricted stock units have no voting rights. Restricted stock generally vests one year from the date of grant.

As of June 30, 2021, total unrecognized compensation remaining to be recognized in future periods totaled $319 million for stock options, $2 million for restricted stock and $305 million for restricted stock units and the weighted average period over which they are expected to be recognized is two years for stock options, ten months for restricted stock and two years for restricted stock units.

The Company recorded stock compensation expense of $100 million and $234 million for the three and six months ended June 30, 2021, respectively, and $90 million and $180 million for the three and six months ended June 30, 2020, respectively, which is included in operating costs and expenses.

15. Income Taxes

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

Generally, the taxable income, gains, losses, deductions and credits of CCO Holdings are passed through to its indirect members, Charter and Advance/Newhouse Partnership ("A/N"). Charter is responsible for its share of taxable income or loss of CCO Holdings allocated to it in accordance with the Charter Holdings Limited Liability Company Agreement and partnership tax rules and regulations. Charter also records financial statement deferred tax assets and liabilities related to its investment, and its underlying net assets, in CCO Holdings. The Company recorded income tax expense of $11 million and $21 million for the three and six months ended June 30, 2021, respectively, and $7 million and $13 million for the three and six months ended June 30, 2020, respectively.

In determining the Company's tax provision for financial reporting purposes, the Company establishes a reserve for uncertain tax positions unless such positions are determined to be "more likely than not" of being sustained upon examination, based on their technical merits. There is considerable judgment involved in making such a determination. The Company has recorded unrecognized tax benefits totaling approximately $102 million, excluding interest and penalties, as of June 30, 2021 and December 31, 2020. The Company does not currently anticipate that its reserve for uncertain tax positions will significantly increase or decrease during 2021; however, various events could cause the Company's current expectations to change in the future. These uncertain tax positions, if ever recognized in the financial statements, would be recorded in the consolidated statements of operations as part of the income tax provision.

No tax years for Charter are currently under examination by the Internal Revenue Service ("IRS") for income tax purposes. Charter's 2016 through 2020 tax years remain open for examination and assessment. Charter's short period return dated May 17, 2016 (prior to the merger with Time Warner Cable Inc. ("TWC") and acquisition of Bright House Networks, LLC ("Bright House")) and prior years remain open solely for purposes of examination of Charter's loss and credit carryforwards. The IRS is currently examining Charter Holdings' income tax return for 2016. Charter Holdings' 2017 through 2020 tax years remain open for examination and assessment. The IRS is currently examining TWC's income tax returns for 2011 through 2014. TWC's tax year 2015 remains subject to examination and assessment. Prior to TWC's separation from Time Warner Inc. ("Time Warner") in March 2009, TWC was included in the consolidated U.S. federal and certain state income tax returns of Time Warner. The IRS has examined Time Warner's 2008 through 2010 income tax returns and the results are under appeal. The Company does not anticipate that these examinations will have a material impact on the Company's consolidated financial position or results of operations. In addition, the Company is also subject to ongoing examinations of the Company's tax returns by state and local tax authorities for various periods. Activity related to these state and local examinations did not have a material impact on the Company's consolidated financial position or results of operations during the three and six months ended June 30, 2021, nor does the Company anticipate a material impact in the future.

16. Comprehensive Income

Comprehensive income equaled net income attributable to CCO Holdings member for each of the three and six months ended June 30, 2021 and 2020.

17. Related Party Transactions

The following sets forth certain transactions in which the Company and the directors, executive officers, and affiliates of the Company or its parent companies are involved.

Liberty Broadband and A/N

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

In December 2016, Charter and A/N entered into a letter agreement, as amended in December 2017 (the “A/N Letter Agreement”), that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis.

In February 2021, Charter and Liberty Broadband entered into a letter agreement (the “LBB Letter Agreement”). The LBB Letter Agreement implements Liberty Broadband’s obligations under the Stockholders Agreement to participate in share repurchases by Charter. Under the LBB Letter Agreement, Liberty Broadband will sell to Charter, generally on a monthly basis, a number of shares of Charter Class A common stock representing an amount sufficient for Liberty Broadband’s ownership of Charter to be reduced such that it does not exceed the ownership cap then applicable to Liberty Broadband under the Stockholders Agreement at a purchase price per share equal to the volume weighted average price per share paid by Charter for shares repurchased during such immediately preceding calendar month other than (i) purchases from A/N, (ii) purchases in privately negotiated transactions or (iii) purchases for the withholding of shares of Charter Class A common stock pursuant to equity compensation programs of Charter.

Gregory Maffei, a director of Charter and President and CEO and director and holder of 12.6% voting interest in Liberty Broadband, is Chairman of the board of directors of Qurate Retail, Inc. ("Qurate") and Dr. John Malone, a director emeritus of Charter and Chairman of the board of directors and holder of 45.8% of voting interest in Liberty Broadband, also serves on the Qurate board of directors. As reported in SEC filings of Qurate, Mr. Maffei and Dr. Malone, Mr. Maffei has ownership of an approximate 6.3% voting interest in Quarate and Dr. Malone has ownership of an approximate 41.2% voting interest in Qurate. Qurate wholly owns HSN, Inc. (“HSN”) and QVC, Inc. (“QVC”). The Company has programming relationships with HSN and QVC. For the three and six months ended June 30, 2021, the Company recorded revenue in aggregate of approximately $12 million and $23 million, respectively, from HSN and QVC as part of channel carriage fees and revenue sharing arrangements for home shopping sales made to customers in the Company’s footprint, and approximately $12 million and $24 million for the three and six months ended June 30, 2020, respectively.

Dr. Malone and Mr. Steven Miron, a member of Charter’s board of directors, also serve on the board of directors of Discovery, Inc. (“Discovery”). As reported in Discovery's SEC filings, Dr. Malone owns less than 1.0% of the series A common stock, 95.0% of the series B common stock and 3.7% of the series C common stock of Discovery and has a 26.5% voting interest in Discovery for the election of directors. As reported in Discovery's SEC filings, Advance/Newhouse Programming Partnership (“A/N PP”), an affiliate of A/N and in which Mr. Miron is the CEO, owns 100% of the Series A-1 preferred stock of Discovery and 100% of the Series C-1 preferred stock of Discovery and has a 23.2% voting interest for matters other than the election of directors. A/N PP also has the right to appoint three directors out of a total of twelve directors to Discovery’s board. The Company purchases programming from Discovery. Based on publicly available information, the Company does not believe that Discovery would currently be considered a related party. The amount paid in the aggregate to Discovery represents less than 2% of total operating costs and expenses for the three and six months ended June 30, 2021 and 2020.

Equity Investments

The Company and its parent companies have agreements with certain equity investees pursuant to which the Company has made or received related party transaction payments. The Company and its parent companies recorded payments to equity investees totaling $59 million and $117 million during the three and six months ended June 30, 2021, respectively, and $54 million and $117 million during the three and six months ended June 30, 2020, respectively.

18. Contingencies

In August 2015, a purported stockholder of Charter, Matthew Sciabacucchi, filed a lawsuit in the Delaware Court of Chancery, on behalf of a putative class of Charter stockholders, challenging the transactions involving Charter, TWC, A/N, and Liberty Broadband announced by Charter on May 26, 2015. The lawsuit, which named as defendants Charter and its board of directors, alleged that the transactions resulted from breaches of fiduciary duty by Charter’s directors and that Liberty Broadband improperly benefited from the challenged transactions at the expense of other Charter stockholders. Charter denies any liability, believes that it has substantial defenses, and is vigorously defending this lawsuit. Although Charter is unable to predict the outcome of this lawsuit, it does not expect the outcome will have a material effect on its operations, financial condition or cash flows.

