Mediacom LLC
Mediacom Capital Corporation

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MEDIACOM LLC
2016 ANNUAL REPORT
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Mediacom LLC is a New York limited liability company and a wholly-owned subsidiary of Mediacom Communications Corporation, a Delaware corporation. Mediacom Capital Corporation is a New York corporation and a wholly-owned subsidiary of Mediacom LLC. Mediacom Capital Corporation was formed for the sole purpose of acting as co-issuer with Mediacom LLC of debt securities and does not conduct operations of its own.

References in this Annual Report to "we," "us," or "our" are to Mediacom LLC and its direct and indirect subsidiaries (including Mediacom Capital Corporation), unless the context specifies or requires otherwise. References in this Annual Report to "Mediacom" or "MCC" are to Mediacom Communications Corporation.

Cautionary Statement Regarding Forward-Looking Statements

In this Annual Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify those so-called "forward-looking statements" by words such as "anticipates," "believes," "continue," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "should" or "will," or the negative of those and other comparable words. These forward-looking statements are not guarantees of future performance or results, and are subject to risks and uncertainties that could cause actual results to differ materially from historical results or those we anticipate as a result of various factors, many of which are beyond our control. Factors that may cause such differences to occur include, but are not limited to:

- increased levels of competition from direct broadcast satellite operators, local phone companies, other cable providers, wireless communications companies, providers of over-the-top video, and other services that compete for our customers;
- lower demand for our services by existing and potential residential and business customers that may result from increased competition, weakened economic conditions or other factors;
- our ability to contain the continued increases in video programming costs, or to raise video rates to offset, in whole or in part, the effects of such costs, including retransmission consent fees;
- an acceleration in bandwidth consumption by high-speed data customers greater than current expectations that could require unplanned capital expenditures;
- our ability to continue to grow our business services customer base and associated revenues our business services, which has continued to make increasing contributions to our results of operations;
- our ability to realize the anticipated benefits from the major initiatives under MCC's plan for approximately $1 billion in total capital expenditures during the three years ending December 2018, as further described in this Annual Report;
- our ability to successfully adopt new technologies and introduce new products and services, or enhance existing ones, to meet customer demands and preferences;
- our ability to secure hardware, software and operational support for the delivery of products and services to consumers;
- disruptions or failures of our network and information systems, including those caused by "cyber-attacks," natural disasters or other events outside our control;
- our reliance on certain intellectual property rights, and not infringing on the intellectual property rights of others;
- our ability to generate sufficient cash flows from operations to meet our debt service obligations;
- our ability to refinance future debt maturities on favorable terms, if at all;
- changes in assumptions underlying our critical accounting policies; and
- changes in legislative and regulatory matters that may cause us to incur additional costs and expenses.

Statements included in this Annual Report are based upon information known to us as of the date hereof, and we assume no obligation to update or alter our forward-looking statements made in this Annual Report, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. *BUSINESS*

Mediacom Communications Corporation

We are a wholly-owned subsidiary of Mediacom Communications Corporation ("Mediacom" or "MCC"). MCC is the fifth largest cable operator in the U.S., serving almost 1.4 million residential and business customer relationships in smaller markets primarily in the Midwest and Southeast. MCC offers a wide array of information, communications and entertainment services to households and businesses, including video, high-speed data ("HSD"), phone, and home security and automation. Through Mediacom Business, MCC provides scalable broadband communications solutions to commercial and public sector customers of all sizes, and sells advertising and production services under the OnMedia brand.

MCC's cable systems are owned and operated through our operating subsidiaries and those of Mediacom Broadband LLC ("Mediacom Broadband"), another wholly-owned subsidiary of MCC. As of December 31, 2016, MCC's cable systems passed an estimated 2.8 million homes and served approximately 828,000 video customers, 1,156,000 HSD customers and 479,000 phone customers, aggregating 2.5 million primary service units ("PSUs").

MCC is a privately-owned company. An entity wholly-owned by Rocco B. Commisso and related parties is the sole shareholder of MCC, a C corporation. Mr. Commisso is MCC's founder, Chairman and Chief Executive Officer. MCC manages us pursuant to management agreements with our operating subsidiaries. See Note 9 in our Notes to Consolidated Financial Statements.

Mediacom LLC

We are a holding company and do not have any operations or hold any assets other than our investments in our operating subsidiaries. As of December 31, 2016, our cable systems passed an estimated 1.3 million homes and served approximately 365,000 video customers, 513,000 HSD customers and 215,000 phone customers, aggregating 1.1 million PSUs. As of the same date, our cable systems served 598,000 residential and business customer relationships.

Our phone number is (845) 443-2600 and our principal executive offices are located at 1 Mediacom Way, Mediacom Park, New York, 10918.

Recent Developments

MCC's Capital Plan

In 2016, MCC announced a plan for approximately $1 billion of total capital expenditures to be made by us and Mediacom Broadband LLC during the three years ending December 2018 ("MCC's Capital Plan"). Among the planned initiatives under MCC's Capital Plan include:

- "Project Gigabit," a wide-scale deployment of next-generation DOCSIS 3.1 technology that allows the provisioning of 1 gigabit per second ("Gbps") HSD service to substantially all of MCC's homes passed;
- "Project Open Road," which will connect over 70,000 new commercial locations that contain multiple potential customers in an effort to continue to grow business services revenues at an accelerated rate;
- Residential line extensions resulting in at least 50,000 additional homes passed; and
- Development of community Wi-Fi access points throughout high-traffic commercial and public areas.

During the year ended December 31, 2016, MCC made an aggregate $335.2 million of capital expenditures, of which $155.5 million was invested by us. We expect similar levels of capital investments by us and MCC over each of the next two years, with our portion of the initiatives outlined above approximating a level that is commensurate with our capital expenditures as a percentage of MCC's total capital expenditures. We have already made meaningful progress under MCC's Capital Plan, including the recent announcement that MCC has become the first major U.S. cable company to have fully installed the necessary equipment to transition to the DOCSIS 3.1 platform. We believe these initiatives will allow us to continue to improve our competitive position for both residential and business services customers in our markets, with additional future revenue and cash flow growth driven by incremental gains in market share than we would have experienced otherwise.

2017 Financing Activity

On February 15, 2017, we entered into an amended and restated credit agreement under our bank credit facility that provided for $370.0 million of revolving credit commitments the ("new revolver") and $1,000.0 million of new term loans (the "new term loans"). On the same date, we borrowed the full amount of the new term loans, the new revolver became effective and we terminated our previously existing revolving credit facility. Proceeds of the new term loans, along with borrowings under the new revolver, were used to repay the entire outstanding balance of all previously existing debt under the credit facility, fund the redemption of our 7¼% senior notes due 2022, and pay related fees and expenses.

See "Liquidity and Capital Resources — Capital Structure — *2017 Financing Activity*" and Notes 6 and 12 in our Notes to Consolidated Financial Statements.

Cable System Acquisiton

In January 2017, we acquired a cable system serving about 7,200 video, 6,000 HSD and 1,000 phone customers for approximately $19 million.

Description of Our Business

The following table provides an overview of selected operating data for our cable systems as of December 31:

	2016	2015	2014	2013	2012
Estimated homes passed(1)	1,336,000	1,325,000	1,311,000	1,301,000	1,301,000
Video					
Video customers(2)	365,000	375,000	390,000	417,000	442,000
Video penetration(3)	27.3%	28.3%	29.7%	32.1%	34.0%
High Speed Data					
HSD customers(4)	513,000	480,000	449,000	431,000	410,000
HSD penetration(5)	38.4%	36.2%	34.2%	33.1%	31.5%
Phone					
Phone customers(6)	215,000	194,000	182,000	179,000	166,000
Phone penetration(7)	16.1%	14.6%	13.9%	13.8%	12.8%
Primary Service Units (PSUs)					
PSUs (8)	1,093,000	1,049,000	1,021,000	1,027,000	1,018,000
PSU penetration(9)	81.8%	79.2%	77.9%	78.9%	78.2%
Customer Relationships					
Customer relationships(10)	598,000	585,000	569,000	575,000	571,000

(1) Estimated homes passed represent the number of single residence homes, apartments and condominium units that we can connect to our distribution system without further extending the transmission lines, based on best available information.

(2) Represents customers receiving video service. Business services video customers that are billed on a bulk basis are converted into equivalent video customers by dividing their associated revenues by the applicable full-price residential video rate, which is generally consistent with the methodology used in determining payments made to programmers. Video customers include connections to schools, libraries, local government offices and employee households that may not be charged for basic or expanded video service, but may be charged for higher tier video, HSD, phone or other services. Our methodology of calculating the number of video customers may not be identical to those used by other companies offering similar services.

(3) Represents video customers as a percentage of estimated homes passed.

(4) Represents customers receiving HSD service. Small- to medium-sized business HSD customers are converted to equivalent HSD customers by dividing their associated revenues by the applicable full-price residential HSD rate. Medium- to large-sized business customers who take our enterprise network services are not counted as HSD customers. Our methodology of calculating HSD customers may not be identical to those used by other companies offering similar services.

(5) Represents HSD customers as a percentage of estimated homes passed.

(6) Represents customers receiving phone service. Small- to medium-sized business phone customers are converted to equivalent phone customers by dividing their associated revenues by the applicable full-price residential phone rate. Customers who take our IP-enabled voice trunk service are not counted as phone customers. Our methodology of calculating phone customers may not be identical to those used by other companies offering similar services.

(7) Represents phone customers as a percentage of estimated homes passed.

(8) Represents the sum of video, HSD and phone customers.

(9) Represents PSUs as a percentage of our estimated homes passed.

(10) Represents the total number of residential and business customers that receive at least one service, without regard to the amount of or which service(s) customers purchase.

Services

We offer video, HSD and phone services individually and in bundled packages to residential and small- to medium-sized business ("SMB") customers over our hybrid fiber and coaxial cable ("HFC") network, and provide fiber-based network and transport services to medium- and large-sized businesses, governments and educational institutions. We also sell advertising to local, regional and national advertisers on television and digital platforms, and offer home security and automation services to residential customers.

Our services are typically offered on a subscription basis, with installation fees, monthly rates and related charges associated with the services, equipment and features customers choose. We generally offer discounted packages for new customers, and for those who take multiple services. Customers are typically billed in advance on a monthly basis, and additional charges may apply for installation and other one-time items. Residential customers are generally not subject to minimum-term contracts, while substantially all of our business services customers are under contracts that typically have 3 to 7 year terms.

Our Service Areas

Approximately 68% of our homes passed are in the top 100 television markets in the United States, or designated market areas ("DMAs"), with about 58% of our homes passed residing in DMAs that rank between the 50th and 100th largest.

Our largest markets are:

- The gulf coast region surrounding Pensacola, FL and Mobile, AL;
- Suburban and outlying communities around Minneapolis, MN;
- Outlying communities around Champaign, Springfield and Decatur, IL;
- Communities in the western Kentucky and southern Illinois region;
- Communities in northern Indiana;
- Dagsboro, DE and the adjoining coastal area in Delaware and Maryland;
- Certain western suburbs of Chicago, IL; and
- Suburban communities of Huntsville, AL.

Residential Services

We market our residential services individually and in bundled packages, with discounts generally available for the subscription to bundled packages or other combinations of services. As of December 31, 2016, approximately 57% of our residential customers took two or more of our services, including about 26% that took all three.

Video

We offer a wide variety of video services, with multiple packages, tiers and equipment options to appeal to a variety of customer preferences and demographics. Residential video customers are charged a monthly fee that varies depending on the level of video service and equipment taken, with additional revenues generated from one-time installation expenses, video-on-demand ("VOD") fees and other ancillary purchases.

Our residential video customers receive, at a minimum, a limited basic tier that includes local broadcast stations and public, government and leased access channels, with additional packages and tiers available that include national cable networks and regional sports networks, foreign-language and international programming, digital music channels and other specialty programming. Video customers may also subscribe to premium network programming from HBO, Showtime, Starz and Cinemax that provides commercial-free original programming, movies, live and taped sporting events and concerts, and other special events. We have recently introduced "skinny bundles" as a value proposition to video customers that do not require certain national and regional sports networks, but seek a lower cost option that offers most of the non-sports content in our most popular video packages. Most of our video programming, including many titles in our VOD library, is available in a high-definition ("HD") format that offers a higher resolution picture, improved audio quality and a wide-screen format.

Our VOD service provides video customers access to over 27,000 titles, including a wide selection of movies, national broadcast and cable network shows, music videos, and locally produced events. Most of our VOD content carries no additional charge when customers take a content package that includes the affiliated content. Special event programs, including live concerts, sporting events, and first-run movies are also available on a pay-per-view basis. Our digital video recorder ("DVR") service allows customers to record and store content to view at their convenience, along with the ability to pause and rewind live programming.

Our video service generally requires the use of a digital set-top box ("set-top"), which typically provides an interactive, on-screen program guide and access to our VOD library. A rapidly increasing number of our video customers take our next-generation Internet Protocol ("IP") set-top that offers a cloud-based, graphically-rich TiVo guide with integrated access and search functionality to certain Internet-based, or "over-the-top," ("OTT") video services such as Netflix, Hulu, and YouTube, along with a multi-room DVR service and the ability to download certain content to personal devices. In 2017, we plan to introduce a new, lower-cost, IP set-top that offers the TiVo guide and OTT video services, but without the required equipment for DVR service.

We also enable video customers to watch certain programming on personal devices connected to the Internet connection, whether in or outside their home, which we refer to as "TV Everywhere." Our video customers currently have access to online content for up to 76 channels, and we plan to further expand our "TV Everywhere" line-up in 2017. Our video customers that take a set-top with the TiVo guide may also remotely view programming listings and schedule and manage DVR recordings remotely through our mobile apps and online portal.

HSD

We offer high-speed Internet access to suit the requirements of our HSD customers, with minimum downstream speeds of 60 megabits per second ("Mbps"), and packages available that provide downstream speeds up to 200 Mbps. Through Project Gigabit, we have installed the necessary equipment to transition substantially all our homes passed to the DOCSIS 3.1 platform, which will allow us to introduce packages offering speeds of up to 1 Gbps across most of our markets in 2017. We will also deploy community Wi-Fi access points throughout high-traffic commercial and public areas in our markets, which we believe will add additional value for our HSD customers.

Our residential HSD customers are charged a monthly fee that varies depending on the speeds and usage allowance associated with their level of HSD service. Our residential HSD service requires a modem, which most of our customers lease from us for a monthly fee. We also offer wireless gateways that combine a modem with a wireless router and phone adapter for an additional monthly fee, which ensures the performance of multiple personal devices used at the same time.

Phone

Our residential phone customers enjoy unlimited nationwide calling and other popular features, including Caller ID, call waiting, call forwarding, three-way calling and, for those who also take our video service, the ability to receive Caller ID information on the customer's television. Residential phone customers are charged a monthly fee, with voicemail services, directory assistance and international calling plans made available for an additional fee. Our residential phone service requires equipment that is either included in the wireless gateway taken by many customers that take both HSD and phone service, or is typically leased by our customers for a monthly fee.

Business Services

Mediacom Business provides SMB customers video, HSD and phone services similar to those offered to our residential customers, along with a multi-line phone service, music services and other features. We also furnish custom fiber solutions, with transmission speeds up to 10 Gbps, for medium- and large-sized businesses and institutions, with IP-enabled trunk-based voice services, and point-to-point, multi-point wide area, and local area network solution. We also supply high-capacity fiber transport and dedicated Internet access to national and regional carriers to support cell tower backhaul, Ethernet and regional transport. Our initiation of "Project Open Road" will extend our network to tens of thousands of new commercial locations that contain multiple businesses, in an effort to sustain or accelerate our rate of growth in business services revenues.

Advertising

We sell advertising and production services to local, regional and national customers under our OnMedia brand. As part of the programming agreements with national cable networks, we generally receive an allocation of scheduled advertising time, typically two minutes per hour, and insert commercials during this allotted time. Our local sales team generally sells the placement of advertising and, in certain markets, we have entered into agreements with other cable operators in the same DMA where we sell advertising on behalf of these other operators, or vice versa, facilitating customers' ability to purchase local advertising in multiple markets. We also sell digital ad placement and other media services as an extension of our advertising business.