The California Attorney General and the Alameda County, California District Attorney are investigating whether certain of Charter’s waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. That investigation was commenced in January 2014. A similar investigation involving TWC was initiated in February 2012. Charter is cooperating with these investigations. While the Company is unable to predict the outcome of these investigations, it does not expect that the outcome will have a material effect on its operations, financial condition, or cash flows.

Sprint filed a patent suit against Charter and Bright House on December 2, 2017 in the United States District Court for the District of Delaware. This suit alleges infringement of 9 patents related to the Company's provision of Voice over Internet Protocol (“VoIP”) services. Sprint previously sued TWC with respect to eight of these patents and obtained a final judgment of $151 million inclusive of interest and costs, which the Company paid in November 2019. The Company has also brought a patent suit against Sprint (TC Tech, LLC v. Sprint) in the United States District Court for the District of Delaware implicating Sprint's LTE technology and a similar suit against T-Mobile in the United States District Court for the Western District of Texas.

Sprint filed a subsequent patent suit against Charter on May 17, 2018 in the United States District Court for the Eastern District of Virginia. This suit alleges infringement of two patents related to the Company's video on demand services. The court transferred this case to the United States District Court for the District of Delaware on December 20, 2018 pursuant to an agreement between the parties.

On February 18, 2020, Sprint filed a lawsuit against Charter, Bright House and TWC. Sprint alleges that Charter misappropriated trade secrets from Sprint years ago through employees hired by Bright House. Sprint asserts that the alleged trade secrets relate to the VoIP business of Charter, TWC and Bright House. The case is now pending in the United States District Court for the District of Kansas.

Charter, T-Mobile and Sprint have tentatively reached a settlement of all of the foregoing suits that would result in a payment of $220 million by Charter to T-Mobile. The Company can give no assurance that this tentative settlement will be finalized. Pending finalization of the settlement and in the event the settlement is not finalized, the Company will vigorously defend these Sprint suits and prosecute the suits it has brought against T-Mobile and Sprint. While the Company is unable to predict the outcome of these lawsuits, it does not expect that the litigation will have a material effect on its operations, financial condition, or cash flows.

(dollars in millions, except where indicated)

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

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

19. Employee Benefit Plans

The Company sponsors qualified defined and nonqualified defined benefit pension plans that provide pension benefits to a majority of employees who were employed by TWC before the merger with TWC.

Pension benefits are based on formulas that reflect the employees’ years of service and compensation during their employment period. Actuarial gains or losses are changes in the amount of either the benefit obligation or the fair value of plan assets resulting from experience different from that assumed or from changes in assumptions. The Company has elected to follow a mark-to-market pension accounting policy for recording the actuarial gains or losses annually during the fourth quarter, or earlier if a remeasurement event occurs during an interim period. No future compensation increases or future service will be credited to participants of the pension plans given the frozen nature of the plans.

The components of net periodic pension benefit (costs) for the three and six months ended June 30, 2021 and 2020 are recorded in in other income (expenses), net in the consolidated statements of operations and consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest cost	$ (24)	$ (28)	$ (48)	$ (56)
Expected return on plan assets	42	39	84	77
Remeasurement gain, net	155	—	155	—
Net periodic pension benefits	$ 173	$ 11	$ 191	$ 21

During the three and six months ended June 30, 2021, settlements for lump-sum distributions to pension plan participants exceeded the estimated annual interest cost of the plans. As a result, the pension liability and pension asset values were reassessed as of June 30, 2021 utilizing remeasurement date assumptions in accordance with the Company's mark-to-market pension accounting policy to record gains and losses in the period in which a remeasurement event occurs. The $155 million remeasurement gain recorded during the three and six months ended June 30, 2021 was primarily driven by changes in the discount rate.

The Company made no cash contributions to the qualified pension plans during the three and six months ended June 30, 2021 and 2020; however, the Company may make discretionary cash contributions to the qualified pension plans in the future. Such contributions will be dependent on a variety of factors, including current and expected interest rates, asset performance, the funded status of the qualified pension plans and management’s judgment. For the nonqualified unfunded pension plan, the Company will continue to make contributions during 2021 to the extent benefits are paid.

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

General

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

We are a leading broadband connectivity company and cable operator serving more than 31 million customers in 41 states through our Spectrum brand. Over an advanced high-capacity, two-way telecommunications network, we offer a full range of state-of-the-art residential and business services including Spectrum Internet, TV, Mobile and Voice. For small and medium-sized companies, Spectrum Business delivers the same suite of broadband products and services coupled with special features and applications to enhance productivity, while for larger businesses and government entities, Spectrum Enterprise provides highly customized, fiber-based solutions. Spectrum Reach delivers tailored advertising and production for the modern media landscape. We also distribute award-winning news coverage, sports and high-quality original programming to our customers through Spectrum Networks and Spectrum Originals.

Overview

In the first half of both 2021 and 2020, the Novel Coronavirus ("COVID-19") pandemic has significantly impacted how our customers use our products and services, how they interact with us, and how our employees work and provide services to our customers. During the first half of 2021, customer activity levels remained below normal which contributed to lower operating expense from reduced service transactions and significantly lower bad debt, however, those trends are slowly returning to pre-COVID-19 levels and we expect that to continue throughout 2021 as the economy reopens and normal activities resume.

In May 2021, the Federal Communications Commission ("FCC") introduced the Emergency Broadband Benefit ("EBB") program to help households pay for Internet service. The EBB program provides eligible low-income households with up to $50 per month toward Internet service. We estimate that the EBB program favorably impacted our net increase in customer relationships by approximately 60,000 for the quarter ended June 30, 2021. Additional new and existing customers also enrolled in the EBB program.

Although the ultimate impact of the COVID-19 pandemic cannot be predicted, we remain focused on driving customer relationship growth by deploying superior products and services packaged with attractive pricing. Further, we expect to continue to drive customer relationship growth through sales of bundled services and improving customer retention despite the expectation for continued losses of video and wireline voice customers.

Our Spectrum Mobile service is offered to customers subscribing to our Internet service and runs on Verizon Communications Inc.'s ("Verizon") mobile network combined with Spectrum WiFi. We continue to explore ways to drive even more mobile traffic to our network. We intend to use Citizens Broadband Radio Service ("CBRS") Priority Access Licenses ("PALs") we purchased in 2020, along with unlicensed CBRS spectrum to build our own 5G mobile network which we plan to use in combination with our mobile virtual network operator ("MVNO") reseller agreement with Verizon and WiFi network to enhance the customer's experience and improve our cost structure.

We believe Spectrum-branded mobile services will drive higher sales of our core products, create longer customer lives and increase profitability and cash flow over time. As a result of growth costs associated with our new mobile product line, we cannot be certain that we will be able to grow revenues or maintain our margins at recent historical rates. During the three and six months ended June 30, 2021, our mobile product line increased revenues by $519 million and $1.0 billion, respectively, reduced Adjusted EBITDA by approximately $67 million and $147 million, respectively, and reduced free cash flow by approximately $277 million and $461 million, respectively. During the three and six months ended June 30, 2020, our mobile product line increased revenues by $310 million and $568 million, respectively, reduced Adjusted EBITDA by approximately $103 million and $219 million, respectively, and reduced free cash flow by approximately $233 million and $493 million, respectively. Primarily as a result of growth-related sales and marketing and other customer acquisition costs for mobile services, and depending on the pace of that growth, we expect mobile Adjusted EBITDA will continue to be negative. We also expect to continue to see negative free cash flow from the timing of device-related cash flows when we sell devices to customers pursuant to equipment installment plans and capital expenditures related to retail store and CBRS build-out.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Revenues	$ 12,801	$ 11,694	9.5 %	$ 25,320	$ 23,430	8.1 %
Adjusted EBITDA	$ 4,998	$ 4,462	12.0 %	$ 9,920	$ 8,836	12.3 %
Income from operations	$ 2,554	$ 1,946	31.2 %	$ 4,602	$ 3,727	23.5 %

Adjusted EBITDA is defined as net income attributable to CCO Holdings member plus net income attributable to noncontrolling interest, net interest expense, income taxes, depreciation and amortization, stock compensation expense, other (income) expenses, net and other operating (income) expenses, net, such as special charges and (gain) loss on sale or retirement of assets. See “—Use of Adjusted EBITDA and Free Cash Flow” for further information on Adjusted EBITDA and free cash flow.

Growth in total revenue was primarily due to growth in our residential Internet and mobile customers, price adjustments and an increase in advertising sales. Adjusted EBITDA and income from operations growth was impacted by growth in revenue and increases in operating costs and expenses, primarily regulatory, connectivity and produced content costs as well as mobile and programming.

The following table summarizes our customer statistics for Internet, video, voice and mobile as of June 30, 2021 and 2020 (in thousands except per customer data and footnotes).

	Approximate as of June 30,	
	2021 [(a)]	**2020** [(a)]
Customer Relationships [(b)]		
Residential	29,660	28,496
Small and Medium Business ("SMB")	2,104	1,980
Total Customer Relationships	31,764	30,476
Monthly Residential Revenue per Residential Customer [(c)]	$ 112.85	$ 110.82
Monthly SMB Revenue per SMB Customer [(d)]	$ 166.28	$ 166.06
Internet		
Residential	27,722	26,313
SMB	1,912	1,783
Total Internet Customers	29,634	28,096
Video		
Residential	15,420	15,652
SMB	592	516
Total Video Customers	16,012	16,168
Voice		
Residential	9,014	9,398
SMB	1,259	1,169
Total Voice Customers	10,273	10,567
Mobile Lines [(e)]		
Residential	2,855	1,672
SMB	85	25
Total Mobile Lines	2,940	1,697
Enterprise Primary Service Units ("PSUs") [(f)]	280	270

(a) We calculate the aging of customer accounts based on the monthly billing cycle for each account. On that basis, as of June 30, 2021 and 2020, customers include approximately 201,100 and 124,500 customers, respectively, whose accounts were over 60 days past due, approximately 37,700 and 18,400 customers, respectively, whose accounts were over 90 days past due and approximately 30,900 and 10,400 customers, respectively, whose accounts were over 120 days past due. Included in the June 30, 2021 aging statistics are approximately 73,500 residential customers that would have been disconnected under our normal collection policies, but were not due to certain state mandates in place.

(b) Customer relationships include the number of customers that receive one or more levels of service, encompassing Internet, video and voice services, without regard to which service(s) such customers receive. Customers who reside in residential multiple dwelling units (“MDUs”) and that are billed under bulk contracts are counted based on the number of billed units within each bulk MDU. Total customer relationships exclude enterprise and mobile-only customer relationships.

(c) Monthly residential revenue per residential customer is calculated as total residential quarterly revenue divided by three divided by average residential customer relationships during the respective quarter and excludes mobile revenue and customers.

(d) Monthly SMB revenue per SMB customer is calculated as total SMB quarterly revenue divided by three divided by average SMB customer relationships during the respective quarter and excludes mobile revenue and customers.

(e) Mobile lines include phones and tablets which require one of our standard rate plans (e.g., "Unlimited" or "By the Gig"). Mobile lines exclude wearables and other devices that do not require standard phone rate plans.

(f) Enterprise PSUs represent the aggregate number of fiber service offerings counting each separate service offering at each customer location as an individual PSU.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates therefore, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 Annual Report on Form 10-K. There have been no material changes from the critical accounting policies described in our Form 10-K.

Results of Operations

The following table sets forth the consolidated statements of operations for the periods presented (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues	$ 12,801	$ 11,694	$ 25,320	$ 23,430
Costs and Expenses:				
Operating costs and expenses (exclusive of items shown separately below)	7,903	7,322	15,634	14,774
Depreciation and amortization	2,349	2,424	4,785	4,917
Other operating (income) expenses, net	(5)	2	299	12
	10,247	9,748	20,718	19,703
Income from operations	2,554	1,946	4,602	3,727
Other Income (Expenses):				
Interest expense, net	(1,001)	(965)	(1,982)	(1,957)
Other income (expenses), net	(130)	33	(88)	(291)
	(1,131)	(932)	(2,070)	(2,248)
Income before income taxes	1,423	1,014	2,532	1,479
Income tax expense	(11)	(7)	(21)	(13)
Consolidated net income	1,412	1,007	2,511	1,466
Less: Net income attributable to noncontrolling interests	(1)	(1)	(1)	(1)
Net income attributable to CCO Holdings member	$ 1,411	$ 1,006	$ 2,510	$ 1,465

Revenues. Total revenues grew $1.1 billion and $1.9 billion for the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 primarily due to increases in the number of residential Internet and mobile customers, price adjustments and an increase in advertising sales.

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
Internet	$ 5,221	$ 4,530	15.2 %	$ 10,307	$ 8,937	15.3 %
Video	4,378	4,371	0.2 %	8,722	8,793	(0.8)%
Voice	394	451	(12.7)%	793	908	(12.7)%
Residential revenue	9,993	9,352	6.8 %	19,822	18,638	6.3 %
Small and medium business	1,042	983	6.0 %	2,054	1,979	3.8 %
Enterprise	636	606	5.1 %	1,274	1,228	3.8 %
Commercial revenue	1,678	1,589	5.6 %	3,328	3,207	3.8 %
Advertising sales	411	249	65.1 %	755	614	23.0 %
Mobile	519	310	67.5 %	1,011	568	78.0 %
Other	200	194	2.5 %	404	403	0.1 %
	$ 12,801	$ 11,694	9.5 %	$ 25,320	$ 23,430	8.1 %

The increase in Internet revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Increase related to rate, product mix and bundle allocation changes	$ 404	$ 728
Increase in average residential Internet customers	287	642
	$ 691	$ 1,370

The increase related to rate, product mix and bundle allocation changes was primarily due to price adjustments, promotional roll-off and higher bundled revenue allocation as well as $29 million of credits related to prior year's Keep Americans Connected ("KAC") Pledge which reduced revenue during the three and six months ended June 30, 2020. Residential Internet customers grew by 1,409,000 customers from June 30, 2020 to June 30, 2021.

Video revenues consist primarily of revenues from basic and digital video services provided to our residential customers, as well as franchise fees, equipment service fees and video installation revenue. The change in video revenues is attributable to the following (dollars in millions):

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Decrease in average residential video customers	$ (39)	$ (40)
Decrease in video on demand and pay-per-view	(17)	(37)
Decrease in installation	(3)	(13)
Increase related to rate, product mix and bundle allocation changes	66	19
	$ 7	$ (71)

Residential video customers decreased by 232,000 from June 30, 2020 to June 30, 2021. The increase related to rate, product mix and bundle allocation changes was primarily due to $44 million of credits related to prior year's KAC program which reduced revenue during the three and six months ended June 30, 2020 as well as price adjustments and promotional roll-off and was partly offset by a higher mix of lower cost video packages within our video customer base and lower bundled revenue allocation.

The decrease in voice revenues from our residential customers is attributable to the following (dollars in millions):

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Decrease related to rate and bundle allocation changes	$ (43)	$ (90)
Decrease in average residential voice customers	(14)	(25)
	$ (57)	$ (115)

The decrease related to rate and bundle allocation changes was impacted by value-based pricing and changes in bundled revenue allocations. Residential wireline voice customers decreased by 384,000 customers from June 30, 2020 to June 30, 2021.

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

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Increase in SMB customers	$ 57	$ 106
Increase related to COVID-19 programs which reduced prior year revenue	17	13
Decrease related to rate and product mix changes	(15)	(44)
	$ 59	$ 75

SMB customers grew by 124,000 from June 30, 2020 to June 30, 2021. The decrease related to rate and product mix changes during the six months ended June 30, 2021 compared to the corresponding period in 2020 was primarily due to value-based pricing related to Spectrum pricing and packaging ("SPP") net of promotional roll-off and price adjustments.