Marketing and Sales

We employ a wide range of sales channels to reach current and potential customers, including outbound telemarketing, direct mail, in-bound customer care centers, retail locations, door-to-door field technician sales, and an e-commerce site. Customers are directed to our inbound call centers or website through various forms of advertising, including television advertising on our own cable systems. Mediacom Business has a dedicated sales force and outbound telemarketing, and we have several relationships with third-party agents who sell our services. Xtream is our marketing brand for bundled packages that include video with DVR service and set-tops with the TiVo guide, HSD with a wireless gateway, and phone service. We believe the simplified pricing and value proposition of our Xtream bundles has positively influenced the market's perception of our products and services, and has driven higher levels of sales activity.

Customer Care

We continue to make investments that improve the reliability and quality of our services to enhance our customers' experience. Our field operations team focuses on providing a quality experience during installation and service calls, with the goal of resolving any technical issues on the first attempt. We offer 30 minute arrival windows and evening and weekend availability for installation and service calls to provide more convenient scheduling for our customers. Field activity is scheduled and routed seamlessly with remote dispatching and workflow management and GPS systems that facilitate on-time arrival for customer appointments. Our technicians are equipped with diagnostic and monitoring tools that determine the quality of service at the customer's home in real-time.

Our customer care group has multiple contact centers with dedicated customer service, sales, and technical support representatives available at all times, and our virtual contact center allows us to manage resources efficiently and effectively function as a single, unified call center. Our website and mobile applications allow customers to manage their billing account, utilize self-help tools and schedule appointments. Customers who are seeking to speak to an agent for further assistance may use the "call back" feature where our technical staff will call the customer when available, eliminating the need for excessive wait times. We maintain a strong presence on many social networking websites and message boards, including Facebook and Twitter, allowing us the ability to be more proactive in customer service, along with providing customers another point of contact.

Technology

Our services are delivered through a fiber-rich, technologically-advanced, route-diverse network that consists of a national backbone; large-scale, centralized platforms; regional networks and headends; neighborhood nodes; and last-mile connectivity to customer homes or businesses. We utilize an IP ring architecture that minimizes service outages through its redundant design, and our network operations center supports and continuously monitors our network. We believe our network infrastructure provides several advatanges over most of our competitors, including significantly more bandwidth capacity, greater reliability and higher quality of service.

Our national backbone is connected to leading carriers, with a presence in several major carrier hotels, and allows us to introduce new services across all our markets and realize greater economic efficiencies and scale. Our national backbone connects centralized platforms that control video content delivery, HSD and phone services, provisioning, customer care and email, and provides access to several aggregation and exchange points in our regional networks to ensure network redundancy and enhanced quality of service.

The last-mile connectivity is delivered through our HFC network, transporting content via laser-fed fiber-optic cable by regional networks and headends to local nodes, and by coaxial cable from these nodes to our customers. We have installed back-up power supplies that are intended to allow our services to continue to be available in the event of a commercial power outage. For certain business customers that have high-capacity requirements, we extend fiber-optic cable from the node site directly to the customer's premise.

HSD customers have consumed rapidly increasing amounts of bandwidth over the last several years, largely driven by increased usage of OTT video, and we expect this trend to continue. To provide additional network capacity to facilitate meaningful bandwidth consumption increases, we have deployed multiple tools to recapture bandwidth and optimize our network to allow for faster HSD speeds and greater levels of capacity. In substantially all of our markets, we have converted video service to an "all-digital" delivery platform, freeing up spectrum that was previously used to deliver analog video signals that require more capacity. We have installed the necessary equipment to transition to the DOCSIS 3.1 platform in substantially all of our markets, which allows us to use our existing network capacity in a more efficient manner. These bandwidth reclamation and optimization efforts have enabled continuing increases in the speeds and usage allowances in our HSD service packages, and we will further increase our maximum speeds to 1 Gbps in many of our markets in 2017.

Community Relations

We are dedicated to fostering strong relations with the communities we serve and believe our local involvement strengthens the awareness and favorable perception of our brand. We support local charities and community causes with scholarships, events and campaigns to raise funds and supplies for persons in need, and in-kind donations that include production services and free airtime on cable networks. As of December 31, 2016, we provided free video service to almost 1,400 schools and free HSD service to over 50 schools, and also provided free video service to almost 2,300 government buildings, libraries and not-for-profit hospitals, nearly 200 of which also receive free HSD service.

Franchises

As of December 31, 2016, we served 854 communities under non-exclusive franchises granted to us by local or state governmental authorities. Many of the provisions of local franchises are subject to federal regulation under the Communications Act of 1934, as amended (the "Cable Act"). Our franchises typically impose numerous conditions, including requirements around construction of the cable network in certain of the franchise areas; customer service requirements; the broad categories of programming required; the provision of free service to schools and other public institutions; and the provision and funding of public access channels. Many of the provisions of local franchises are subject to a fee based on gross revenues of specified cable services that we typically pass through directly to the customer. The Cable Act prohibits such franchise fees from exceeding 5%.

We believe that we have satisfactory relationships with our franchising communities, and have never had a franchise revoked, or had a community refuse to consent to a franchise transfer to us. The Cable Act provides comprehensive renewal procedures, which require that an incumbent franchisee's renewal application be assessed on its own merits and not as part of a comparative process with competing applications. For more information around our franchises, see "Legislation and Regulation – *State and Local Regulation – Franchise Matters."*

Sources of Supply

Programming

The programming content carried by our cable systems is generally obtained pursuant to fixed-term contracts with suppliers whose compensation is typically based on a fixed monthly fee per video customer, subject to contractual escalations. Most of our contracts are entered into directly with the programmers, but we also secure content through a programming cooperative in certain cases where we receive more favorable pricing or terms than are available to us independently. In general, we attempt to secure longer-term programming contracts, ranging from three to eight years. We also have various retransmission consent agreements that permit us to retransmit the signals of local broadcast television stations. Under FCC rules, local broadcast stations must elect, on a three-year cycle, either "must-carry" rights or "retransmission consent," where we are not allowed to carry the station's signals without its permission. Retransmission consent is generally conditioned upon our payment of cash fees and/or our carriage of one or more of their affiliated stations or programming networks.

Programming expenses have historically been our largest single expense item, and these costs have historically increased substantially more than the inflation rate on a per-unit basis, particularly for sports programming and retransmission consent. Consolidation among media companies and independent broadcast station groups has been significant over the past several years, and may further continue. As a result of such consolidation, many popular cable networks are owned by large media conglomerates, and many local broadcast stations are owned by large independent television broadcast groups that own, control or represent a significant number of local broadcast stations across the country and, in some cases, multiple stations in the same market.

Moreover, many of those powerful owners of programming require us to purchase their content in bundles and dictate how we offer them to our customers. Consequently, we have little or no ability to individually or selectively negotiate for networks or broadcast stations, to forego purchasing networks or stations that generate low customer interest, to offer sports programming services, such as ESPN and regional sports networks, on one or more separate tiers, or to offer networks or stations on an a la carte basis to give our customers more choice and potentially lower their costs. In many instances, such programmers have created additional networks and migrated popular programming, particularly sports programming, to these new networks, which has contributed to the increases in our programming costs. Additionally, we believe certain programmers may also demand higher fees from us in an effort to partially offset declines in their advertising revenue as more advertisers allocate a greater portion of their spending to Internet advertising. All of these practices increase our programming expense, and while such growth in programming expenses can be offset, in whole or in part, by rate increases to our video customers, our video gross margins will continue to decline if they cannot be fully offset.

HSD Service

We deliver HSD service through route-diverse fiber networks that are owned by us or leased from third parties and through backbone networks that are operated by third parties. We pay fees for leased circuits based on the amount of capacity and for Internet connectivity based on the amount of HSD traffic over the provider's network.

Phone Service

Our phone service is delivered through a Voice over Internet Protocol ("VoIP") platform over a route-diverse infrastructure. We source certain services from outside parties to support our phone service, the most significant of which are long-distance services from a number of Tier 1 carriers, E911 database management, and leased circuits from incumbent local exchange carriers ("ILECs").

Set-Tops, Programming Guides, Cable Modems and Network Equipment

We purchase set-tops from a limited number of suppliers, principally Arris Group Inc., and lease these devices to customers on a monthly basis. We provide our customers with set-top program guides from TiVo Inc. and Rovi Corporation. We mainly purchase cable modems from Hitron Technologies and Technicolor SA, and routers, switches and other network equipment from Cisco Systems, Casa Technology Systems and Huawei Technologies Co. Ltd.

Competition

We face competition for residential and business customers from a wide range of communication, entertainment and information services. Our residential video, HSD and phone services have historically faced, and continue to face, intense competition from existing providers in the areas of price, product offerings and service reliability. Rapid technological advances and changes in consumer behavior and demands have led to an increasing number of companies that offer new products and services that compete with ours, including OTT video and wireless Internet and phone services. Our business services generally compete with existing providers who may have a stronger foothold and customer penetration in our markets, and we continue to face a number of challengers for advertising sales.

Many of our current and potential future competitors have strong brand name recognition and significant financial resources, which may allow them to react to technological developments or changes in consumer behavior quicker than us. Recent consolidation has resulted in certain competitors becoming larger and offering additional services. AT&T's acquisition of DirecTV in 2015 enhanced their ability to offer bundled wireline and wireless services, and facilitated their recent launch of "DirecTV Now," an OTT video service that competes with ours. In 2016, AT&T announced a proposed merger with Time Warner Inc. which, if completed, would integrate a variety of video content with its established distribution platforms. Further consolidation may occur in the future, which may further pressure our competitive position.

Video

Direct Broadcast Satellite ("DBS") Providers

We face our most significant competition for video customers from DBS providers, principally DirecTV, which is owned by AT&T, and DISH Network, whom offer satellite-delivered video packages and collectively have over 33 million video customers throughout the U.S., based on publicly filed information. These DBS providers offer similar video packages to ours, including certain features we may not provide including ad-skipping functionality and exclusive content such as DirecTV's agreement with the National Football League. DBS providers also have certain other advantages over us, including a national brand and marketing platform, and greater operational efficiencies resulting from their ability to avoid certain expenses which we incur, principally franchise fees and property taxes. We believe aggressive promotional pricing and advanced customer equipment offered by these DBS providers have contributed to our historical video customer losses.

Phone Companies

Certain phone companies have built fiber-based networks that allow them to offer video service, which is then bundled with Internet, phone and, in some cases, wireless, services. As of December 31, 2016, approximately 8%, 2%, 1% and 1% of our homes passed faced wireline video competition from AT&T U-Verse, CenturyLink Prism, Frontier FiOs and Verizon FiOs, respectively, based on internal estimates. The video services offered by these phone companies are substantially similar to ours. In markets where phone companies do not offer wireline video service, they have typically bundled their Internet and/or phone services with a DBS video service.

Other Overbuilders

We compete with other operators known as "overbuilders" that operate under non-exclusive franchises granted by local authorities and offer video service to markets representing approximately 16% (excluding the phone companies noted above) of our homes passed. The level of competition provided by these overbuilders varies, depending on the quality of their network and services offered, but they generally market bundled packages similar to ours. Some of these competitors, including municipally-owned entities, may be granted franchises on more favorable terms than ours, or enjoy other advantages, such as exemptions from property taxes or regulatory requirements, and pole rental charges, to which we are subject. We believe there has been limited expansion of such entities in our markets in the past several years.

OTT Video

Our video service faces increasing competition from a variety of OTT video providers that offer streaming and downloading of video content over the Internet, often available for a monthly subscription priced meaningfully lower than our video service, or free of charge. These services have become increasingly accessible as technological advances have facilitated the ability of consumers to watch OTT video on their television and a variety of platforms and devices. The quality and amount of content offered by these providers continues to improve, and some OTT video services, including Netflix, Hulu and Amazon Prime Video have also recently introduced high-quality original content that is exclusive to their respective service. OTT video packages have also been recently made available, or will soon become available including DISH's SlingTV, DirecTV Now, YouTube TV and Hulu that replicate the linear video experience and provide additional competition to our video service. Additionally, certain content providers, including HBO, Showtime and CBS, have begun selling their programming direct to consumers over the Internet, bypassing distribution by a traditional video provider and additional content providers have announced intentions to do so in 2017 and beyond.

If OTT video providers continue to add popular content, including services that offer linear video, substitution of our video services may accelerate. Additionally, because OTT video is very popular with younger demographics, there may be an increasing substitution of traditional video if newly formed households were more likely to choose one or several OTT video services as their only video provider. However, we believe most OTT video services are used to supplement traditional video, and we have facilitated their usage by integrating many third-party video services on our next-generation set-top. While increasing use of OTT video services may lead to lower demand for our VOD and, to a lesser extent, video service in general, we expect the associated bandwidth requirements will result in greater HSD customer growth and retention given our competitive position.

Other

We also face competition for our video service from over-the-air broadcast television, of which the extent of such competition for our video service is dependent on the quality and quantity of broadcast signals available through an "off-air" antenna.

HSD

Phone Companies

Our HSD service faces its most significant competition from local phone companies, including AT&T, CenturyLink, Frontier and Verizon, that generally offer digital subscriber line ("DSL") Internet service, which is limited by technical constraints to maximum speeds considerably slower than ours. These phone companies generally market their DSL service at a lower price than our HSD service, but in certain markets where they have upgraded portions of their network to allow for faster speeds, their higher-speed DSL tiers were typically available at similar or higher prices than ours.

Some phone companies have upgraded portions of their network to a fiber-to-the-node ("FTTN") system that allows for Internet speeds comparable to our 60 Mbps service or fiber-to-the-home ("FTTH") systems, which are capable of providing Internet speeds as fast as our highest speeds. AT&T and CenturyLink have upgraded their networks to FTTN delivery systems in several of our markets, and AT&T has committed to deploying FTTH service to 12.5 million nation-wide locations within four years of their 2016 acquisition of DirecTV. Verizon and Frontier have upgraded their networks to offer FTTH service in a minmal number of our markets. We generally believe our markets have been a lower priority for these phone companies, given the higher costs associated with building out such fiber networks in lower density markets such as ours, as compared to larger metropolitan markets. However, we may face greater competition for HSD customers if these companies were to continue, or accelerate, the deployment of fiber in markets which we compete.

Wireless Providers

We also face competition from wireless providers such as AT&T, Verizon Wireless, T-Mobile and Sprint that offer third and fourth generation, or "3G" and "4G," wireless Internet service. While certain households or individuals with minimal bandwidth requirements may fully substitute their wireline Internet service for a wireless one, we do not believe that wireless Internet service offers a full replacement to our HSD service given higher data usage costs, slower speeds and lower reliability. However, the level of competition provided by wireless Internet services may increase in the future with the deployment of fifth generation, or "5G" technology and the recent introduction of packages with unlimited bandwidth consumption.

Other

Our HSD service also faces limited competition from other providers, including many of the overbuilders noted above, and certain municipalities and commercial entities that have built fiber networks and offer Internet service that competes with ours. In a limited number of markets outside our service area, Google has launched a FTTH service, and has announced plans to expand to additional markets. Some local governments in our footprint are considering or actively pursuing the subsidized build out of additional fiber and/or Wi-Fi networks. Our HSD service also faces competition from certain commercial venues, such as retail shopping areas, restaurants and airports that offer Wi-Fi Internet service, sometimes free of charge. If any of these providers were to significantly expand services in our markets, we would face additional competitive pressures.

Phone

Our phone service faces its most significant competition from the phone companies noted above that offer wireline phone service that is substantially similar to ours and, increasingly, from the wireless providers noted above. As households continue to utilize cell phones as their only phone service, the number of customers taking a wireline phone service has meaningfully declined, a trend we believe will continue.

Our phone service also competes with providers of IP-based phone services such as Vonage, Skype and magicJack, and from other forms of communication such as text and video messaging.

Business Services

Our business services primarily compete for SMB customers with local phone companies, many of which have had a historical advantage given long-term relationships with such customers, a nation-wide footprint that allows them to more effectively serve multiple locations, and existing networks built in certain commercial areas that we do not currently serve. However, in recent years, we have aggressively marketed our business services and expanded our network into additional commercial areas, which have led to significant customer and revenue increases associated with business services, which we expect to continue.

Our cell tower backhaul and enterprise-level services also face competition from these local phone companies as well as other carriers, including metro and regional fiber-based carriers.

Advertising

We compete for the sale of advertising against a wide variety of media outlets, including local broadcast stations, national broadcast networks, national and regional programming networks, local radio broadcast stations, local and regional newspapers, magazines and Internet sites. Competition has increased and will likely continue to increase as digital and other new formats for advertising seek to attract the same advertisers.

Other Competition

We also face competition for all of our services with all other sources of leisure, news, information and entertainment, including movies, sporting or other live events, radio broadcasts, home video services, console games, print media and the Internet. There can be no assurance that these or other existing, proposed, or as yet undeveloped technologies will not become dominant in the future and render our products and services less profitable or even obsolete.

Employees

As of December 31, 2016, we had 1,897 employees. None of our employees are organized under, or covered by, a collective bargaining agreement. We consider our relations with our employees to be satisfactory.

Legislation and Regulation

General

Federal, state and local laws regulate the development and operation of cable systems and, to varying degrees, the services we offer. Significant legal requirements imposed on us because of our status as a cable operator, or by virtue of the services we offer, are described below.

Many of our operations are regulated to a varying degree under different provisions of federal law, principally Title I (information services), Title II (telecommunications services) and Title VI (cable services) of the Communications Act of 1934, as amended ("Communications Act").

Recent Significant FCC Activity

HSD Regulatory Reclassification and Network Neutrality

In 2015, the FCC adopted its Open Internet Order changing the historical classification of HSD Services, commonly referred to as broadband Internet access services ("BIAS"), from lightly regulated Title I information services to telecommunications services subject to regulation under Title II of the Communications Act. Although the FCC acted to forebear enforcement of many of Title II's provisions, the FCC may rescind any or all such forbearance at will. With the Republicans in charge of both houses of Congress and the White House, reports have circulated that legislation may be introduced to undo in whole or in part the effect of the 2015 Order. We cannot predict if such changes will be adopted or what the impact of those changes may be.

The Open Internet Order established three "bright line rules" that restrict blocking of content, throttling of speed and paid prioritization of traffic (giving certain traffic priority in return for consideration). More generally, a provider of BIAS also cannot unreasonably interfere with or unreasonably disadvantage: (i) consumers' ability to select, access or use lawful content, applications, services or devices; or (ii) edge providers' ability to make lawful content, applications, services or devices available to consumers. To determine what conduct is "reasonable" or "unreasonable," the FCC will resolve complaints on a case-by-case basis. Until complaints are filed and resolved, the scope of permitted conduct is not known and this creates regulatory uncertainty.

The Open Internet Order mandates additional consumer disclosures regarding promotional rates, fees, surcharges and data caps or allowances, and packet loss measures. Network management practices must continue to be disclosed with the added requirement of disclosure if a network practice is likely to significantly affect an end user's use of the service. The Open Internet Order distinguishes so-called "legitimate network management" practices from other business practices. Our interconnections with other networks in order to exchange broadband traffic are now subject to FCC regulation. These arrangements will be regulated on a case-by-case basis if and as complaints are filed. Until complaints against ISPs are filed and resolved, it is difficult to determine the standards that distinguish permitted from proscribed conduct and, therefore, the potential impact upon our existing interconnection arrangements or future needs.

On October 27, 2016, the FCC adopted new privacy and data security requirements for BIAS providers pursuant to its Title II authority. These include specific disclosures and the timing of such disclosures, enhanced choice by subscribers over the use of sensitive data and data breach notification requirements. On March 1, 2017, the FCC stayed the effective date of the new rules to allow time to work with the Federal Trade Commission to create a comprehensive and consistent framework with respect to online privacy. We cannot predict if or when new rules will be issued or what effect they will have, if any, on our business.

We provide HSD services to business customers. On April 28, 2016, the FCC adopted a Tariff Investigation Order and Further Notice of Proposed Rulemaking that sought, among other things, to impose price caps on the provision of business data services. In late January 2017, a proposed order was removed from the FCC's list on items on circulation, meaning that it could no longer be voted upon. It is unclear whether the proposed order will be reinstated, the new FCC Chairman would propose an alternative order or no order would be issued at all.

Preemption of State Restriction of Municipal-Based Broadband Systems

In a limited number of our markets, our products and services face competition from municipally owned electric utilities that have constructed telecommunications systems. Certain of the states in which we operate have adopted laws that impose conditions upon the conduct of a telecommunications business by local municipalities. For example, some states may require voter approval and prohibit cross-subsidization of the telecommunications business by electric, gas and water utility customers. In 2015, the FCC adopted a Memorandum Opinion and Order preempting certain state laws imposing restrictions or conditions upon the ability of municipal utilities in North Carolina and Tennessee to offer or expand broadband service. However, on August 10, 2016, the United States Court of Appeals for the Sixth Circuit struck down the FCC's ban and the FCC did not to appeal.

Federal Telecommunications Act Rewrite

Members of Congress have discussed undertaking a rewrite of the telecommunications laws that is necessary to develop laws that can be applied on a technology- and platform-neutral basis. Currently, each technology, regardless of whether it offers a similar service, *e.g.*, multichannel video programming, broadband access or phone service, is regulated in a silo subject to a different regulatory regime. Such treatment often disadvantages one technology compared to others. We cannot predict whether such a rewrite and/or network neutrality legislation to establish a statutory framework to replace the Open Internet Order will occur. Any changes in regulation that would result from a rewrite could affect all of our products and services, the outcome of which, if any, cannot be predicted.

Privacy and Data Security

How we collect, use, disclose and retain personally identifiable information and other sensitive information about our customers and what we do in the event of a data security breach is governed by federal and state laws. In addition, many states in which we operate have also enacted customer privacy statutes, including obligations to notify customers when certain customer information is accessed or believed to have been accessed without authorization. These state provisions are in some cases more restrictive than those in federal law.

The Cable Act imposes a number of restrictions on the manner in which cable operators can collect, disclose and retain data about individual system customers and requires cable operators to take actions to prevent unauthorized access to such information. The statute also requires that the system operator periodically provide all customers with written information about its policies, including the types of information collected; the use of such information; the nature, frequency and purpose of any disclosures; the period of retention; the times and places where a customer may have access to such information; the limitations placed on the cable operator by the Cable Act; and a customer's enforcement rights. In the event that a cable operator is found to have violated the customer privacy provisions of the Cable Act, it could be required to pay damages, attorneys' fees and other costs. Certain of these Cable Act requirements have been modified by more recent federal laws. Other federal laws currently impact the circumstances and the manner in which we disclose certain customer information and future federal legislation may further impact our obligations.

As more fully discussed in the *Recent Significant FCC Activity – HSD Regulatory Reclassification and Network Neutrality* section above, our HSD Service has become subject to new requirements, some of which have and others which are scheduled to take effect, regarding the collection, use and disclosure of certain customer, usage and network information.

In addition to any privacy laws that may apply to our provision of VoIP services, we must comply with additional privacy provisions contained in the FCC's CPNI regulations related to certain telephone customer records. In addition to employee training programs and other operating and disciplinary procedures, the CPNI rules require establishment of customer authentication and password protections, limit the means that we may use for such authentication, and provide customer approval prior to certain types of uses or disclosures of CPNI.

Pole Attachment Regulation

The Cable Act requires certain public utilities, including all local telephone companies and electric utilities, except those owned by municipalities and co-operatives, to provide cable operators and telecommunications carriers with nondiscriminatory access to poles, ducts, conduits and rights-of-way at just and reasonable rates. This right of access is beneficial to us. Federal law also requires the FCC to regulate the rates, terms and conditions imposed by such public utilities for cable systems' use of utility pole and conduit space unless state authorities have demonstrated to the FCC that they adequately regulate pole attachment rates, as is the case in certain states in which we operate. In the absence of state regulation, the FCC will regulate pole attachment rates, terms and conditions only in response to a formal complaint. The FCC established a rate formula which governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing telecommunications services, including cable operators.

In 2011, the FCC adopted an Order modifying the pole attachment rules to promote broadband deployment. Previously, poles subject to the FCC attachment rules used a formula that resulted in lower rates for cable attachments and higher rates for telecommunication services attachments. The FCC had previously ruled that the provision of Internet services would not, in and of itself, trigger use of this new formula and the U.S. Supreme Court affirmed this decision.

Pursuant to the FCC's 2011 Order, the telecommunications attachment rate formula would yield results that would approximate the attachment rates for cable television operators. On November 17, 2015, the FCC adopted an Order on Reconsideration that revised the FCC's pole attachment rate formula to lessen the disparity between the cable and telecommunications rates that arose under certain factual scenarios. As a result, in almost all circumstances the cable and telecommunications rates now approximate each other. Thus, even though it remains unclear whether the reclassification of broadband service as a telecommunications service pursuant to the Open Internet Order discussed more fully in *Recent Significant FCC Activity – HSD Regulatory Reclassification and Network Neutrality* above, will impact our ability to continue to seek attachment rates computed as a cable operator as opposed to as a telecommunications provider, the practical effect of that distinction has been virtually eliminated. However, to the extent the FCC's action lowers the pole attachment costs of our competitors, that could adversely impact us.

Universal Service Fund

In recent years, the FCC has adopted a series of reforms to the Universal Service Fund ("USF") support mechanism to help to make broadband available to areas that do not have or would not have broadband service. In addition, the FCC has expanded the types of services that must contribute to the USF. Since 2006, VoIP providers must contribute to the USF, and the FCC has a pending rulemaking that, if adopted, could impose fees on currently non-assessable services such as broadband Internet access.

Any increased costs resulting from having to contribute to USF, however, would increase our cost of service to consumers and that could adversely affect our business. We cannot predict how these various changes either may add costs or burdens to our existing VoIP and broadband services or how they may potentially benefit those who provide competing services.

Cable System Operations and Video Services

Federal Regulation

Title VI of the Communications Act, referred to as the Cable Act, establishes the principal federal regulatory framework for our operation of cable systems and for the provision of our video services. The Cable Act allocates primary responsibility for enforcing the federal policies among the FCC and state and local governmental authorities.

Content Regulations

Must Carry and Retransmission Consent

The FCC's regulations require local commercial television broadcast stations to elect once every three years whether to require a cable system to carry the primary signal of their stations, subject to certain exceptions, commonly called must-carry, or to negotiate the terms by which the cable system may carry the station on its cable systems, commonly called retransmission consent. The most recent elections took effect through December 31, 2017. Through January 1, 2020, Congress bars broadcasters from entering into exclusive retransmission consent agreements. Congress also requires all parties to negotiate retransmission consent agreements in good faith.

The Satellite Television Extension and Localism Act Reauthorization Act ("STELAR") prohibits stations not under common ownership from engaging in joint negotiations with multichannel video programming distributors ("MVPDs") and restricting broadcasters from generally limiting carriage of stations that are significantly viewed or otherwise entitled to carriage, and eliminating the restriction on removing or repositioning stations during certain periods of time when network ratings are assessed, known as "sweeps." Pursuant to STELAR, in 2015 the FCC issued a Notice of Proposed Rulemaking ("NPRM") to review the "totality of the circumstances" test applied, in part, to determine whether parties have attempted to negotiate retransmission consent in good faith and whether certain other actions should evidence bad faith. We cannot predict whether the FCC will modify its rules or the impact of any such modifications. If the FCC fails to modify its rules, such action could be seen as an endorsement of current broadcaster negotiating tactics that often introduce challenges to the negotiation of retransmission consent agreements.

In 2014, the FCC issued an NPRM revisiting the definition of an MVPD, whether it should be technology-neutral to allow inclusion of certain Internet-delivered video services, the impact of such change on various industry players and consumers, and how to ensure any change promotes competition and broadband adoption. We cannot predict when, or if, the FCC will implement any new rules or change existing rules or the impact that any new rules or legislation may have on our business. Any new rules or legislation that would strengthen the relative negotiating position of broadcasters or the competitive position of Internet-delivered video service providers could have an adverse effect on our business.

We carry both must-carry broadcast stations and broadcast stations that have granted retransmission consent. A significant number of local broadcast stations carried by our cable systems have elected to negotiate for retransmission consent, and we have entered into retransmission consent agreements with substantially all of them. Retransmission consent agreements representing approximately 39% of our video customers receiving local broadcast stations will expire and require renegotiation prior to January 1, 2018.

Syndicated Exclusivity/Network Non-duplication/Sports Blackout

Pursuant to FCC regulations, under certain circumstances, broadcasters can bar us from carrying certain network and syndicated programming. In 2014, the FCC issued a Further NPRM to expand the record on whether it should eliminate the ability of broadcasters to impose such restrictions on us.

Other Content Regulations

On February 18, 2016, the FCC issued an order reapportioning the responsibilities regarding closed captioning quality, between video programming distributors ("VPDs") and video programming owners and producers. Initially, the burden had ultimately been borne by VPDs. Moreover, the FCC also adopted a burden-shifting model for investigation of complaints that can, in certain instances, shift the investigatory obligations to the owners or producers.

Pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010, the FCC has adopted rules that, among other things, impose certain accessibility requirements on navigation devices and digital apparatus that utilize encryption or other forms of conditional access to display video programming. Such devices must make on-screen text menus and guides for the display or selection of MVPD programming audibly accessible and make video programming accessible to individuals who are blind or visually impaired. These rules also require MVPDs to not rely solely on voice controls to activate closed captioning, establish customer notification requirements on manufacturers to publicize the availability of audible on-screen program guides, established information and documentation that must be made available to persons with disabilities and specified customer service training requirement topics for MVPDs.

Use of Our Cable Systems by the Government and Unrelated Third Parties

The Cable Act allows local franchising authorities and unrelated third parties to obtain access to a portion of our cable systems' channel capacity for their own use through channels set aside for PEG programming and requires most cable operators to designate a significant portion of its activated channel capacity for commercial leased access by third parties to provide programming that may compete with services offered by the cable operator.

Cable Equipment

The Cable Act and FCC regulations gave consumers the right to purchase set-top converters from third parties as long as the equipment does not harm the network, does not interfere with services purchased by other customers and is not used to receive unauthorized services. In 2016, the FCC adopted an NPRM and Memorandum Opinion and Order that removed the ban on the integration of security and non-security function in set-tops and proposed new rules aimed at increasing the availability of navigation devices or apps that have the functional equivalency of set-tops from providers unaffiliated with an MVPD. To accomplish this, the FCC proposed rules requiring MVPDs to split their signal into three core information streams: (i) *Service discovery:* information about what programming is available to the consumer, such as the channel listing and video-on-demand lineup, and what is on those channels; (ii) *Entitlements:* information about what a device is allowed to do with content, such as recording; and (iii) *Content delivery:* the video programming itself. The FCC declined to establish standards, instead recommending that they be established by an unnamed independent open standards body. It remains unclear whether these rules, if adopted, would interfere with contractual security requirements of programming networks, impair subscriber privacy, impair or duplicate an MVPD's ability to capture and use viewing information or otherwise adversely impact the subscriber experience. In late January 2017, a proposed order was removed from the FCC's list of items on circulation, meaning that it could no longer be voted upon. It is unclear whether the proposed order will be reinstated, the new FCC Chairman would propose an alternative order or no order would be issued at all. Should these or similar rules ultimately be enacted, we cannot predict what reengineering of our systems would be required, if any, or the cost of implementing and providing such split streams of information. We also cannot predict whether a subscriber's use of such alternative device or app would impair our accessibility to or the value of viewing information.