Enterprise revenues increased $30 million and $46 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 primarily due to an increase in Internet PSUs as well as $18 million of impacts from COVID-19 related programs which reduced revenues in the three and six months ended June 30, 2020 offset by lower wholesale PSUs. Enterprise PSUs increased 10,000 from June 30, 2020 to June 30, 2021.

Advertising sales revenues consist primarily of revenues from commercial advertising customers, programmers and other vendors, as well as local cable and advertising on regional sports and news channels. Advertising sales revenues increased $162 million and $141 million during the three and six months ended June 30, 2021, respectively, as compared to the corresponding periods in 2020 primarily due to the impacts of COVID-19 that lowered revenues in 2020 offset by a decrease in political revenue.

During the three and six months ended June 30, 2021, mobile revenues represented approximately $214 million and $442 million of device revenues, respectively, and approximately $305 million and $569 million of service revenues, respectively. During the three and six months ended June 30, 2020, mobile revenues represented approximately $158 million and $289 million of device revenues, respectively, and approximately $152 million and $279 million of service revenues, respectively. The increases in revenues are a result of an increase of 1,243,000 mobile lines from June 30, 2020 to June 30, 2021.

Other revenues consist of revenue from regional sports and news channels (excluding intercompany charges or advertising sales on those channels), home shopping, late payment fees, video device sales, wire maintenance fees and other miscellaneous revenues. Other revenues increased $6 million and $1 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020.

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

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Programming	$ 105	$ 201
Regulatory, connectivity and produced content	180	229
Costs to service customers	(21)	(65)
Marketing	22	7
Mobile	173	371
Other	122	117
	$ 581	$ 860

Programming costs were approximately $3.0 billion and $6.0 billion for the three and six months ended June 30, 2021, respectively, representing 38% of total operating costs and expense for both time periods, and $2.9 billion and $5.8 billion for the three and six months ended June 30, 2020, respectively, representing 39% of total operating costs and expense for both time periods. Programming costs consist primarily of costs paid to programmers for basic, digital, premium, video on demand, and pay-per-view programming. Programming costs increased as a result of contractual rate adjustments, including renewals and increases in amounts paid for retransmission consent offset by a higher mix of lower cost video packages within our video customer base. We expect programming rates per customer will continue to increase due to a variety of factors, including annual increases imposed by programmers with additional selling power as a result of media and broadcast station groups consolidation, increased demands by owners of broadcast stations for payment for retransmission consent or linking carriage of other services to retransmission consent, and additional programming. We have been unable to fully pass these increases on to our customers and do not expect to be able to do so in the future without a potential loss of customers.

Regulatory, connectivity and produced content increased $180 million and $229 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 primarily due to higher sports rights costs as a result of more basketball and baseball games during the first half of 2021 as compared to the corresponding period in 2020 as the prior period had postponement of games and the current period had additional games due to the delayed start of the 2020 - 2021 NBA season as a result of COVID-19.

Costs to service customers decreased $21 million and $65 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 despite 4.2% customer growth primarily due to fewer transactions and a decrease in bad debt expense partly driven by government stimulus packages offset by the higher labor costs associated with our commitment to a minimum $20 per hour wage in 2022.

Mobile costs of $586 million and $1.2 billion for the three and six months ended June 30, 2021, respectively, and $413 million and $787 million for the three and six months ended June 30, 2020, respectively, were comprised of mobile device costs and mobile service, customer acquisition and operating costs. The increase is attributable to an increase in the number of mobile lines.

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

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Corporate costs	$ 53	$ 26
Advertising sales expense	51	34
Stock compensation expense	10	54
Enterprise	7	9
Property tax and insurance	2	(4)
Other	(1)	(2)
	$ 122	$ 117

Corporate costs increased during the three and six months ended June 30, 2021 compared to the corresponding prior periods primarily due to higher labor costs. Advertising sales expense increased due to higher cost of sales fees driven by higher revenue. Stock compensation expense increased during the six months ended June 30, 2021 compared to the corresponding period in 2020 primarily due to changes in certain equity award provisions that result in additional expense at the time of grant.

Depreciation and amortization. Depreciation and amortization expense decreased by $75 million and $132 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 primarily due to a decrease in depreciation and amortization as certain assets acquired in acquisitions become fully depreciated offset by an increase in depreciation as a result of more recent capital expenditures.

Other operating (income) expenses, net. The change in other operating (income) expenses, net is attributable to the following (dollars in millions):

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Special charges, net	$ (8)	$ 230
(Gain) loss on disposal of assets, net	1	57
	$ (7)	$ 287

See Note 12 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements” for more information.

Interest expense, net. Net interest expense increased by $36 million and $25 million for the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020. The increase in net interest expense is the result of an increase in weighted average debt outstanding of approximately $6.6 billion and $5.6 billion during the three and six months ended June 30, 2021, respectively, compared to the corresponding periods in 2020 offset by reductions in weighted average interest rates. The increase in weighted average debt outstanding is primarily due to the issuance of notes throughout 2020 and 2021 for general corporate purposes including distributions to parent companies for stock buybacks and debt repayments.

Other income (expenses), net. The change in other income (expenses), net is attributable to the following (dollars in millions):

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Loss on extinguishment of debt (see Note 6)	$ (10)	$ (12)
Gain (loss) on financial instruments, net (see Note 8)	(155)	211
Other pension benefits, net (see Note 19)	162	170
Loss on equity investments, net (see Note 3)	(160)	(166)
	$ (163)	$ 203

See Notes referenced above to the accompanying consolidated financial statements contained in "Item 1. Financial Statements" for more information.

Income tax expense. We recognized income tax expense of $11 million and $21 million for the three and six months ended June 30, 2021, respectively, and $7 million and $13 million for the three and six months ended June 30, 2020, respectively. For more information, see Note 15 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

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

Net income attributable to CCO Holdings member. Net income attributable to CCO Holdings member increased from $1.0 billion and $1.5 billion for the three and six months ended June 30, 2020, respectively, to $1.4 billion and $2.5 billion for the three and six months ended June 30, 2021, respectively, primarily as a result of the factors described above.

Use of Adjusted EBITDA and Free Cash Flow

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

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

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

Management and Charter's board of directors use Adjusted EBITDA and free cash flow to assess our performance and our ability to service our debt, fund operations and make additional investments with internally generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under our credit facilities or outstanding notes to determine compliance with the covenants contained in the facilities and notes (all such documents have been previously filed with the Securities and Exchange Commission (the "SEC")). For the purpose of calculating compliance with leverage covenants, we use Adjusted EBITDA, as presented, excluding certain expenses paid by our operating subsidiaries to other Charter entities. Our debt covenants refer to these expenses as management fees, which were $365 million and $642 million for the three and six months ended June 30, 2021, respectively, and $308 million and $619 million for the three and six months ended June 30, 2020, respectively.

A reconciliation of Adjusted EBITDA and free cash flow to net income attributable to CCO Holdings member and net cash flows from operating activities, respectively, is as follows (dollars in millions).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to CCO Holdings member	$ 1,411	$ 1,006	$ 2,510	$ 1,465
Plus: Net income attributable to noncontrolling interest	1	1	1	1
Interest expense, net	1,001	965	1,982	1,957
Income tax expense	11	7	21	13
Depreciation and amortization	2,349	2,424	4,785	4,917
Stock compensation expense	100	90	234	180
Other (income) expenses, net	125	(31)	387	303
Adjusted EBITDA	$ 4,998	$ 4,462	$ 9,920	$ 8,836
Net cash flows from operating activities	$ 3,963	$ 3,505	$ 7,695	$ 6,695
Less: Purchases of property, plant and equipment	(1,854)	(1,877)	(3,675)	(3,338)
Change in accrued expenses related to capital expenditures	(50)	214	(125)	(174)
Free cash flow	$ 2,059	$ 1,842	$ 3,895	$ 3,183

Liquidity and Capital Resources

Introduction

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

Recent Events

In March 2021, Charter Communications Operating, LLC ("Charter Operating") and Charter Communications Operating Capital Corp. jointly issued $1.5 billion aggregate principal amount of 3.500% senior secured notes due June 2041 at a price of 99.544% of the aggregate principal amount, $1.0 billion aggregate principal amount of 3.900% senior secured notes due June 2052 at a price of 99.951% of the aggregate principal amount and an additional $500 million aggregate principal amount of 3.850% senior secured notes due April 2061 at a price of 94.668% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including distributions to parent companies to fund buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including $750 million of CCO Holdings' 5.750% notes due February 2026.