Multiple Dwelling Unit Building Wiring

The FCC has adopted cable inside wiring rules to provide a more specific procedure for the disposition of residential home wiring and internal building wiring that belongs to an incumbent cable operator that is forced by the building owner to terminate its cable services in a building with multiple dwelling units. The FCC has issued rules voiding existing, and prohibiting future, exclusive service contracts for services to multiple dwelling unit or other residential developments, however, the FCC has affirmed the permissibility of bulk rate agreements and exclusive marketing agreements. Our inability to secure such express rights in the future may adversely affect our business to customers residing in multiple dwelling unit buildings and certain other residential developments.

Copyright

Our cable systems typically include in their channel line-ups local and distant television and radio broadcast signals, which are protected by the copyright laws. We generally do not obtain a license to use this programming directly from the owners of the copyrights associated with this programming, but instead comply with an alternative federal compulsory copyright licensing process. In exchange for filing certain reports and contributing a percentage of our revenues to a federal copyright royalty pool, we obtain blanket permission to retransmit the copyrighted material carried on these broadcast signals. The nature and amount of future copyright payments for broadcast signal carriage cannot be predicted at this time.

DBS providers, to become more competitive with cable operators, operate under a similar statutory compulsory license that unlike that of cable operators, has a fixed term. In 2014, Congress extended the satellite compulsory license through 2019. As part of that legislation, Congress required the United States Government Accountability Office ("GAO") to conduct another study regarding carriage and copyright issues relating to broadcast programming and the impact of the current regulatory regime on consumers. Pursuant to an earlier mandate, in 2011, GAO issued a report to Congress that found that the impact of a phase-out of the compulsory copyright licenses would have an uncertain impact on the market and regulatory environment. In part, the scheme (i.e., direct licensing, collective licensing or sublicensing) that would replace the compulsory licenses would impact the outcome. Additionally, in 2008 and 2011 the Copyright Office issued reports to Congress recommending phasing out the distant signal compulsory license. We cannot predict whether Congress will eliminate the cable compulsory license, or what scheme would replace it, if any; however, any loss of the current compulsory license could increase our costs.

State and Local Regulation

Franchise Matters

Our cable systems use local streets and rights-of-way. Consequently, we must comply with state and local regulation, which is typically imposed through the franchising process. We have non-exclusive franchises granted by municipal, state or other local government entities for virtually every community in which we operate that authorize us to construct, operate and maintain our cable systems. Our franchises generally are granted for fixed terms and in many cases are terminable if we fail to comply with material provisions. The terms and conditions of our franchises vary materially from jurisdiction to jurisdiction. Each franchise granted by a municipal or local governmental entity generally contains provisions governing:

- franchise fees;
- franchise term;
- system construction and maintenance obligations;
- system channel capacity;
- design and technical performance;
- customer service standards;
- sale or transfer of the franchise; and
- territory of the franchise.

Although franchising matters have traditionally been regulated at the local level through a franchise agreement and/or a local ordinance, many states now allow or require cable service providers to bypass the local process and obtain franchise agreements or equivalent authorizations directly from state government. Many of the states in which we operate, including California, Florida, Illinois, Indiana, Iowa, Missouri and North Carolina make state-issued franchises available, which typically contain less restrictive provisions than those issued by municipal or other local government entities. State-issued franchises in many states generally allow local telephone companies or others to deliver services in competition with our cable service without obtaining equivalent local franchises. In states where available, we are generally able to obtain state-issued franchises upon expiration of our existing franchises. Our business may be adversely affected to the extent that our competitors are able to operate under franchises that are more favorable than our existing local franchises. While most franchising matters are dealt with at the state and/or local level, the Cable Act provides oversight and guidelines to govern our relationship with local franchising authorities whether they are at the state, county or municipal level.

HSD Service

Federal Regulation and Network Neutrality

For a complete discussion of the federal regulatory status and network neutrality requirements, see *Recent Significant FCC Activity – HSD Regulatory Reclassification and Network Neutrality.*

Digital Millennium Copyright Act

We regularly receive notices of claimed infringements by our HSD service users. The owners of copyrights have been active in seeking to prevent use of the Internet to violate their rights. In many cases, their claims of infringement are based on the acts of customers of an Internet service provider — for example, a customer's use of an Internet service or the resources it provides to post, download or disseminate copyrighted music, movies, software or other content without the consent of the copyright owner or to seek to profit from the use of the goodwill associated with another person's trademark. In some cases, copyright and trademark owners have sought to recover damages from the Internet service provider, as well as or instead of the customer. The law relating to the potential liability of Internet service providers in these circumstances is unsettled. In 1996, Congress adopted the Digital Millennium Copyright Act, which is intended to grant ISPs protection against certain claims of copyright infringement resulting from the actions of customers, provided that the ISP complies with certain requirements.

International Law

Our HSD service enables individuals to access the Internet and to exchange information, generate content, conduct business and engage in various online activities on an international basis. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and abroad. Potentially, third parties could seek to hold us liable for the actions and omissions of our HSD customers, such as defamation, negligence, copyright or trademark infringement, fraud or other theories based on the nature and content of information that our customers use our service to post, download or distribute. We also could be subject to similar claims based on the content of other websites to which we provide links or third-party products, services or content that we may offer through our Internet service. Due to the global nature of the Web, it is possible that the governments of other states and foreign countries might attempt to regulate its transmissions or prosecute us for violations of their laws.

State and Local Regulation and Competition

Our HSD services provided over our cable systems have not generally subject to regulation by state or local jurisdictions. We cannot predict whether or not our HSD services will become subject to increased state regulation as a result of the Open Internet Order as more fully discussed in the *Recent Significant FCC Activity — HSD Regulatory Reclassification and Network Neutrality* section, above, or if they are, the impact that such regulation would have on our business.

Voice-over-Internet Protocol Phone Service

Federal Law

The 1996 amendments to the Cable Act created a more favorable regulatory environment for cable operators to enter the phone business. Most major cable operators now offer voice-over-Internet protocol ("VoIP") phone service as a competitive alternative to traditional circuit-switched telephone service. Various states, including states where we operate, considered or attempted differing regulatory treatment, ranging from minimal or no regulation to heavily-regulated common carrier status. As part of the proceeding to determine any appropriate regulatory obligations for VoIP phone service, the FCC decided that alternative voice technologies, like certain types of VoIP phone service, should be regulated only at the federal level, rather than by individual states. Many implementation details remain unresolved, and there are substantial regulatory changes being considered that could either benefit or harm VoIP phone service as a business operation.

Federal Regulatory Obligations

The FCC has applied some traditional landline telephone provider regulations to VoIP services. In addition to certain USF obligations as discussed in *Recent Significant FCC Activity — HSD Regulatory Reclassification and Network Neutrality* section, above, the FCC also has extended other regulations and reporting requirements to VoIP providers, including E-911, CPNI, local number portability, disability access, Form 477 (subscriber information) reporting obligations, international service revenue reporting and outage reporting. In 2010, the FCC issued an NOI and an NPRM that would transition high-cost program funds from analog phone service to the provision of broadband services.

State and Local Regulation

Although our entities that provide VoIP phone service services are certificated as competitive local exchange carriers in most of the states in which they operate, they generally provide few, if any, services in that capacity. Rather, we provide VoIP services that are not generally subject to regulation by state or local jurisdictions. The FCC has preempted some state commission regulation of VoIP services, but has stated that its preemption does not extend to state consumer protection requirements. Some states continue to attempt to impose obligations on VoIP service providers, including state universal service fund payment obligations.

ITEM 1A. *RISK FACTORS*

Risks Related to our Operations

We face intense competition that could adversely affect our business, financial condition and results of operations.

We face significant competition for our products and services from a growing number of competitors that offer a wide range of communication, entertainment and information services. Many of our competitors have, compared to us, greater financial resources, more favorable brand recognition, fewer regulatory burdens and long-standing relationships with regulatory authorities and customers. Technological advances and changes in consumer behavior and demands have led to an increasing number of companies that offer new products and services that compete with ours, including “over-the-top” (“OTT”) video, and wireless Internet and phone services.

We face significant competition for video service from:

- DBS providers, principally DirecTV and DISH, that compete for video customers with satellite-delivered video packages throughout our footprint;
- Phone companies, primarily AT&T, CenturyLink, Frontier and Verizon, that offer a wireline video service substantially similar to ours in markets representing 12% of our homes passed;
- Other overbuilders offering a similar video service to ours in markets representing 16% of our homes passed; and
- OTT video providers that are offering increasingly comprehensive video content, including high-quality exclusive content and linear video programming packages.

Our HSD service faces its most meaningful competition from:

- Phone companies, including AT&T, CenturyLink, Frontier and Verizon, that primarily offer DSL Internet service that is typically limited to speeds considerably slower than ours. These phone companies have also upgraded limited portions of their networks to a FTTN or FTTH delivery system that allows for speeds comparable to our HSD service;
- Wireless providers, including AT&T, Verizon Wireless, T-Mobile and Sprint, that offer “3G” and “4G” wireless Internet service that may fully suffice for certain consumers with lower bandwidth requirements, and may offer greater levels of competition in the future with the deployment of “5G” technology and packages with unlimited bandwidth consumption; and
- Other providers of Internet access, including other overbuilders, municipalities and commercial entities that have built, or are considering building, fiber and/or Wi-Fi networks that may compete with our HSD service;

Other services we provide also face significant competition:

- Our phone service primarily competes with the phone companies noted above that offer substantially similar services to ours throughout our footprint, with the wireless providers that serve to deliver a form of “wireline substitution”, and with providers of IP-based phone services and other forms of communication including text and video messaging;
- We generally compete for business services customers with phone companies and, for our cell tower backhaul and enterprise level services, with other competitors, including metro and regional fiber-based carriers;
- We compete for advertising sales with a wide variety of media outlets, which will likely remain increasingly competitive as digital and other new formats of advertising seek to attract the same advertisers.

Although we have generally eliminated or reduced tactical discounts for customers that do not take bundled services, in order to attract new customers and maintain our existing customer base, we continue to make certain promotional offers that include short-term discounted service or equipment rates, which may result in lower revenues and greater marketing expenses. Customers who take these discounted bundled services may not remain customers following the end of the promotional period, which could adversely affect our business, financial condition and results of operations.

For additional information regarding our competitors, see “Business Description – Competition.”

Continued increases in video programming expenses may drive the pricing of our video services to levels that customers deem unaffordable, which could have an adverse effect on our business, financial condition and results of operations.

Video programming expenses have historically been, and we expect will continue to be, our largest single expense item and, in recent years, have reflected substantial per-unit percentage increases. The rate of increase in such expenses has been well in excess of the inflation rate and increase in U.S. wages, primarily caused by higher per unit rates for national and regional sports and other popular cable networks and rapidly rising retransmission consent fees imposed by local broadcast stations.

We believe these expenses will continue to grow at a significant rate because of the demands of large media conglomerates or other owners of most of the popular cable networks and major market local broadcast stations, and large independent television broadcast groups, who own, control or otherwise represent a significant number of local broadcast stations across the country and, in some cases, own or control multiple stations in the same market. Consolidation among these independent broadcast station groups has been significant over the past several years, and given recent proposed and completed transactions in the broadcast marketplace, the pace of consolidation has accelerated. As a result, the independent broadcast groups have become much larger based on the number of stations that they own in our markets. This will strengthen their position by allowing them to negotiate on behalf of a larger amount of local stations at one time.

Moreover, many of those powerful owners of programming require us to purchase their content in bundles and dictate how we offer them to our video customers, and impose economic penalties if we fail to comply. Consequently, we have little or no ability to individually or selectively negotiate for networks or local broadcast stations, to forego purchasing networks or local broadcast stations that generate low subscriber interest, to offer sports programming services, such as ESPN and regional sports networks, on one or more separate tiers, or to offer networks or stations on an a la carte basis to give our customers more choice and potentially lower their costs. In many instances, programmers have created additional networks and migrated popular programming, particularly sports programming, to these new networks that contributed to the increases in our programming costs. Additionally, we believe certain programmers may also demand higher fees from us in an effort to partially offset declines in their advertising revenue as more advertisers allocate a greater portion of their spending to Internet advertising. These practices, along with costs associated with offering the same programming on additional outlets including online and VOD platforms, increase our programming expense. Because of the leverage these large programming companies have over us, we also are obligated to carry additional programming that we would otherwise not offer, which increases our programming expense and lowers our capacity to introduce other new products and services.

If we are unable to successfully negotiate new agreements with these programmers before our current agreements expire, the programmers could require us to cease carrying their signals, possibly for an indefinite period, which may result in a loss of video customers and advertising revenue. On certain occasions in the past, negotiations have led to disputes with programmers that have resulted in temporary periods where we were not carrying a particular broadcast network or programming service or services, which increases the risk of customer dissatisfaction and the loss of customers. Because of the leverage these large programming companies have over us, we also may be obligated to carry additional programming that we would otherwise not offer, which may increase our programming expenses and lower our capacity to introduce other new products or services. We may also selectively choose not to renew our agreements with certain content providers if we believe it is uneconomical to do so, which could result in a loss of video customers and advertising revenues. In addition, if our HSD customers are unable to access desirable content online because content providers block or limit access by our customers if we do not carry their video programming, we may have difficulty retaining certain HSD customers.

While we attempt to offset such growth in programming expenses by customer rate increases, including the direct pass-through of increases in retransmission consent and regional sports network fees, our video gross margins will likely continue to decline given the outsized increases to our programming costs we expect in the future. If increases in our programming costs were to drive the pricing of our video services to levels that are deemed unaffordable, our customers may no longer purchase our video services and instead rely on over-the-air viewing or use an OTT video service, which could have an adverse effect on our business, financial condition and results of operations.

Weak economic conditions may adversely impact our business, financial condition and results of operations.

Most of our revenues are sourced from consumers whose spending behavior is impacted by prevailing economic conditions. Weak job and business creation, occupied housing levels, personal income growth and consumer confidence can adversely impact demand for our services, and may cause increased cancellations by our customers or lead to unfavorable changes in the mix of products taken. The expanded availability of free or lower cost services that may compete with ours, including OTT video and wireless Internet available in certain commercial or public locations, may further pressure our customer retention. Weak economic conditions also may decrease advertising demand and negatively impact our advertising revenues.

Because our video service is an established and highly penetrated business, our ability to gain new video customers depends, in part, on growth in occupied housing in our service areas, which is influenced by both local and national economic conditions. If the number of occupied homes in our service areas were to decline or not grow at all, our ability to attract and retain new video customers may be negatively impacted, and could adversely impact our business, financial condition and results of operations.

An acceleration in bandwidth consumption by HSD customers greater than current expectations could require unplanned network investments and meaningfully increase our capital expenditures.

The level of bandwidth consumption by our HSD customers has grown at sizeable rates for the past several years as usage of many Internet-based services, particularly OTT video, has rapidly increased. If bandwidth consumption were to accelerate greater than current expectations, we may need to make unplanned network investments and meaningfully increase our capital expenditures to expand the bandwidth capacity of our systems and ensure the quality of service provided to our HSD customers. Our ability to develop, implement and refine business models that respond to changing consumer bandwidth usage and demands efficiently could be restricted by regulatory and legislative efforts to impose so-called "net neutrality" requirements on Internet providers. See "Business — Legislation and Regulation — *General — Recent Significant FCC Activity*."

We face risks as we attempt to continue to grow our business services customer base and associated revenues.

Business services customers, and associated revenues, have made increasing contributions to our results of operations in the last several years, and we may encounter challenges as we attempt to further expand the delivery of HSD and phone to small- and medium-sized businesses, and data networking and fiber connectivity to medium- and large-sized businesses and wireless carriers' cellular towers. We expect to continue to commit significant investments on technology, equipment and personnel focused on our business services, including the 2016 introduction of "Project Open Road" where we plan to extend our network to numerous locations that contain multiple potential business customers. If we are unable to sufficiently build the necessary infrastructure and internal support functions to scale and expand our customer base, the potential growth of business services would be limited. In many cases, business service customers have service level agreements that require us to provide higher standards of service and reliability. If we are unable to meet these service level requirements, or more broadly, the expectations of SMB and enterprise customers, or we fail to properly scale and support these activities, our results of operations may be adversely affected.