In April 2021, CCO Holdings and CCO Holdings Capital Corp. jointly issued $1.0 billion of 4.500% senior unsecured notes due June 2033 at par, and in June 2021, an additional $750 million of the same series of notes was issued at a price of 99.250% of the aggregate principal amount. The net proceeds were used for general corporate purposes, including distributions to parent companies to fund potential buybacks of Charter Class A common stock and Charter Holdings common units, to repay certain indebtedness and to pay related fees and expenses.

In June 2021, Charter Operating and Charter Communications Operating Capital Corp. issued an additional $1.4 billion of 3.900% senior secured notes due June 2052 priced at 95.578% of the aggregate principal amount and $1.4 billion aggregate principal amount of 4.400% senior secured notes due December 2061 at a price of 99.906% of the aggregate principal amount. Net proceeds were used to pay related fees and expenses and for general corporate purposes, including distributions to parent companies to fund buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including $500 million of CCO Holdings' 5.750% notes due February 2026, all of CCO Holdings' 5.875% notes due May 2027, and in July 2021, $1.0 billion of Time Warner Cable, LLC's 4.000% notes due September 2021.

Overview of Our Contractual Obligations and Liquidity

We have significant amounts of debt. The principal amount of our debt as of June 30, 2021 was $87.5 billion, consisting of $10.0 billion of credit facility debt, $53.6 billion of investment grade senior secured notes and $24.0 billion of high-yield senior unsecured notes. Our business requires significant cash to fund principal and interest payments on our debt.

Our projected cash needs and projected sources of liquidity depend upon, among other things, our actual results, and the timing and amount of our expenditures. As we continue to grow our mobile services, we expect an initial funding period to grow a new product as well as negative working capital impacts from the timing of device-related cash flows when we sell devices to customers pursuant to equipment installment plans. Further, in 2022, Charter expects to become a meaningful federal cash tax payer as the majority of net operating losses will have been utilized. Free cash flow was $2.1 billion and $3.9 billion for the three and six months ended June 30, 2021, respectively, and $1.8 billion and $3.2 billion for the three and six months ended June 30, 2020, respectively. See table below for factors impacting free cash flow during the three and six months ended June 30, 2021 compared to the corresponding prior periods. As of June 30, 2021, the amount available under our credit facilities was approximately $4.7 billion and cash on hand was approximately $1.5 billion. We expect to utilize free cash flow, cash on hand and availability under our credit facilities as well as future refinancing transactions to further extend the maturities of our obligations. The timing and terms of any refinancing transactions will be subject to market conditions among other considerations. Additionally, we may, from time to time, and depending on market conditions and other factors, use cash on hand and the proceeds from securities offerings or other borrowings to retire our debt through open market purchases, privately negotiated purchases, tender offers or redemption provisions. We believe we have sufficient liquidity from cash on hand, free cash flow and Charter Operating’s revolving credit facility as well as access to the capital markets to fund our projected cash needs.

We continue to evaluate the deployment of our cash on hand and anticipated future free cash flow including to invest in our business growth and other strategic opportunities, including the expansion of our network such as through our Rural Digital Opportunity Fund ("RDOF") project, the build-out and deployment of our CBRS spectrum, and mergers and acquisitions as well as distributions to parent companies for stock repurchases and dividends. Charter's target leverage of net debt to the last twelve months Adjusted EBITDA remains at 4 to 4.5 times Adjusted EBITDA, and up to 3.5 times Adjusted EBITDA at the Charter Operating first lien level. Our leverage ratio was 4.4 times Adjusted EBITDA as of June 30, 2021. As Adjusted EBITDA grows, we expect to increase the total amount of our indebtedness to maintain leverage within Charter's target leverage range. Excluding purchases from Liberty Broadband Corporation (“Liberty Broadband”) discussed below, during the three and six months ended June 30, 2021, Charter purchased in the public market approximately 3.2 million and 7.9 million shares of Charter Class A common stock, respectively, for approximately $2.1 billion and $5.1 billion, respectively, and during the three and six months ended June 30, 2020, Charter purchased approximately 2.0 million and 6.5 million shares of Charter Class A common stock, respectively, for approximately $1.0 billion and $3.2 billion, respectively. Since the beginning of its buyback program in September 2016 through June 30, 2021, Charter has purchased in the public market approximately 95.6 million shares of Class A common stock for approximately $39.7 billion.

In February 2021, Charter and Liberty Broadband entered into a letter agreement (the “LBB Letter Agreement”). The LBB Letter Agreement implements Liberty Broadband’s obligations under the Amended and Restated Stockholders Agreement with Charter, Liberty Broadband and Advance/Newhouse Partnership (“A/N”), dated as of May 23, 2015 (as amended, the “Stockholders Agreement”) to participate in share repurchases by Charter. Under the LBB Letter Agreement, Liberty Broadband will sell to Charter, generally on a monthly basis, a number of shares of Charter Class A common stock representing an amount sufficient for Liberty Broadband’s ownership of Charter to be reduced such that it does not exceed the ownership cap then applicable to Liberty Broadband under the Stockholders Agreement at a purchase price per share equal to the volume weighted average price per share paid by Charter for shares repurchased during such immediately preceding calendar month other than (i) purchases from A/N, (ii) purchases in privately negotiated transactions or (iii) purchases for the withholding of shares of Charter Class A common stock pursuant to equity compensation programs of Charter. Charter purchased from Liberty Broadband 1.9 million and 2.8 million shares of Charter Class A common stock for approximately $1.2 billion and $1.8 billion during the three and six months ended June 30, 2021, respectively. In July 2021, Charter purchased from Liberty Broadband an additional 0.4 million shares of Charter Class A common stock for approximately $279 million.

In December 2016, Charter and A/N entered into a letter agreement, as amended in December 2017 (the "A/N Letter Agreement"), that requires A/N to sell to Charter or to Charter Holdings, on a monthly basis, a number of shares of Charter Class A common stock or Charter Holdings common units that represents a pro rata participation by A/N and its affiliates in any repurchases of shares of Charter Class A common stock from persons other than A/N effected by Charter during the immediately preceding calendar month, at a purchase price equal to the average price paid by Charter for the shares repurchased from persons other than A/N during such immediately preceding calendar month. A/N and Charter both have the right to terminate or suspend the pro rata repurchase arrangement on a prospective basis. During the three and six months ended June 30, 2021, Charter Holdings purchased from A/N 0.9 million and 1.7 million Charter Holdings common units, respectively, for approximately $583 million and $1.1 billion, respectively, and during the three and six months ended June 30, 2020, Charter Holdings purchased from A/N 0.3 million and 1.1 million Charter Holdings common units, respectively, for approximately $125 million and $518 million, respectively.

As of June 30, 2021, Charter had remaining board authority to purchase an additional $1.7 billion of Charter's Class A common stock and/or Charter Holdings common units, excluding purchases from Liberty Broadband. Although Charter expects to continue to buy back its common stock consistent with its leverage target range, Charter is not obligated to acquire any particular amount of common stock, and the timing of any purchases that may occur cannot be predicted and will largely depend on market conditions and other potential uses of capital. Purchases may include open market purchases, tender offers or negotiated transactions. To the extent such purchases occur, CCO Holdings and its subsidiaries are the primary source for funding such purchases through distributions to their parent companies.