We may not realize the expected benefits of the major initiatives under MCC's Capital Plan

We believe the major initiatives under MCC's Capital Plan will improve our competitive position and provide additional opportunities to grow our customer base and associated revenues than we would have experienced otherwise. If we were to face greater levels of competition that impaired our ability to gain incremental market share or anticipated revenues, or higher than expected capital expenditures as we deploy such initiatives, we may not fully realize the expected benefits under MCC's Capital Plan.

If we are unable to keep pace with rapid technological developments and respond effectively to changes in consumer behavior and demand, our business, financial condition and results of operations may be adversely affected.

We operate in a rapidly changing environment and our success depends, in part, on our ability to maintain or improve our competitive position by acquiring, developing, adopting and exploiting new and existing technologies to add introduce new products and services, or enhance existing ones. Continued development of newer technologies and services and rapidly evolving consumer preferences will likely continue to drive expansion of the products and services offered by our existing competitors and increase the number of competitors that we face. Next-generation technology has allowed for linear OTT video services that may suffice as a full replacement for our video service, and may allow wireless Internet providers to offer a service based on "5G" technology that may adequately serve as a full replacement for our HSD service. If our competitors were to introduce new or products and services that we do not currently offer, or enhanced versions of existing products and services that consumers find more compelling than ours, we may be required to deploy greater levels of marketing expenditures and capital investments to maintain our competitive position. We may also recognize lower revenues if such new products and services require us to offer certain of our existing services at a lower or no cost to our customers. Such changes could cause our business, financial condition and results of operation may be adversely affected.

To keep pace with future developments, we must choose third-party suppliers whose technologies or equipment are more effective, cost-efficient and attractive to customers than those offered by our competitors. We rely on third-party providers to make available to us new, cost-effective set-tops and programming guides that allow us to offer our video customers an enhanced user experience. If our vendors were unable to provide set-tops and programming guides that our customers prefer in a timely manner, compared to those offered by our competitors, we may experience greater video customer losses, and our business, financial condition and results of operation may be adversely affected.

We depend on network and information systems and other technologies to operate our businesses. A disruption or failure in such networks, systems or technologies resulting from "cyber-attacks," natural disasters or other events outside our control have a material adverse effect on our business, financial condition and results of operations.

Because of the importance of network and information systems and other technologies to our business, disruptions or failures caused by "cyber-attacks" such as computer hacking, computer viruses, denial of service attacks, worms or other disruptive software could have a devastating impact on our business. Both unsuccessful and successful "cyber-attacks" on companies have continued to increase in frequency, scope and potential harm in recent years. Because the techniques used in such attacks have become more sophisticated and change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. Such "cyber-attacks" may result in misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in our information technology system and networks, including customer, personnel and vendor data. We could also be subject to employee error or malfeasance, or other disruptions.

As a result of the increasing awareness concerning the importance of safeguarding personal information and the potential misuse of such information, businesses such as ours that handle a large amount of personal customer data are subject to legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information and information-related risks. We may also provide certain customer and employee information to third parties in connection with our business. While we obtain assurance such data will be protected by these third-parties, they are potentially vulnerable to the same threats noted above. If such risks were to materialize, we may be subject to significant costs and expenses, or damage to our reputation and credibility, which could adversely affect our business, financial condition, and results of operations.

Our network and information systems are also vulnerable to damage resulting from power outages, natural disasters, terrorist attacks and other material events that are outside our control. Any such event may degrade or disrupt our service, lead to excessive volume at our call centers, and damage our plant, equipment, data and reputation. While we generally implement redundant systems to allow our network to continue to function in an outage, these measures may be ineffective in certain events. We are unable to predict the impact of such events, and any resulting customer or revenue losses, or increases in costs and expenses or capital expenditures, could have a material adverse effect on our business, financial condition, and results of operations.

We are unable to predict the impact of such events, and any resulting customer or revenue losses, or increases in costs and expenses or capital expenditures, could have a material adverse effect on our business, financial condition, and results of operations.

We may be unable to secure necessary hardware, software, telecommunications components and their operational support, and the related product development, which may impair our ability to provision and service our customers and to compete effectively.

Third-party firms supply most of the components used in delivering our products and services, including set-tops and VOD equipment; interactive programming guides; cable modems; routers and other switching equipment; provisioning and other software; network connections for our phone services; fiber-optic cable and construction services for expansion and upgrades of our network; and our customer billing platform. Some of these companies may have negotiating leverage over us because they are the sole supplier of certain products and services, or because there may be a long lead time and/or significant expense required to transition to another provider. We also rely on these third-party firms to develop next-generation technology so that we may stay competitive with the latest products and services, and such reliance may result in less product innovation or higher costs than we would experience with multiple suppliers. In many cases, these hardware, software and operational support vendors and service providers have, either through contract or as a result of intellectual property rights, a position of some exclusivity, and our operations depend on a successful relationship with these companies.

Any delays or disruptions in the relationship as a result of contractual disagreements, operational or financial failures on the part of the suppliers, or other adverse events affecting these suppliers could negatively affect our ability to effectively provision and service our customers. We may face significant lapses in service and costs to upgrade our networks to allow them to operate with alternate equipment if such events were to occur, which would negatively affect our business, financial condition and results of operations.

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

We rely on our copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. Third-party firms have in the past, and may in the future, assert claims or initiate litigation related to patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions have increased over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. Recently, the number of intellectual property infringement claims has been increasing in the communications and entertainment fields, and from time to time, we have been party to litigation alleging that certain of our services or technologies infringe upon the intellectual property rights of others. Because of the large number of patents in the networking field, the secrecy of some pending patents and the rapid rate of issuance of new patents, it is not economically practical or, in some cases, possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers, or customers, alleging infringement of their proprietary rights with respect to our existing or future products and/or services or components of those products and/or services. Regardless of the merit of these claims, they can be time-consuming to defend; result in costly litigation and diversion of technical and management personnel; and require us to develop a non-infringing technology or enter into license agreements. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that any indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for high monetary awards that are not predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts.

If any infringement or other intellectual property claim made against us by any third-party is successful, if we are required to indemnify a customer with respect to a claim against the customer, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, results of operations, and financial condition could be adversely affected.

The loss of key personnel could have a material adverse effect on our business.

Our success is substantially dependent upon the retention of, and the continued performance by, MCC's key personnel, including Rocco B. Commisso, MCC's Chairman and Chief Executive Officer. If any of MCC's key personnel cease to participate in our business and operations, it could have an adverse effect on our business, financial condition and results of operations.

Risks Related to our Financial Condition

We have a significant amount of debt, and the associated interest and principal payments could limit our operational flexibility and have an adverse effect on our business, financial condition, liquidity, and results of operations.

As of December 31, 2016, after giving effect to the items noted in "Recent Developments – *2017 Financing Activity*", our total debt would have been $1.169 billion. Given our substantial debt, we are highly leveraged and will continue to be so. Our debt obligations require us to use a large portion of our cash flows from operations to pay interest and principal payments on such debt, resulting in less cash available to finance our operations, capital expenditures and other activities.

Our significant amount of debt and associated debt service requirements could have adverse consequences, such as:

- limiting our ability to obtain future financing to refinance our existing indebtedness on terms acceptable to us or at all;
- exposing us to greater interest expense as a result of having to refinance existing debt on less favorable terms than we currently experience, or due to higher market interest rates on 66% of our debt that is exposed to variable rates;
- limiting our ability to react to changes in our business, which may place us at a competitive disadvantage compared to competitors with less debt and stronger liquidity positions;
- restricting us from making necessary capital expenditures or from pursuing strategic acquisitions, or causing us to make divestitures of strategic or non-strategic assets; and
- increasing our vulnerability to adverse economic, industry and competitive conditions.

If we are unable to obtain financing on acceptable terms, or at all, to refinance our debt as it comes due, we would need to take other actions, including selling assets or seeking strategic investments from third parties, potentially on unfavorable terms, and deferring capital expenditures or other discretionary uses of cash. Such potential asset sales or third-party investments could adversely affect our results of operations, liquidity and financial condition, and any significant reduction in capital expenditures could affect our ability to compete effectively. If such measures were to become necessary, there can be no assurance that we would be able to sell assets or raise strategic investment capital sufficient enough to meet our scheduled debt maturities as they come due.

The financial markets are subject to volatility and disruptions, which may adversely affect our access to, or the cost of, new capital or our ability to refinance our scheduled debt maturities and other obligations as they come due.

Volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our businesses. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

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

A default under our credit agreement could result in an acceleration of our indebtedness and other material adverse effects.

As of December 31, 2016, the principal financial covenants of the credit agreement required our operating subsidiaries to maintain a total leverage ratio (as defined in the credit agreement) of no more than 5.0 to 1.0 and an interest coverage ratio (as defined in the credit agreement) of no less than 2.0 to 1.0. The credit agreement also contains various other covenants that, among other things, impose certain limitations on mergers and acquisitions, consolidations and sales of certain assets, liens, restricted payments and certain transactions with affiliates. See Note 6 in our Notes to Consolidated Financial Statements.

The breach of any of the covenants under the credit agreement could cause a default, which may result in the associated indebtedness becoming immediately due and payable. If this were to occur, we would be unable to adequately finance our operations. The membership interests of our operating subsidiaries are pledged as collateral under our credit facility. A default under our credit agreement could result in a foreclosure by the lenders on the membership interests pledged under that facility. Because we are dependent upon our operating subsidiaries for all of our cash flows, a foreclosure would have a material adverse effect on our business, financial condition, liquidity, and results of operations.

In the event of a liquidation or reorganization of any of our subsidiaries, the creditors of any of such subsidiaries, including trade creditors, would be entitled to a claim on the assets of such subsidiaries prior to any claims of the stockholders of any such subsidiaries, and those creditors are likely to be paid in full before any distribution is made to such stockholders. To the extent that we, or any of our direct or indirect subsidiaries, are a creditor of another of our subsidiaries, the claims of such creditor could be subordinated to any security interest in the assets of such subsidiary and/or any indebtedness of such subsidiary senior to that held by such creditor.

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

Our future access to the debt markets and the terms and conditions we receive are influenced by our debt ratings. MCC's corporate credit ratings are Ba3 with a positive outlook by Moody's, and BB with a stable outlook by Standard and Poor's ("S&P"). There can be no assurance that Moody's or S&P will maintain their ratings on MCC. A negative change to these credit ratings could result in higher interest rates on future debt issuance than we currently experience, or adversely impact our ability to raise additional funds.

Impairment of our goodwill and other intangible assets could cause significant losses.

As of December 31, 2016, we had approximately $638.7 million of unamortized intangible assets, including franchise rights of $614.7 million and goodwill of $23.9 million on our consolidated balance sheets. These intangible assets represented approximately 40% of our total assets.

Accounting Standards Codification ("ASC") No. 350 — *Intangibles — Goodwill and Other* ("ASC 350") requires that goodwill and other intangible assets deemed to have indefinite useful lives, such as cable franchise rights, cease to be amortized. ASC 350 also requires that goodwill and certain intangible assets be tested at least annually for impairment. If we find that the carrying value of goodwill or cable franchise rights exceeds its fair value, we will reduce the carrying value of the goodwill or intangible asset to the fair value, and will recognize an impairment loss in our results of operations. See "Management's Discussion and Analysis – Critical Accounting Policies – *Valuation and Impairment Testing of Indefinite-lived Intangibles"* and Note 2 in our Notes to Consolidated Financial Statements.

Risks Related to Legislative and Regulatory Matters

Changes in government regulation could adversely impact our business.

The cable industry is subject to extensive legislation and regulation at the federal and local levels and, in some instances, at the state level. Additionally, our HSD and phone services are also subject to regulation, and additional regulation is under consideration. Aspects of such regulation are currently the subject of judicial and administrative proceedings, legislative and administrative proposals, and lobbying efforts by us and our competitors. Legislation is reportedly under consideration that could entirely rewrite our principal regulatory statute, and the FCC and/or Congress may attempt to change the classification of or change the way that our video and/or HSD services are regulated and/or change the framework under which broadcast signals are carried, remove the copyright compulsory license and change the rights and obligations of our competitors. We expect that court actions and regulatory proceedings will continue to refine our rights and obligations under applicable federal, state and local laws. The results of current or future judicial and administrative proceedings and legislative activities cannot be predicted. Modifications to existing requirements or imposition of new requirements or limitations could have an adverse impact on our business including those described below. See "Business — Legislation and Regulation."

Recent FCC action and possible court proceedings and legislation could adversely affect our HSD service.

Reclassification of the regulatory status of HSD service to a telecommunications service under Title II of the Communications Act may significantly impact how we provide and charge for our HSD service and operate our network by imposing significant regulations on us and introducing regulatory uncertainty due to lack of clarity of new regulations. The FCC could choose to impose this regulation in a way that adversely affects our business by imposing new regulatory burdens and limiting our business and customer relationships. The regulatory scheme introduced in the FCC's Open Internet Order relies heavily on forbearance of many types of Title II regulations, however, the FCC could at any time in the future choose to forgo forbearance and impose significant new regulations of our HSD service. As only one example, the FCC has decided to forebear from applying its extensive authority to regulate prices under Title II, and if it decided to end that forbearance, our results of operations could suffer. Even if the FCC continues to forebear from applying certain provisions of Title II, our business, financial condition and results of operations could be adversely impacted by the provisions that it does intend to apply. In addition, the uncertainty created by the fact that the impact of the new rules cannot yet be determined and the fact that the FCC could end forbearance in the future may impede our ability to obtain financing for our business or increase the cost of that financing. See "Business — Legislation and Regulation — *General — Recent Significant FCC Activity — HSD Regulatory Reclassification and Network Neutrality*, "Business — Legislation and Regulation —*General — Privacy and Data Security*," "Business — Legislation and Regulation — *General — Pole Attachment Regulation*," "Business — Legislation and Regulation — *General — Universal Service Fund*" and "Business — Legislation and Regulation — *HSD Service — State and Local Regulation and Competition*."

Government financing of broadband providers in our service areas could adversely impact our business.

Possible changes to how USF monies are distributed may provide funding and subsidies to those who either compete with us or seek to compete with us and therefore put us at a competitive disadvantage. Moreover, if the FCC chooses to impose USF fees on broadband services, bundled services or VoIP services that could increase the cost of our services and harm our ability to compete. See "Business — Legislation and Regulation — *General — Universal Service Fund*" and "Business — Legislation and Regulation — *Voice-over-Internet-Protocol Phone Service — Federal Regulatory Obligations*."

Changes in the definition of an MVPD may make programming available to Internet providers of video services.

If the FCC changes the definition of an MVPD to include those distributors of multiple channels of video programming over the Internet that do not own physical distribution facilities, competitors and potential competitors may have access to certain traditional cable programming under the FCC's program access rules. If Internet-based providers have greater access to programming of value to our customers and can offer service at a lower price because they are not facilities-based, that could hurt our business, financial condition and results of operations. See "Business – Legislation and Regulation – *Cable System Operations and Video Services – Access to Certain Programming*."

Opening our services to third-party navigation devices or apps, requiring downloadable security and limiting how much we charge for leased navigation devices may adversely impact our provision of services, raise our costs and decrease our revenues.

If the FCC changes its regulations to require that we reengineer our systems to permit subscribers to use third-party devices and/or apps in place of our leased set-tops, that could impair the subscriber experience potentially causing a loss of subscribers, raise our costs, decrease our revenues from leased set-tops, cause early retirement of set-tops, increase liability arising from security vulnerabilities created by either the mandatory structure to allow third-party navigation devices or by the devices or apps themselves and could devalue viewing information by either limiting our access to it or by allowing third-parties to capture and use such data for their own gain. If rules are adopted requiring the usage of downloadable security configurations from a third-party trust authority, the risk of security breaches to our system may increase and the protection of the content that we provide as part of our cable service may be compromised, which in turn could increase our exposure to legal actions by affected third parties, such as the content owners. Any rules that would limit how much we charge for leased navigation devices could adversely impact our revenue stream or our ability to price such devices competitively. See "Business — Legislation and Regulation — *Cable System Operations and Video Services — Cable Equipment*."