As possible acquisitions, swaps or dispositions arise, we actively review them against our objectives including, among other considerations, improving the operational efficiency, geographic clustering of assets, product development or technology capabilities of our business and achieving appropriate return targets, and we may participate to the extent we believe these possibilities present attractive opportunities. However, there can be no assurance that we will actually complete any acquisitions, dispositions or system swaps, or that any such transactions will be material to our operations or results.

Free Cash Flow

Free cash flow increased $217 million and $712 million during the three and six months ended June 30, 2021, respectively, compared to the corresponding prior periods in 2020 due to the following (dollars in millions).

	Three months ended June 30, 2021 compared to three months ended June 30, 2020 Increase / (Decrease)	Six months ended June 30, 2021 compared to six months ended June 30, 2020 Increase / (Decrease)
Increase in Adjusted EBITDA	$ 536	$ 1,084
Decrease (increase) in capital expenditures	23	(337)
Changes in working capital, excluding change in accrued interest	(308)	(13)
Increase in cash paid for interest, net	(42)	(13)
Other, net	8	(9)
	$ 217	$ 712

Free cash flow was reduced by $277 million and $461 million during the three and six months ended June 30, 2021, respectively, and $233 million and $493 million during the three and six months ended June 30, 2020, respectively, due to mobile with impacts negatively affecting working capital, capital expenditures and Adjusted EBITDA.

Financial Information about Guarantors, Issuers of Guaranteed Securities, Affiliates Whose Securities Collateralize a Registrant's Securities and Consolidated Subsidiaries

Each of CCO Holdings, Charter Operating, Time Warner Cable, LLC and Time Warner Cable Enterprises LLC (collectively, the "Issuers") and substantially all of Charter Operating's direct and indirect subsidiaries (the "Obligor Subsidiaries" and together with the Issuers, collectively, the "Obligor Group" and each an "Obligor") jointly, severally, fully and unconditionally guarantee the outstanding debt securities of the respective Issuers (other than the CCO Holdings unsecured notes) and Charter Operating's credit facilities on a senior basis (collectively, the "Guaranteed and Secured Debt"). Such guarantees are pari passu in right of payment with all senior indebtedness of the guarantors and senior in right of payment to subordinated obligations of the guarantors. Each guarantee will be limited to the maximum amount that can be guaranteed by the relevant guarantor without rendering the relevant guarantee, as it relates to that guarantor, voidable or otherwise ineffective or limited under applicable law, and enforcement of each guarantee would be subject to certain generally available defenses. The Guaranteed and Secured Debt is structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of Charter Operating's non-guarantor subsidiaries.

The Guaranteed and Secured Debt and the subsidiary guarantees thereof are also secured by (i) a lien on substantially all of the assets of Charter Operating and the Obligor Subsidiaries, to the extent such lien can be perfected under the Uniform Commercial Code by the filing of a financing statement, and (ii) a pledge of substantially all of the equity interests of subsidiaries owned by Charter Operating or the Obligor Subsidiaries (the "Pledged Equity Interests"), as well as intercompany obligations owing to it by any of such entities ((i) and (ii) collectively, the "Collateral"). In addition, payments of a mortgage note, currently outstanding for approximately $325 million, incurred by a single-asset special purpose entity to finance construction of the first building of the new Charter headquarters in Stamford, Connecticut are guaranteed by the Obligor Group and rank equally with the liens on the Collateral securing the Guaranteed and Secured Debt. No assets of any of Charter Operating's non-guarantor subsidiaries (including any capital stock owned by any such subsidiary) will constitute Collateral. The subsidiary guarantees are effectively senior to all unsecured debt or debt secured by a junior liens of the subsidiary guarantors, in each case to the extent of the value of the collateral securing the guarantee obligations of the subsidiary guarantors. Upon the occurrence and during the continuance of an event of default under the Guaranteed and Secured Debt, subject to the terms of an intercreditor agreement, the security documents governing the Guaranteed and Secured Debt provide for (among other available remedies) the foreclosure upon and sale of the Collateral by the collateral agent(s) of the respective Guaranteed and Secured Debt and the distribution of the net proceeds of any such sale to the holders and/or the lenders of the Guaranteed and Secured Debt on a pro rata basis, subject to any prior liens on the Collateral. We believe there is no separate trading market for the Pledged Equity Interests.

Certain Charter Operating subsidiaries that are regulated entities are only designated as guarantor subsidiaries, and certain related assets (including the capital stock of such regulated entities) are only required to be pledged as Collateral, upon approval by regulators. The guaranteed obligations and collateral of an Obligor Subsidiary (including Pledged Equity Interests) may be released under certain circumstances permitted under the documentation governing the Guaranteed and Secured Debt, including if an Obligor Subsidiary no longer qualifies as a "Subsidiary" of Charter Operating under transactions not prohibited by the Charter Operating credit agreement.

See Note 9 to the consolidated financial statements contained in our 2020 Annual Report on Form 10-K for further details about the terms, conditions and other factors that may affect payments to holders and the collateral arrangements of the Guaranteed and Secured Debt.

Because the assets, liabilities and results of operations of the combined Obligor Group are not materially different than corresponding amounts presented in the consolidated financial statements of CCO Holdings, summarized financial information of the Obligor Group have been omitted pursuant to SEC Regulation S-X Rule 13-01, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered* and S-X Rule 13-02, *Affiliates Whose Securities Collateralize Securities Registered Or Being Registered*. The information below is being presented to comply with the terms of the Charter Operating credit agreement. This information is not intended to present the financial position, results of operations and cash flows of the individual companies or groups of companies in accordance with generally accepted accounting principles.

	CCO Holdings	Charter Operating and Consolidated Subsidiaries	CCO Holdings	Charter Operating and Consolidated Subsidiaries
	June 30, 2021		December 31, 2020	
Balance Sheet Data:				
Current assets	$ 250	$ 4,104	$ 100	$ 3,438
Receivables from related party	$ 34	$ —	$ 43	$ —
Noncurrent assets	$ —	$ 137,917	$ —	$ 139,083
Loans receivables to related party	$ 579	$ —	$ 567	$ —
Current liabilities	$ 319	$ 9,008	$ 347	$ 8,904
Payable to related party	$ —	$ 91	$ —	$ 139
Noncurrent liabilities	$ 23,881	$ 66,323	$ 24,180	$ 60,885
Loans payable to related party	$ —	$ 1,657	$ —	$ 1,568
Noncontrolling interests	$ —	$ 23	$ —	$ 23

	Six Months Ended June 30,			
	2021		2020	
Statement of Operations Data:				
Revenue	$ —	$ 25,320	$ —	$ 23,430
Income from operations	$ —	$ 4,602	$ —	$ 3,727
Net income	$ 2,510	$ 3,180	$ 1,465	$ 2,115
Statement of Cash Flows Data:				
Net cash flows from operating activities	$ (620)	$ 8,315	$ (565)	$ 7,260
Net cash flows from investing activities	$ 11,083	$ (3,748)	$ 4,156	$ (3,517)
Net cash flows from financing activities	$ (10,313)	$ (3,950)	$ (3,891)	$ (4,834)

Limitations on Distributions

Distributions by us and our subsidiaries to a parent company for payment of principal on parent company notes are restricted under CCO Holdings indentures and Charter Operating credit facilities governing our indebtedness, unless there is no default under the applicable indenture and credit facilities, and unless each applicable entity's leverage ratio test is met at the time of such distribution. As of June 30, 2021, there was no default under any of these indentures or credit facilities, and each applicable entity met its applicable leverage ratio tests based on June 30, 2021 financial results. There can be no assurance that they will satisfy these tests at the time of the contemplated distribution. Distributions by Charter Operating for payment of principal on parent company (CCO Holdings) notes are further restricted by the covenants in its credit facilities.