Denials of franchise renewals or continued absence of franchise parity can adversely impact our business.

Where state-issued franchises are not available, local franchising authorities may demand concessions, or other commitments, as a condition to renewal, and these concessions or other commitments could be costly. Although the Cable Act affords certain protections, there is no assurance that we will not be compelled to meet such demands in order to obtain renewals.

Our cable systems are operated under non-exclusive franchises. We believe that, as of December 31, 2016, various entities are currently offering video service, through wireline distribution networks, to about 28% of our estimated homes passed. Because of the FCC's actions to speed issuance of local competitive franchises and because many states in which we operate cable systems have adopted, and other states may adopt, legislation to allow others, including local telephone companies, to deliver services in competition with our cable service without obtaining equivalent local franchises, we may face not only increasing competition but we may be at a competitive disadvantage due to lack of regulatory parity. Any of these factors could adversely affect our business. See "Business — Legislation and Regulation — *Cable System Operations and Video Services — State and Local Regulation — Franchise Matters*."

Our phone service may become subject to additional regulation.

The regulatory treatment of phone services that we and other providers offer remains uncertain. The FCC, Congress, the courts and the states continue to look at issues surrounding the provision of VoIP, including whether this service is properly classified as either a telecommunications service or an information service. Any changes to existing law as it applies to VoIP or any determination that results in greater or different regulatory obligations than competing services would result in increased costs, lower revenues or an impeded ability to effectively compete or otherwise adversely affect our ability to successfully conduct our phone business. See "Business — Legislation and Regulation — *Voice-over-Internet-Protocol Phone Service — Federal Law*."

Changes in pole attachment regulations or actions by pole owners could significantly increase our pole attachment costs.

Our cable facilities are often attached to, or use, public utility poles, ducts or conduits. Although changes in 2011 to the FCC's long-standing pole attachment rate formulas and attachment requirements may be beneficial to us, the effective and significant lowering of the rate attachment costs to our telecommunications competitors through the FCC's 2015 Open Internet Order coupled with increasing their ease of attachment may significantly benefit those that provide services that compete with ours. Our business, financial condition and results of operations could suffer a material adverse impact from changes that make it both easier and less costly for those who compete with us to attach to poles. See "Business — Legislation and Regulation — *General — Pole Attachment Regulation*."

Changes in compulsory copyright regulations could significantly increase our license fees.

If Congress either eliminates the current cable compulsory license or enacts the proposed revisions to the Copyright Act, the elimination could impose increased costs and transactional burdens or the revisions could impose oversight and conditions that could adversely affect our business. Additionally, the Copyright Office's implementation of any such legislative changes could impose requirements on us or permit overly intrusive access to financial and operational records. Any future decision by Congress to eliminate the cable compulsory license, which would require us to obtain copyright licensing of all broadcast material at the source, would impose significant administrative burdens and additional costs that could adversely affect our business. See "Business — Legislation and Regulation — *Cable System Operations and Video Services — Federal Regulation — Copyright*."

Risks Related to MCC's Chairman and Chief Executive Officer's Controlling Position

MCC's Chairman and Chief Executive Officer has the ability to control all major corporate decisions, and a sale of his ownership interest could result in a change of control that would have unpredictable effects.

An entity wholly-owned by Rocco B. Commisso and related parties is the sole shareholder of MCC. Mr. Commisso is MCC's founder, Chairman and Chief Executive Officer. Our debt arrangements provide that a default may result upon certain change of control events, including if Mr. Commisso were to sell a significant stake in us or MCC to a third party. Our debt agreements provide, however, that a change of control will not be deemed to have occurred so long as MCC continues to be our manager and/or Mr. Commisso continues to be MCC's, or our, Chairman or Chief Executive Officer.

A change in control could result in a default under our debt arrangements, which require us to offer to repurchase our senior notes at 101% of their principal amount, trigger a variety of federal, state and local regulatory consent requirements and potentially limit MCC's further utilization of net operating losses for income tax purposes. Any of the foregoing results could adversely affect our results of operations and financial condition.

ITEM 2. *PROPERTIES*

Our principal physical assets consist of fiber-optic networks, including signal receiving, encoding and decoding devices, headend facilities and distribution systems and equipment at, or near, customers' homes. The signal receiving apparatus typically includes a tower, antenna, ancillary electronic equipment and earth stations for reception of satellite signals. Headend facilities are located near the receiving devices. Our distribution system consists primarily of coaxial and fiber-optic cables and related electronic equipment. Customer premise equipment consists of set-top devices, cable modems and related equipment. Our distribution systems and related equipment generally are attached to utility poles under pole rental agreements with local public utilities, although in some areas the distribution cable is buried in underground ducts or trenches. The physical components of the cable systems require maintenance and periodic upgrading to improve performance and capacity. In addition, we maintain a network operations center with equipment necessary to monitor and manage the status of our network.

We own and lease the real property housing our regional call centers, business offices and warehouses throughout our operating regions. Our headend facilities, signal reception sites and microwave facilities are located on owned and leased parcels of land, and we generally own the towers on which certain of our equipment is located. We own most of our service vehicles. We believe that our properties, both owned and leased, are in good condition and are suitable and adequate for our operations.

ITEM 3. *LEGAL PROCEEDINGS*

We are involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

PART II

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

There is no public trading market for our equity, all of which is held by MCC.

ITEM 6. *SELECTED FINANCIAL DATA*

In the table below, we provide selected historical consolidated statement of operations data, cash flow data and other data for the years ended December 31, 2012 through 2016 and balance sheet data and operating data as of December 31, 2012 through 2016, which are derived from our consolidated financial statements (except other data and operating data). Dollars are in thousands, except operating data. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Year Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Statements of Operations Data:					
Revenues	$ 777,016	$ 738,710	$ 711,634	$ 698,861	$ 681,683
Costs and expenses:					
Service costs	342,433	327,112	310,752	301,261	295,067
Selling, general and administrative expenses	125,773	119,716	121,772	119,294	114,992
Management fee expense	14,200	13,000	12,350	12,400	11,885
Depreciation and amortization	126,394	119,865	116,395	115,341	115,324
Operating income	168,216	159,017	150,365	150,565	144,415
Interest expense, net	(51,468)	(62,801)	(86,815)	(94,443)	(95,868)
Gain on derivatives, net	797	10,360	18,229	18,026	5,083
Loss on early extinguishment of debt	(264)	(689)	(23,046)	—	(6,468)
Gain on sale of cable systems, net	—	—	—	—	4,920
Investment income from affiliate[(1)]	18,000	18,000	18,000	18,000	18,000
Other expense, net	(1,408)	(878)	(1,514)	(1,702)	(1,591)
Net income	$ 133,873	$ 123,009	$ 75,219	$ 90,446	$ 68,491
Balance Sheets Data (end of period):					
Total assets	$ 1,586,954	$ 1,550,301	$ 1,539,358	$ 1,545,938	$ 1,535,423
Total debt	$ 1,138,512	$ 1,159,215	$ 1,255,000	$ 1,452,000	$ 1,522,000
Total member's equity (deficit)	$ 287,167	$ 232,716	$ 122,215	$ (105,293)	$ (192,198)
Cash Flows Data:					
Net cash flows provided by (used in):					
Operating activities	$ 264,681	$ 228,340	$ 173,315	$ 196,275	$ 172,874
Investing activities	$ (159,344)	$ (131,093)	$ (120,396)	$ (121,785)	$ (98,864)
Financing activities	$ (102,514)	$ (97,521)	$ (53,943)	$ (74,140)	$ (77,054)
Other Data:					
OIBDA[(2)]	$ 294,610	$ 278,882	$ 266,760	$ 265,906	$ 259,739
OIBDA margin[(3)]	37.9%	37.8%	37.5%	38.0%	38.1%
Ratio of earnings to fixed charges	3.26	2.75	1.79	1.88	1.66
Operating Data (end of period):					
Estimated homes passed[(4)]	1,336,000	1,325,000	1,311,000	1,301,000	1,301,000
Video customers[(5)]	365,000	375,000	390,000	417,000	442,000
HSD customers[(6)]	513,000	480,000	449,000	431,000	410,000
Phone customers[(7)]	215,000	194,000	182,000	179,000	166,000
Primary service units[(8)]	1,093,000	1,049,000	1,021,000	1,027,000	1,018,000
Customer relationships[(9)]	598,000	585,000	569,000	575,000	571,000

(1) Investment income from affiliate represents the investment income on our $150.0 million preferred equity investment in Mediacom Broadband. See Note 7 in our Notes to Consolidated Financial Statements.

(2) "OIBDA" is not a financial measure calculated in accordance with generally accepted accounting principles ("GAAP") in the United States. We define OIBDA as operating income before depreciation and amortization. OIBDA has inherent limitations as discussed below.

OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. We believe OIBDA is useful for investors because it enables them to assess our performance in a manner similar to the methods used by management, and provides a measure that can be used to analyze value and compare the companies in the cable industry. A limitation of OIBDA, however, is that it excludes depreciation and amortization, which represents the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. Management uses a separate process to budget, measure and evaluate capital expenditures. In addition, OIBDA may not be comparable to similarly titled measures used by other companies, which may have different depreciation and amortization policies.

OIBDA should not be regarded as an alternative to operating income or net income as an indicator of operating performance, or to the statement of cash flows as a measure of liquidity, nor should it be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to OIBDA.

The following represents a reconciliation of OIBDA to operating income, which is the most directly comparable GAAP measure (dollars in thousands):

	Year Ended December 31,				
	2016	2015	2014	2013	2012
OIBDA	$ 294,610	$ 278,882	$ 266,760	$ 265,906	$ 259,739
Depreciation and amortization	(126,394)	(119,865)	(116,395)	(115,341)	(115,324)
Operating income	$ 168,216	$ 159,017	$ 150,365	$ 150,565	$ 144,415

(3) Represents OIBDA as a percentage of revenues. See Note 2 above.

(4) Represents the number of single residence homes, apartments and condominium units that we can connect to our distribution system without further extending the transmission lines, based on best available information.

(5) Represents customers receiving video service. Business services video customers that are billed on a bulk basis are converted into equivalent video customers by dividing their associated revenues by the applicable full-price residential rate, which is generally consistent with the methodology used in determining payments made to programmers. Video customers include connections to schools, libraries, local government offices and employee households that may not be charged for basic or expanded video service, but may be charged for higher tier video, HSD, phone or other services. Our methodology of calculating the number of video customers may not be identical to those used by other companies offering similar services.

(6) Represents customers receiving HSD service. Small- to medium-sized business HSD customers are converted to equivalent HSD customers by dividing their associated revenues by the applicable full-price residential rate. Medium- to large-sized business customers who take our enterprise network services are not counted as HSD customers. Our methodology of calculating HSD customers may not be identical to those used by other companies offering similar services.

(7) Represents customers receiving phone service. Small- to medium-sized business phone customers are converted to equivalent phone customers by dividing their associated revenues by the applicable full-price residential rate. Customers who take our IP-enabled voice trunk service are not counted as phone customers. Our methodology of calculating phone customers may not be identical to those used by other companies offering similar services.

(8) Represents the sum of video, HSD and phone customers.

(9) Represents the total number of residential and business customers that receive at least one service, without regard to which service(s) customers purchase.

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

Reference is made to the "Risk Factors" in Item 1A for a discussion of important factors that could cause actual results to differ from expectations and any of our forward-looking statements contained herein. The following discussion should be read in conjunction with our audited consolidated financial statements as of, and for the years ended, December 31, 2016, 2015 and 2014.

Overview

We are a wholly-owned subsidiary of Mediacom Communications Corporation ("MCC"), the nation's fifth largest cable company based on the number of customers who purchase one or more video services, or video customers. As of December 31, 2016, we served approximately 365,000 video customers, 513,000 high-speed data ("HSD") customers and 215,000 phone customers, aggregating 1.09 million primary service units ("PSUs"). As of the same date, we served 598,000 residential and business customer relationships.

We offer video, HSD and phone services individually and in bundled packages to residential and small- to medium-sized business ("SMB") customers over our hybrid fiber and coaxial cable ("HFC") network, and provide fiber-based network and transport services to medium- and large-sized businesses, governments and educational institutions. We also sell advertising to local, regional and national advertisers on television and digital platforms, and offer home security and automation services to residential customers. Our services are typically offered on a subscription basis, with installation fees, monthly rates and related charges associated with the services, equipment and features customers choose. We offer discounted packages for new customers and those who take multiple services, and our Xtream marketing brand offers bundled packages that include video with digital video recorder ("DVR") service and set-tops with the TiVo guide, HSD with a wireless gateway, and phone service. We believe the simplified pricing and value proposition of our Xtream bundles has positively influenced the market's perception of our products and services, and has driven higher levels of sales activity.

Over the past several years, revenues from residential services have increased mainly due to residential HSD customer growth. We expect to continue to grow revenues from residential services through HSD customer growth and increased revenue per customer relationship as more customers take faster HSD tiers and advanced video services, including our next-generation set-top and DVR service. Our business services revenues have grown at a meaningfully faster rate than our residential revenues as we have rapidly expanded our SMB and, to a lesser extent, enterprise customer base. In an effort to sustain or accelerate our rate of growth in business services revenues, we have recently commenced "Project Open Road," where we plan to extend our network to a meaningful number of new commercial locations that contain multiple businesses that represent potential customers.

Our residential video service principally competes with direct broadcast satellite ("DBS") providers that offer video programming substantially similar to ours. Over the past several years, we have experienced meaningful video customer losses, as DBS competitors have deployed aggressive marketing campaigns, including deeply discounted promotional packages, more advanced customer premise equipment and exclusive sports programming. We have placed a greater emphasis on higher quality residential customer relationships, as we have generally eliminated or reduced tactical discounts for customers not likely to purchase two or more services or to stay with us for an extended period, which may further contribute to video customer declines. To appeal to such high-quality residential consumers, we have deployed a next-generation Internet Protocol ("IP") set-top that offers a cloud-based, graphically-rich TiVo guide with access and integrated search functionality to certain third-party Internet-based video applications ("video apps"), such as Netflix, Hulu, and YouTube, along with a multi-room DVR service and the ability to download certain content to personal devices. In 2017, we also plan to introduce a new, lower-cost, IP set-top that offers the TiVo guide and video apps, but without the required equipment for DVR service. We believe our video strategy has enabled us to reduce the rate of video customer losses and regain market share of new video connects. If we are unsuccessful with this strategy and cannot offset video customer losses through higher average unit pricing and greater penetration of our advanced video services, we may experience future declines in annual video revenues.

Our residential HSD service competes primarily with digital subscriber line ("DSL") services offered by local phone companies, and we have continued to grow our HSD customer base over the last several years. We believe our HSD service is generally superior to DSL offerings in our service areas as our minimum downstream speed of 60 megabits per second ("Mbps") is faster than the highest speed offered by substantially all our DSL competition. As consumers' bandwidth requirements have dramatically risen in recent years, we have dedicated increasing levels of capital expenditures to allow for faster speeds and greater levels of consumption. Through "Project Gigabit," we have installed the necessary equipment to transition substantially all our homes passed to the DOCSIS 3.1 platform, which will allow us to introduce packages offering speeds of up to 1 gigabit per second ("Gbps") across most of our markets in 2017. We expect to continue to grow HSD revenues as we further take market share and our HSD customers choose higher speed tiers.

Our residential phone service mainly competes with substantially comparable phone services offered by local phone companies and cellular phone services offered by national wireless providers. We believe we will continue to grow residential phone customers, but may experience modest declines in phone revenues due to unit pricing pressure.

Our business services primarily compete for SMB customers with local phone companies, many of which have had a historical advantage given long-term relationships with such customers, a nation-wide footprint that allows them to more effectively serve multiple locations, and existing networks built in certain commercial areas that we do not currently serve. Our cell tower backhaul and enterprise-level services also face competition from these local phone companies as well as other carriers, including metro and regional fiber-based carriers. In recent years, we have aggressively marketed our business services and expanded our network into additional commercial areas, which has allowed us to gain meaningful market share and led to strong growth rates of business services revenues in the past several years, which we believe will continue.