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

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

Historical Operating, Investing, and Financing Activities

Cash and Cash Equivalents. We held $1.5 billion and $710 million in cash and cash equivalents as of June 30, 2021 and December 31, 2020, respectively.

Operating Activities. Net cash provided by operating activities increased $1.0 billion during the six months ended June 30, 2021 compared to the six months ended June 30, 2020, primarily due to an increase in Adjusted EBITDA of $1.1 billion.

Investing Activities. Net cash used in investing activities was $3.7 billion and $3.5 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in cash used was primarily due to an increase in capital expenditures.

Financing Activities. Net cash used in financing activities decreased $1.4 billion during the six months ended June 30, 2021 compared to the six months ended June 30, 2020 due to an increase in the amount by which borrowings of long-term debt exceeded repayments offset by distributions to parent companies.

Capital Expenditures

We have significant ongoing capital expenditure requirements. Capital expenditures were $1.9 billion and $3.7 billion for the three and six months ended June 30, 2021, respectively, and $1.9 billion and $3.3 billion for the three and six months ended June 30, 2020, respectively. The increase during the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily due to an increase in scalable infrastructure driven by augmentation of network capacity for customer growth and usage, with incremental spending to reclaim network headroom maintained prior to COVID-19, and higher line extensions driven by continued network expansion, including to rural areas. See the table below for more details.

We currently expect 2021 cable capital expenditures, excluding RDOF investments, to be relatively consistent as a percentage of cable revenue versus 2020. The actual amount of our capital expenditures in 2021 will depend on a number of factors including further spend related to product development and growth rates of both our residential and commercial businesses.

Our capital expenditures are funded primarily from cash flows from operating activities and borrowings on our credit facility. In addition, our accrued liabilities related to capital expenditures decreased by $125 million and $174 million for the six months ended June 30, 2021 and 2020, respectively.

The following tables present our major capital expenditures categories in accordance with National Cable and Telecommunications Association ("NCTA") disclosure guidelines for the three and six months ended June 30, 2021 and 2020. These disclosure guidelines are not required disclosures under GAAP, nor do they impact our accounting for capital expenditures under GAAP (dollars in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Customer premise equipment (a)	$ 494	$ 518	$ 983	$ 981
Scalable infrastructure (b)	437	385	848	555
Line extensions (c)	400	422	799	765
Upgrade/rebuild (d)	161	155	306	284
Support capital (e)	362	397	739	753
Total capital expenditures	$ 1,854	$ 1,877	$ 3,675	$ 3,338
Capital expenditures included in total related to:				
Commercial services	$ 397	$ 323	$ 730	$ 584
Mobile	$ 124	$ 125	$ 236	$ 212

(a) Customer premise equipment includes costs incurred at the customer residence to secure new customers and revenue generating units, including customer installation costs and customer premise equipment (e.g., digital receivers and cable modems).
(b) Scalable infrastructure includes costs not related to customer premise equipment, to secure growth of new customers and revenue generating units, or provide service enhancements (e.g., headend equipment).
(c) Line extensions include network costs associated with entering new service areas (e.g., fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering).
(d) Upgrade/rebuild includes costs to modify or replace existing fiber/coaxial cable networks, including betterments.
(e) Support capital includes costs associated with the replacement or enhancement of non-network assets due to technological and physical obsolescence (e.g., non-network equipment, land, buildings and vehicles).

Recently Issued Accounting Standards

For a discussion of our recently issued accounting policies, see Note 21 to the consolidated financial statements contained in our 2020 Annual Report on Form 10-K. There have been no material changes from the recently issued accounting policies described in our Form 10-K.

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

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

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency derivative instruments have maturities of June 2031 and July 2042. We are required to post collateral on the cross-currency derivative instruments when such instruments are in a liability position. In April 2019, we entered into a collateral holiday agreement for 60% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years, as well as a ten year collateral cap on the remaining 40% of the cross-currency swaps which limits the required collateral posting on that 40% of the cross-currency swaps to $150 million. In March 2021, the collateral holiday for 20% of the swaps was extended to November 2022 in consideration for our agreement to post collateral over a threshold amount on that 20% portion of the swaps from March 2021 through October 2021. For more information, see Note 8 to the accompanying consolidated financial statements contained in "Item 1. Financial Statements."

As of June 30, 2021 and December 31, 2020, the weighted average interest rate on credit facility debt was approximately 1.7% and 1.7%, respectively, and the weighted average interest rate on the senior notes was approximately 4.9% and 5.1%, respectively, resulting in a blended weighted average interest rate of 4.6% and 4.7%, respectively. The interest rate on approximately 88% and 87% of the total principal amount of our debt was effectively fixed as of June 30, 2021 and December 31, 2020, respectively.

The table set forth below summarizes the fair values and contract terms of financial instruments subject to interest rate risk maintained by us as of June 30, 2021 (dollars in millions).

	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
Debt:								
Fixed-Rate	$ 1,000	$ 3,000	$ 1,500	$ 1,100	$ 4,500	$ 65,514	$ 76,614	$ 87,032
Average Interest Rate	4.00 %	4.46 %	6.92 %	4.50 %	4.91 %	5.04 %	5.02 %	
Variable Rate	$ 139	$ 277	$ 436	$ 1,165	$ 5,320	$ 3,575	$ 10,912	$ 10,889
Average Interest Rate	1.48 %	1.60 %	2.09 %	2.71 %	2.90 %	3.48 %	2.99 %	

Interest rates on variable-rate debt are estimated using the average implied forward LIBOR for the year of maturity based on the yield curve in effect at June 30, 2021 including applicable bank spread.

Item 4. *Controls and Procedures.*

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

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

During the quarter ended June 30, 2021, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

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

See Note 18 to the accompanying consolidated financial statements contained in “Item 1. Financial Statements” for Legal Proceedings.

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

Our Annual Report on Form 10-K for the year ended December 31, 2020 includes "Risk Factors" under Item 1A of Part I. There have been no material changes from the updated risk factors described in our Form 10-K.

Item 5. ***Other Information.***

On July 27, 2021, Charter entered into an amended and restated employment agreement (the “Agreement”) with David G. Ellen, Charter’s Senior Executive Vice President.

The Agreement, which is effective as of July 1, 2021, has a term ending July 1, 2023 (or upon an earlier termination of employment) and provides that Mr. Ellen will continue to serve as Senior Executive Vice President. The Agreement provides that Mr. Ellen will receive an annual base salary of at least $1,250,000 and a target annual cash bonus opportunity of 160% of his annual base salary. Mr. Ellen will also continue to participate in Charter’s employee benefit plans and receive perquisites as generally provided to other senior executives of Charter.

In addition, consistent with Mr. Ellen’s prior employment agreement, Charter will continue to reimburse Mr. Ellen for all reasonable and necessary expenses incurred in connection with the performance of his duties. Mr. Ellen is also entitled to use the company aircraft for up to 30 hours of discretionary personal use per calendar year (without carryover).

If the employment of Mr. Ellen is terminated involuntarily by Charter without cause or by him for good reason, he would be entitled to (a) a cash severance payment equal to the product of 2.0 multiplied by the sum of his annual base salary and target annual bonus opportunity for the year in which the termination occurs, (b) a prorated annual bonus for the year of termination, determined based on actual performance, (c) a cash payment equal to the cost of COBRA coverage for 24 months following termination and (d) up to 12 months of executive-level outplacement services.

In the event of the termination of Mr. Ellen’s employment due to death or disability or if Charter does not renew the Agreement and Mr. Ellen terminates his employment during the year following the non-renewal, in addition to payment of amounts earned but unpaid and reimbursement of expenses through the date of termination, he would be eligible for a prorated annual bonus for the year of termination, determined based on actual performance.