We compete for advertising revenues principally against local broadcast stations, national cable and broadcast networks, radio, newspapers, magazines, outdoor display and Internet companies. Competition will likely elevate as new formats for advertising are introduced into our markets.

Historically, video programming has been our single largest expense, and we have experienced substantial increases in programming costs per video customer, particularly for sports and local broadcast programming, well in excess of the inflation rate or the change in the consumer price index. We believe these expenses will continue to grow at a high single- to low double-digit rate because of the demands of large media conglomerates or other owners of most of the popular cable networks and major market local broadcast stations, and of large independent television broadcast groups, who own or control a significant number of local broadcast stations across the country and, in some cases, own, control or otherwise represent multiple stations in the same market. Moreover, many of those powerful owners of programming require us to purchase their networks and stations in bundles and effectively dictate how we offer them to our customers, given the contractual economic penalties if we fail to comply. Consequently, we have little or no ability to individually or selectively negotiate for networks or stations, to forego purchasing networks or stations that generate low customer interest, to offer sports programming services, such as ESPN and regional sports networks, on one or more separate tiers, or to offer networks or stations on an a la carte basis to give our customers more choice and potentially lower their costs. In many instances, such programmers have created additional networks and migrated popular programming, particularly sports programming, to these new networks, which has contributed to the increases in our programming costs. Additionally, we believe certain programmers may also demand higher fees from us in an effort to partially offset declines in their advertising revenue as more advertisers allocate a greater portion of their spending to Internet advertising. While such growth in programming expenses can be offset, in whole or in part, by rate increases, we expect our video gross margins will continue to decline if increases in programming costs outpace any growth in video revenues.

Recent Developments

MCC's Capital Plan

In 2016, MCC announced a plan for approximately $1 billion of total capital expenditures to be made by us and Mediacom Broadband LLC during the three years ending December 2018 ("MCC's Capital Plan"). Among the planned initiatives under MCC's Capital Plan include:

- "Project Gigabit," a wide-scale deployment of next-generation DOCSIS 3.1 technology that allows the provisioning of 1 Gbps HSD service to substantially all of MCC's homes passed;
- "Project Open Road," which will connect over 70,000 new commercial locations that contain multiple potential customers in an effort to continue to grow business services revenues at an accelerated rate;
- Residential line extensions resulting in at least 50,000 additional homes passed; and
- Development of community Wi-Fi access points throughout high-traffic commercial and public areas.

During the year ended December 31, 2016, MCC made an aggregate $335.2 million of capital expenditures, of which $155.5 million was invested by us. We expect similar levels of capital investments by us and MCC over each of the next two years, with our portion of the initiatives outlined above approximating a level that is commensurate with our capital expenditures as a percentage of MCC's total capital expenditures. We have already made meaningful progress under MCC's Capital Plan, including the recent announcement that MCC has become the first major U.S. cable company to have fully installed the necessary equipment to transition to the DOCSIS 3.1 platform. We believe these initiatives will allow us to continue to improve our competitive position for both residential and business services customers in our markets, with additional future revenue and cash flow growth driven by incremental gains in market share than we would have experienced otherwise.

2017 Financing Activity

On February 15, 2017, we entered into an amended and restated credit agreement under our bank credit facility that provided for $370.0 million of revolving credit commitments the ("new revolver") and $1,000.0 million of new term loans (the "new term loans"). On the same date, we borrowed the full amount of the new term loans, the new revolver became effective and we terminated our previously existing revolving credit facility. Proceeds of the new term loans, along with borrowings under the new revolver, were used to repay the entire outstanding balance of all previously existing debt under the credit facility, fund the redemption of our 7¼% senior notes due 2022, and pay related fees and expenses.

See "Liquidity and Capital Resources — Capital Structure — *2017 Financing Activity*" and Notes 6 and 12 in our Notes to Consolidated Financial Statements.

Cable System Acquisiton

In January 2017, we acquired a cable system serving about 7,200 video, 6,000 HSD and 800 phone customers for approximately $19 million.

Revenues

Video

Video revenues primarily represent monthly subscription fees charged to residential customers, which vary according to the level of service, the type and amount of equipment taken, and revenue from the sale of VOD content and pay-per-view events. Video revenues also include installation, reconnection and wire maintenance fees, franchise and late payment fees, and other ancillary revenues.

HSD

HSD revenues primarily represent monthly subscription fees charged to residential customers, which vary according to the level of service and type of equipment taken.

Phone

Phone revenues primarily represent monthly subscription and equipment fees charged to residential customers for our phone service.

Business Services

Business services revenues primarily represent monthly fees charged to SMBs for video, HSD and phone services, which vary according to the level of service taken, and fees charged to large businesses, including revenues from cell tower backhaul and enterprise class services.

Advertising

Advertising revenues primarily represent revenues received from selling advertising time we receive under programming license agreements to local, regional and national advertisers for the placement of commercials on channels offered on our video services.

Costs and Expenses

Service Costs

Service costs consist of the costs related to providing and maintaining services to our customers. Significant service costs comprise: video programming; HSD service, including bandwidth connectivity; phone service, including leased circuits and long distance; our enterprise networks business, including leased access; technical personnel who maintain the cable network, perform customer installation activities and provide customer support; network operations center; utilities, including pole rental; and field operations, including outside contractors, vehicle fuel and maintenance and leased fiber for regional connectivity.

Video programming costs, which are generally paid on a per-video customer basis, have historically represented our single largest expense. In recent years, we have experienced substantial increases in the per-unit cost of programming, which we believe will continue to grow due to the increasing contractual rates and retransmission consent fees demanded by large programmers and independent broadcasters. Our HSD costs fluctuate depending on customers' bandwidth consumption and customer growth. Phone service costs are mainly determined by network configuration, customers' long distance usage and net termination payments to other carriers. Our other service costs generally rise as a result of customer growth and inflationary cost increases for personnel, outside vendors and other expenses. Personnel and related support costs may increase as the percentage of expenses that we capitalize declines due to lower levels of new service installations. We anticipate that service costs, with the exception of programming expenses, will remain fairly consistent as a percentage of our revenues.

Selling, General and Administrative Expenses

Significant selling, general and administrative expenses comprise: call center, customer service, marketing, business services, support and administrative personnel; franchise fees and other taxes; bad debt; billing; marketing; advertising; and general office administration. These expenses generally rise due to customer growth and inflationary cost increases for personnel, outside vendors and other expenses. We anticipate that selling, general and administrative expenses will remain fairly consistent as a percentage of our revenues.

Service costs and selling, general and administrative expenses exclude depreciation and amortization, which we present separately.

Management Fee Expense

Management fee expense reflects compensation paid to MCC for the performance of services it provides our operating subsidiaries in accordance with management agreements between MCC and our operating subsidiaries.

Capital Expenditures

Capital expenditures are categorized in accordance with the National Cable and Telecommunications Association ("NCTA") disclosure guidelines, which are intended to provide more consistency in the reporting of capital expenditures among peer companies in the cable industry. These disclosure guidelines are not required under GAAP, nor do they impact our accounting for capital expenditures under GAAP. Our capital expenditures comprise:

- Customer premise equipment, which include equipment and labor costs incurred in the purchase and installation of equipment that resides at a residential or commercial customer's premise;
- Enterprise networks, which include costs associated with furnishing custom fiber solutions for medium- to large-sized business customers, including for cell tower backhaul;
- Scalable infrastructure, which include costs incurred in the purchase and installation of equipment at our facilities associated with network-wide distribution of services;
- Line extensions, which include costs associated with the extension of our network into new service areas;
- Upgrade / rebuild, which include costs to modify or replace existing components of our network; and
- Support capital, which include vehicles and all other capital purchases required to support our customers and general business operations.

Use of Non-GAAP Financial Measures

"OIBDA" is not a financial measure calculated in accordance with generally accepted accounting principles ("GAAP") in the United States. We define OIBDA as operating income before depreciation and amortization. OIBDA has inherent limitations as discussed below.

OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. We believe OIBDA is useful for investors because it enables them to assess our performance in a manner similar to the methods used by management, and provides a measure that can be used to analyze our value and evaluate our performance compared to other companies in the cable industry. A limitation of OIBDA, however, is that it excludes depreciation and amortization, which represents the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our business. Management uses a separate process to budget, measure and evaluate capital expenditures. In addition, OIBDA may not be comparable to similarly titled measures used by other companies, which may have different depreciation and amortization policies.

OIBDA should not be regarded as an alternative to operating income or net income as an indicator of operating performance, or to the statement of cash flows as a measure of liquidity, nor should it be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. We believe that operating income is the most directly comparable GAAP financial measure to OIBDA.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The table below sets forth our consolidated statements of operations and OIBDA for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands and percentage changes that are not meaningful are marked NM):

	Year Ended December 31, 2016	2015	2014	% Change 2015 to 2016	% Change 2014 to 2015
Revenues	$ 777,016	$ 738,710	$ 711,634	5.2%	3.8%
Costs and expenses:					
Service costs (exclusive of depreciation and amortization)	342,433	327,112	310,752	4.7%	5.3%
Selling, general and administrative expenses	125,773	119,716	121,772	5.1%	(1.7%)
Management fee expense	14,200	13,000	12,350	9.2%	5.3%
Depreciation and amortization	126,394	119,865	116,395	5.4%	3.0%
Operating income	168,216	159,017	150,365	5.8%	5.8%
Interest expense, net	(51,468)	(62,801)	(86,815)	(18.0%)	(27.7%)
Gain on derivatives, net	797	10,360	18,229	NM	NM
Loss on early extinguishment of debt	(264)	(689)	(23,046)	NM	NM
Investment income from affiliate	18,000	18,000	18,000	NM	NM
Other expense, net	(1,408)	(878)	(1,514)	60.4%	(42.0%)
Net income	$ 133,873	$ 123,009	$ 75,219	8.8%	63.5%
OIBDA	$ 294,610	$ 278,882	$ 266,760	5.6%	4.5%

The table below represents a reconciliation of OIBDA to operating income, which we believe is the most directly comparable GAAP measure (dollars in thousands):

	Year Ended December 31, 2016	2015	2014	% Change 2015 to 2016	% Change 2014 to 2015
OIBDA	$ 294,610	$ 278,882	$ 266,760	5.6%	4.5%
Depreciation and amortization	(126,394)	(119,865)	(116,395)	5.4%	3.0%
Operating income	$ 168,216	$ 159,017	$ 150,365	5.8%	5.8%

Revenues

The tables below set forth revenue and selected customer and average monthly revenue statistics as of, and for the years ended, December 31, 2016, 2015 and 2014 (dollars in thousands, except per unit data):

	Year Ended December 31, 2016	2015	2014	% Change 2015 to 2016	% Change 2014 to 2015
Video	$ 351,546	$ 348,370	$ 346,938	0.9%	0.4%
HSD	271,597	240,513	218,132	12.9%	10.3%
Phone	51,229	53,154	56,618	(3.6%)	(6.1%)
Business services	89,582	81,722	73,600	9.6%	11.0%
Advertising	13,062	14,951	16,346	(12.6%)	(8.5%)
Total	$ 777,016	$ 738,710	$ 711,634	5.2%	3.8%

	Year Ended December 31, 2016	2015	2014	% Change 2015 to 2016	% Change 2014 to 2015
Video customers	365,000	375,000	390,000	(2.7%)	(3.8%)
HSD customers	513,000	480,000	449,000	6.9%	6.9%
Phone customers	215,000	194,000	182,000	10.8%	6.6%
Primary service units (PSUs)	1,093,000	1,049,000	1,021,000	4.2%	2.7%
Customer relationships	598,000	585,000	569,000	2.2%	2.8%
Average total monthly revenue per customer relationship (1)	$ 109.47	$ 106.69	$ 103.68	2.6%	2.9%

(1) Represents average total monthly revenues for the year divided by average customer relationships for the year.

Revenues were 5.2% and 3.8% higher for the years ended December 31, 2016 and 2015, respectively, due to greater HSD and, to a much lesser extent, business services and, for the year ended December 31, 2016, video revenues, slightly offset by declines in phone and advertising revenues.

Video

Video revenues increased 0.9% and 0.4% for the years ended December 31, 2016 and 2015, respectively, mainly due to rate adjustments associated with the pass-through of higher programming costs for retransmission consent fees and, to a much lesser extent, regional sports networks and more customers taking our advanced video services, mostly offset by a lower residential video base compared to the prior years.

We lost 10,000, 15,000 and 27,000 video customers during the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, we served 365,000 video customers, or 27.3% of our estimated homes passed and 42.7% of our residential video customers took our DVR service, which represents a large component of revenues from advanced video services.

HSD

HSD revenues grew 12.9% and 10.3% for the years ended December 31, 2016 and 2015, respectively, primarily due to more customers paying higher rates for faster speed tiers, and a greater residential HSD customer base compared to the prior years.

We gained 33,000, 31,000 and 18,000 HSD customers for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, we served 513,000 HSD customers, or 38.4% of our estimated homes passed, and 49.8% of our residential HSD customers took our wireless home gateway service.

Phone

Phone revenues declined 3.6% and 6.1% for the years ended December 31, 2016 and 2015, respectively, principally due to greater levels of discounted pricing, offset in part by a greater residential phone customer base compared to the prior years.

We gained 21,000, 12,000 and 3,000 phone customers for the years ended December 31, 2016, 2015 and 2014, respectively. As of December 31, 2016, we served 215,000 phone customers, or 16.1% of our estimated homes passed.

Business Services

Business services revenues rose 9.6% and 11.0% for the years ended December 31, 2016 and 2015, respectively, mainly as a result of a greater SMB customer base compared to the prior years and, to a much lesser extent, higher revenues from our enterprise networks business.

Advertising

Advertising revenues fell 12.6% and 8.5% for the years ended December 31, 2016 and 2015, respectively, primarily due to lower revenues from third party contracts and, for the year ended December 31, 2015, lower levels of political advertising compared to the prior year.

Costs and Expenses

Service Costs

Service costs increased 4.7% and 5.3% for the years ended December 31, 2016 and 2015, respectively, primarily due to greater video programming charges and, for the year ended December 31, 2016, field operating costs. Programming costs grew 4.6% and 6.5% for the years ended December 31, 2016 and 2015, respectively, mainly due to higher fees associated with the renewal of programming contracts and contractual increases under agreements with certain local broadcast stations and cable networks, offset in part by a lower video customer base compared to the prior years. Field operating costs rose 6.2% for the year ended December 31, 2016, largely as a result of greater costs associated with cable location services, fleet operations, electricity costs and pole attachment agreements, offset in part by lower vehicle fuel expenses. Service costs as a percentage of revenues were 44.1%, 44.3% and 43.7% for the years ended December 31, 2016, 2015 and 2014, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses grew 5.1% for the year ended December 31, 2016, mainly due to higher marketing expenses and, to a lesser extent, administrative and employee expenses. Marketing expenses rose 15.0%, predominantly due to expenses associated with the marketing of our Xtream bundled services. Administrative expenses grew 71.1%, principally due to greater customer service software costs. Employee expenses increased 3.3%, mainly due to increased customer service and marketing employee staff and compensation levels, offset in part by lower advertising employee staffing levels.

Selling, general and administrative expenses decreased 1.7% for the year ended December 31, 2015, mainly due to lower bad debt and employee expenses, offset in part by higher marketing expenses. Bad debt expense fell 11.4%, primarily due to a lower number of written off accounts. Employee expenses decreased 2.8%, principally due to lower marketing employee staffing levels. Marketing expenses grew 6.3%, predominantly due to expenses associated the marketing of our Xtream bundled services and, to a lesser extent, a greater use of third-party sales services.

Selling, general and administrative expenses as a percentage of revenues were 16.2%, 16.2% and 17.1% for the years ended December 31, 2016, 2015 and 2014, respectively.

Management Fee Expense

Management fee expense increased 9.2% and 5.3% for the years ended December 31, 2016 and 2015, respectively, reflecting higher fees charged by MCC. Management fee expense as a percentage of revenues was 1.8%, 1.8% and 1.7% for the years ended December 31, 2016, 2015 and 2014, respectively.