The termination benefits described above are subject to Mr. Ellen’s execution of a release of claims in favor of Charter and its affiliates. In addition, Mr. Ellen has agreed to comply with covenants (a) concerning nondisclosure of confidential information, assignment of intellectual property and nondisparagement of Charter, (b) concerning noncompetition for two years following termination, and (c) concerning nonsolicitation of customers and employees of Charter for one year following termination.

A copy of the Agreement is filed herewith as Exhibit 10.4, and is incorporated herein by reference. The foregoing description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of that document.

Item 6. ***Exhibits.***

See Exhibit Index.

SIGNATURES

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

	CCO HOLDINGS, LLC Registrant
	By: /s/ Kevin D. Howard Kevin D. Howard
Date: July 30, 2021	Executive Vice President, Chief Accounting Officer and Controller
	CCO HOLDINGS CAPITAL CORP. Registrant
	By: /s/ Kevin D. Howard Kevin D. Howard
Date: July 30, 2021	Executive Vice President, Chief Accounting Officer and Controller

Exhibit Index

Exhibit	Description
10.1	Twentieth Supplemental Indenture, dated as of June 2, 2021, among Charter Communications Operating, LLC, Charter Communications Operating Capital Corp., as issuers, CCO Holdings, LLC, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent. (incorporated by reference to Exhibit 4.6 to the Current Report on Form 8-K filed by Charter Communications, Inc. on June 2, 2021).
10.2	Form of 4.400% Senior Notes due 2061 (included in Exhibit 10.1).
10.3	Exchange and Registration Rights Agreement, dated June 2, 2021, relating to the 4.500% Senior Notes due 2033, among CCO Holdings, LLC, CCO Holdings Capital Corp. and Deutsche Bank Securities Inc., as representative of the several Purchasers (as defined therein) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Charter Communications, Inc. on June 2, 2021).
10.4	Amended and restated employment agreement between Charter Communications, Inc. and David G. Ellen, dated July 27, 2021 (incorporated by reference to Exhibit 10.4 to the quarterly report on Form 10-Q filed by Charter Communications, Inc. on July 30, 2021 (File No. 001.33664)).
22.1	Issuers and Guarantors of Guaranteed Securities and Affiliate Securities Pledged as Collateral.
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the under the Securities Exchange Act of 1934.
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101	The following financial information from CCO Holdings, LLC's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021, filed with the Securities and Exchange Commission on July 30, 2021, formatted in iXBRL (inline eXtensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Changes in Member's Equity; (iv) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.
104	Cover Page, formatted in iXBRL and contained in Exhibit 101.

Exhibit 22.1

Issues and Guarantors of Guaranteed Securities and Affiliate Securities Pledged as Collateral
as of June 30, 2021

CCO Holdings, LLC, a Delaware limited liability company (the “Company”) and each of the CCOH Obligor Subsidiaries (as defined below), have fully and unconditionally guaranteed on a joint, several, full and unconditional basis each of the debt securities listed below, unless such subsidiary is an issuer of the listed debt security. Such guarantees are secured by substantially all of the assets of the CCOH Obligor Subsidiaries, including a pledge of the equity interests of substantially all of the subsidiaries owned by Charter Operating and the other CCOH Obligor Subsidiaries (the “Pledged Equity Interests”).

Debt Securities Issued by Charter Communications Operating, LLC (“CCO”) and Charter Communications Operating Capital Corp. (“CCO Capital”), guaranteed by the Company and each of the CCOH Obligor Subsidiaries (as defined below, other than CCO and CCO Capital) and secured by the Pledged Equity Interests:

4.464% senior notes due July 23, 2022
Senior floating rate notes due February 1, 2024
4.500% senior notes due February 1, 2024
4.908% senior notes due July 23, 2025
3.750% senior notes due February 15, 2028
4.200% senior notes due March 15, 2028
5.050% senior notes due March 30, 2029
2.800% senior notes due April 1, 2031
2.300% senior notes due February 1, 2032
6.384% senior notes due October 23, 2035
5.375% senior notes due April 1, 2038
3.500% senior notes due June 1, 2041
6.484% senior notes due October 23, 2045
5.375% senior notes due May 1, 2047
5.750% senior notes due April 1, 2048
5.125% senior notes due July 1, 2049
4.800% senior notes due March 1, 2050
3.700% senior notes due April 1, 2051
3.900% senior notes due June 1, 2052
6.834% senior notes due October 23, 2055
3.850% senior notes due April 1, 2061
4.400% senior notes due December 1, 2061

Debt Securities Issued by Time Warner Cable, LLC (“TWC”), guaranteed by the Company and each of the CCOH Obligor Subsidiaries (as defined below, other than TWC) and secured by the Pledged Equity Interests:

4.000% senior notes due September 1, 2021
5.750% sterling senior notes due June 2, 2031
6.550% senior debentures due May 1, 2037
7.300% senior debentures due July 1, 2038
6.750% senior debentures due June 15, 2039
5.875% senior debentures due November 15, 2040
5.500% senior debentures due September 1, 2041
5.250% sterling senior notes due July 15, 2042
4.500% senior debentures due September 15, 2042

Debt Securities Issued by Time Warner Cable Enterprises LLC ("TWCE"), guaranteed by the Company and each of the CCOH Obligor Subsidiaries (as defined below, other than TWCE) and secured by the Pledged Equity Interests:

8.375% senior debentures due March 15, 2023
8.375% senior debentures due July 15, 2033

"CCOH Obligor Subsidiaries":

Bresnan Broadband Holdings, LLC
CCO NR Holdings, LLC
Charter Advanced Services (MO), LLC
Charter Communications, LLC
Charter Communications VI, L.L.C.
Charter Distribution, LLC
Charter Leasing Holding Company, LLC
Charter Communications Operating, LLC
Charter Communications Operating Capital Corp.
Charter Procurement Leasing, LLC
DukeNet Communications, LLC
Marcus Cable Associates, L.L.C.
Spectrum Advanced Services, LLC
Spectrum Gulf Coast, LLC
Spectrum Mid-America, LLC
Spectrum Mobile Equipment, LLC
Spectrum Mobile, LLC
Spectrum New York Metro, LLC
Spectrum NLP, LLC
Spectrum Northeast, LLC
Spectrum Oceanic, LLC
Spectrum Originals Development, LLC
Spectrum Originals, LLC
Spectrum Pacific West, LLC
Spectrum Reach, LLC
Spectrum RSN, LLC
Spectrum Security, LLC
Spectrum Southeast, LLC
Spectrum Sunshine State, LLC
Spectrum TV Essentials, LLC
Spectrum Wireless Holdings, LLC
TC Technology LLC
Time Warner Cable Enterprises LLC
Time Warner Cable, LLC
TWC Administration LLC
TWC Communications, LLC
TWC SEE Holdco LLC

Exhibit 31.1

I, Thomas M. Rutledge, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CCO Holdings, LLC and CCO Holdings Capital Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2021

/s/ Thomas M. Rutledge

Thomas M. Rutledge
Chairman and Chief Executive Officer

I, Christopher L. Winfrey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CCO Holdings, LLC and CCO Holdings Capital Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 30, 2021

/s/ Christopher L. Winfrey

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

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER REGARDING PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Thomas M. Rutledge, the Chairman and Chief Executive Officer of CCO Holdings, LLC and CCO Holdings Capital Corp. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Thomas M. Rutledge

Thomas M. Rutledge
Chairman and Chief Executive Officer
July 30, 2021

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER REGARDING PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Christopher L. Winfrey, the Chief Financial Officer of CCO Holdings, LLC and CCO Holdings Capital Corp. (the "Company"), in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2021 (the "Report") filed with the Securities and Exchange Commission:

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

/s/ Christopher L. Winfrey

Christopher L. Winfrey
Chief Financial Officer
(Principal Financial Officer)
July 30, 2021