Depreciation and Amortization

Depreciation and amortization was 5.4% and 3.0% higher for the years ended December 31, 2016 and 2015, respectively, as greater depreciation of investments in customer premise equipment, HSD bandwidth expansion and business support were offset in part by long-lived network assets having been full depreciated in the prior years.

Operating Income

Operating income grew 5.8% for each of the years ended December 31, 2016 and 2015, mainly due to growth in revenue, offset in part by higher service costs and, to a lesser extent, depreciation and amortization and, for the year ended December 31, 2016, selling, general and administrative expenses.

Interest Expense, Net

Interest expense, net, fell 18.0% and 27.7% for the years ended December 31, 2016 and 2015, respectively, primarily due to lower average borrowing costs as a result of recent favorable financing transactions and, to a lesser extent, lower average outstanding indebtedness.

Gain on Derivatives, Net

As a result of changes to the mark-to-market valuation of our interest rate exchange agreements, we recorded net gains on derivatives of $0.8 million, $10.4 million and $18.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. See Notes 4 and 6 in our Notes to Consolidated Financial Statements.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt totaled $0.3 million, $0.7 million and $23.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. Loss on early extinguishment of debt for the years ended December 31, 2016 and 2015 represented the write-off of unamortized financing costs as a result of the repayment of certain previously existing term loans under our bank credit facility. Loss on early extinguishment of debt for the year ended December 31, 2014 represented $16.0 million for the redemption price paid above par and the write-off of $7.0 million of unamortized financing costs associated with certain senior notes.

Investment Income from Affiliate

Investment income from affiliate was $18.0 million for each of the years ended December 31, 2016, 2015 and 2014. This amount represents the investment income on our $150.0 million preferred equity investment in Mediacom Broadband LLC. See Note 7 in our Notes to Consolidated Financial Statements.

Other Expense, Net

Other expense, net, was $1.4 million for the year ended December 31, 2016, representing $1.0 million of revolving credit commitment fees and $0.4 million of other net fees, $0.9 million for the year ended December 31, 2015, representing $0.7 million of revolving credit commitment fees and $0.2 million of other net fees, and $1.5 million for the year ended December 31, 2014, representing $0.6 million of revolving credit commitment fees, $0.4 million of commitment fees related to the delayed funding of certain term loans, and $0.5 million of other net fees.

Net Income

As a result of the factors described above, we recognized net income of $133.9 million, $123.0 million and $75.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

OIBDA

OIBDA increased 5.6% and 4.5% for the years ended December 31, 2016 and 2015, respectively, primarily due to the increase in revenues, offset in part by higher service costs and, for the year ended December 31, 2016, selling, general and administrative expenses.

Liquidity and Capital Resources

Our net cash flows provided by operating activities are primarily used to fund investments to enhance the capacity and reliability of our network and further expand our products and services, and make scheduled and voluntary repayments of our indebtedness and periodic distributions to MCC. As of December 31, 2016, our near-term liquidity requirements included term loan principal repayments of $13.7 million over the next twelve months. As of the same date, our sources of liquidity included $11.3 million of cash and $188.4 million of unused and available commitments under our $362.5 million revolving credit facility, after giving effect to $165.9 million of outstanding loans and $8.2 million of letters of credit issued to various parties as collateral.

We believe that we will be able to continue to meet our current and long-term liquidity and capital requirements, including fixed charges, through existing cash, internally generated cash flows from operating activities, cash available to us under our revolver credit commitments and our ability to obtain future financing. If we are unable to obtain sufficient future financing on acceptable terms, or at all, we may need to take other actions to conserve or raise capital that we would not take otherwise. However, we have accessed the debt markets for significant amounts of capital in the past, and expect to continue to be able to access these markets in the future as necessary.

2017 Financing Activity

On February 15, 2017, we entered into an amended and restated credit agreement (the "credit agreement") under our bank credit facility (the "credit facility") that provided for $370.0 million of revolving credit commitments (the "new revolver") expiring in February 2022, $200.0 million of term loans maturing in November 2021 ("Term Loan A-1") and $800.0 million of term loans maturing in February 2024 ("Term Loan K" and, together with Term Loan A-1, the "new term loans"). On the same date, we borrowed the full amount of the new term loans, the new revolver became effective and we terminated our previously existing revolving credit facility. Proceeds of the new term loans, along with borrowings under the new revolver, were used to repay the entire outstanding balance of all previously existing debt under the credit facility, fund the redemption of our 7¼% senior notes due 2022, and pay related fees and expenses. See Notes 6 and 12 in our Notes to Consolidated Financial Statements.

As of December 31, 2016, after giving effect to such financing activity if it was completed on such date:

- our near-term liquidity requirements would have included scheduled term loan principal reductions of $16.0 million during the next twelve months;
- our sources of liquidity would have included $11.3 million of cash and $192.9 million of unused and available commitments under the new revolver;
- there would have been $168.9 million of outstanding loans under the new revolver.

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities were $264.7 million for the year ended December 31, 2016, primarily due to OIBDA of $294.6 million and, to a much lesser extent, investment income from affiliate of $18.0 million and the $2.1 million net change in our operating assets and liabilities, offset in part by interest expense of $51.5 million. The net change in our operating assets and liabilities was primarily due to increases in accounts payable, accrued expenses and other current liabilities of $6.7 million and in deferred revenue of $1.6 million, offset in part by increases in accounts receivable from affiliates of $3.7 million and in prepaid expenses and other assets of $2.3 million.

Net cash flows provided by operating activities were $228.3 million for the year ended December 31, 2015, primarily due to OIBDA of $278.9 million and, to a much lesser extent, investment income from affiliate of $18.0 million, offset in part by interest expense of $62.8 million and the $7.8 million net change in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily due to increases in prepaid expenses and other assets of $4.8 million and in accounts receivable from affiliates of $3.0 million, and decreases in accounts payable, accrued expenses and other current liabilities of $3.6 million and in accounts payable to affiliates of $1.5 million, offset in part by decreases in accounts receivable, net, of $3.1 million and increases in deferred revenue of $1.3 million.

Net Cash Flows Used in Investing Activities

Capital expenditures continue to be our primary use of capital resources and generally comprise substantially all of our net cash flows used in investing activities.

Net cash flows used in investing activities were $159.3 million for the year ended December 31, 2016, substantially comprising $155.5 million of capital expenditures and a net change in accrued property, plant and equipment of $4.4 million.

Net cash flows used in investing activities were $131.1 million for the year ended December 31, 2015, substantially comprising $137.0 million of capital expenditures and $1.3 million associated with the acquisition of other intangible assets, offset in part by a net change in accrued property, plant and equipment of $6.4 million.

Capital Expenditures

The table below sets forth our capital expenditures (dollars in thousands):

	Year Ended December 31, 2016	2015	2014	$ Change 2015 to 2016	$ Change 2014 to 2015
Customer premise equipment	$ 66,398	$ 69,584	$ 59,194	$ (3,186)	$ 10,390
Enterprise networks	7,185	6,905	8,274	280	(1,369)
Scalable infrastructure	34,783	17,295	23,580	17,488	(6,285)
Line extensions	9,833	7,439	5,335	2,394	2,104
Upgrade / rebuild	25,812	25,590	15,898	222	9,692
Support capital	11,466	10,228	8,025	1,238	2,203
Total capital expenditures	$ 155,477	$ 137,041	$ 120,306	$ 18,436	$ 16,735

Capital expenditures for the year ended December 31, 2016, increased $18.4 million, largely reflecting greater investments in scalable infrastructure, mainly next-generation HSD network equipment for Project Gigabit, and the expansion of our network, mainly for Project Open Road, offset in part by lower spending on customer premise equipment, primarily for our next-generation set-top.

Capital expenditures for the year ended December 31, 2015, increased $16.7 million, largely reflecting greater investments in customer premise equipment, mainly our next-generation set-top, and the expansion of our fiber network, offset in part by lower spending on scalable infrastructure, largely for local HSD bandwidth management.

Net Cash Flows Used in Financing Activities

Net cash flows used in financing activities were $102.5 million for the year ended December 31, 2016, substantially comprising $23.3 million of net repayments under the credit facility and $79.5 million of capital distributions to our parent, MCC. .

Net cash flows used in financing activities were $97.5 million for the year ended December 31, 2015, comprising $84.8 million of net repayments under the credit facility, $12.6 million of capital distributions to our parent, MCC, and $2.3 million of financing costs, offset in part by $2.2 million of other financing activities.

Capital Structure

As of December 31, 2016, our total indebtedness was $1.147 billion, of which approximately 57% was at fixed interest rates or had interest rate exchange agreements that fixed the variable portion of debt. During the year ended December 31, 2016, we paid cash interest of $50.7 million, net of capitalized interest.

2016 Financing Activity

On May 19, 2016, we repaid the entire $82.9 million balance of Term Loan E under our bank credit facility, which was funded by borrowings under our revolving credit commitments. On the same date, we made $75.0 million of capital distributions to our parent, MCC, which in turn, contributed such cash distributions to Mediacom Broadband LLC to fund, in part, the repayment of a certain term loan that was scheduled to mature in June 2017. Such capital distributions were funded with borrowings under our revolving credit commitments.

Bank Credit Facility

As of December 31, 2016, we maintained a $1.094 billion credit facility, comprising $731.1 million of term loans with maturities ranging from March 2018 to November 2021, and $362.5 million of revolving credit commitments, which are scheduled to expire in February 2019. As of the same date, we had $188.4 million of unused lines under our revolving credit commitments, all of which were available to be borrowed and used for general corporate purposes, after taking into account $165.9 million of outstanding loans and $8.2 million of letters of credit issued thereunder to various parties as collateral.

As of December 31, 2016, after giving effect to the items noted in “2017 Financing Activity” above, we would have maintained a $1.370 million credit facility, comprising $1,000.0 million of term loans with maturities ranging from November 2021 to February 2024, and $370.0 million of revolving credit commitments, which are scheduled to expire in February 2022. As of the same date, we would have had $192.9 million of unused credit commitments under the new revolver, all of which would have been available to be borrowed and used for general corporate purposes, after taking into account $168.9 million of outstanding loans and $8.2 million of letters of credit issued thereunder to various parties as collateral

The credit facility is collateralized by our ownership interests in our operating subsidiaries, and is guaranteed by us on a limited recourse basis to the extent of such ownership interests. The credit agreement governing the credit facility (the "credit agreement") requires us to maintain a total leverage ratio (as defined in the credit agreement) of no more than 5.0 to 1.0 and an interest coverage ratio (as defined in the credit agreement) of no less than 2.0 to 1.0. For all periods through December 31, 2016, our operating subsidiaries were in compliance with all covenants under the credit agreement including, as of the same date, a total leverage ratio of 2.7 to 1.0 and an interest coverage ratio of 6.3 to 1.0. We do not believe that our operating subsidiaries will have any difficulty complying with any of the covenants under the credit agreement in the near future.

Interest Rate Swaps

We have entered into several interest rate exchange agreements (which we refer to as "interest rate swaps") with various banks to fix the variable rate on a portion of our borrowings under the credit facility to reduce the potential volatility in our interest expense that may result from changes in market interest rates. As December 31, 2016, we had interest rate swaps that fixed the variable portion of $400 million of borrowings at a rate of 1.5%, all of which were scheduled to expire during December 2018.

As of December 31, 2016, the weighted average rate on outstanding borrowings under the credit facility, including the effects of our interest rate swaps, was 3.4%.

Senior Notes

As of December 31, 2016, we had $250.0 million of outstanding senior notes, all of which comprised our 7¼% senior notes due February 2022 (the "7 ¼% Notes"). On February 15, 2017, we repaid the entire $250.0 million balance of the 7¼% Notes. See Notes 6 and 12 in our Notes to Consolidated Financial Statements.

Debt Ratings

MCC's corporate credit ratings are Ba3 by Moody's, with a positive outlook, and BB by Standard and Poor's ("S&P"), with a stable outlook.

There can be no assurance that Moody's or S&P will maintain their ratings on MCC. A negative change to these credit ratings could result in higher interest rates on future debt issuance than we currently experience, or adversely impact our ability to raise additional funds. There are no covenants, events of default, borrowing conditions or other terms in the credit agreement that are based on changes in our credit rating assigned by any rating agency.

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations and commercial commitments, and the effects they are expected to have on our liquidity and cash flow, for the five years subsequent to December 31, 2016 and thereafter (dollars in thousands)*:

	Scheduled Debt Maturities	Operating Leases	Interest Expense(1)	Purchase Obligations(2)	Total
January 1, 2017 to December 31, 2017	$ 16,000	$ 2,286	$ 37,174	$ 21,983	$ 77,443
January 1, 2018 to December 31, 2019	36,000	3,371	70,703	—	110,074
January 1, 2020 to December 31, 2021	186,000	1,845	66,008	—	253,853
Thereafter	927,000	2,294	48,792	—	978,086
Total cash obligations	$ 1,165,000	$ 9,796	$ 222,677	$ 21,983	$ 1,419,456

* Refer to Notes 6 and 12 in our Notes to Consolidated Financial Statements for a discussion of our long-term debt and Note 11 for a discussion of our operating leases and other commitments and contingencies, respectively.

(1) Interest payments on floating rate debt and interest rate swaps are estimated using amounts outstanding as of December 31, 2016, on an adjusted basis per the items noted in "Liquidity and Capital Resources — Capital Structure — *2017 Financings*," and the average interest rates applicable under such debt obligations. Interest expense amounts are net of amounts capitalized.

(2) We have contracts with programmers who provide video programming services to our customers. Our contracts typically provide that we have an obligation to purchase video programming for our customers as long as we deliver cable services to such customers. We have no obligation to purchase these services if we are not providing cable services, except when we do not have the right to cancel the underlying contract or for contracts with a guaranteed minimum commitment. There are no programming service amounts included in our purchase obligations. We also maintain other service agreements with various vendors that contain future contractual commitments.

Critical Accounting Policies

The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Periodically, we evaluate our estimates, including those related to doubtful accounts, long-lived assets, capitalized costs and accruals. We base our estimates on historical experience and on various other assumptions that we believe are reasonable. Actual results may differ from these estimates under different assumptions or conditions. We believe that the application of the critical accounting policies discussed below requires significant judgments and estimates on the part of management. For a summary of our accounting policies, see Note 2 in our Notes to Consolidated Financial Statements.

Property, Plant and Equipment

We capitalize the costs of new construction and replacement of our cable transmission and distribution facilities and new service installation in accordance with Accounting Standards Codification ("ASC") No. 922 — *Entertainment — Cable Television*. Costs associated with subsequent installations of additional services not previously installed at a customer's dwelling are capitalized to the extent such costs are incremental and directly attributable to the installation of such additional services. Capitalized costs include all direct labor and materials as well as certain indirect costs. Capitalized costs are recorded as additions to property, plant and equipment and depreciated over the average life of the related assets. We use standard costing models, developed from actual historical costs and relevant operational data, to determine our capitalized amounts. These models include labor rates, overhead rates and standard time inputs to perform various installation and construction activities. The development of these standards involves significant judgment by management, especially in the development of standards for our newer, advanced products and services in which historical data is limited. Changes to the estimates or assumptions used in establishing these standards could be material. We perform periodic evaluations of the estimates used to determine the amount of costs that are capitalized. Any changes to these estimates, which may be significant, are applied in the period in which the evaluations were completed.

Valuation and Impairment Testing of Indefinite-lived Intangibles

As of December 31, 2016, we had approximately $638.7 million of unamortized intangible assets, including franchise rights of $614.7 million and goodwill of $23.9 million on our consolidated balance sheets. Franchise rights are our largest asset and, together with goodwill, represent approximately 40% of our total assets as of the same date.

Our cable systems operate under non-exclusive cable franchises, or franchise rights, granted by state and local governmental authorities for varying lengths of time. We acquired these cable franchises through acquisitions of cable systems and were accounted for using the purchase method of accounting. As of December 31, 2016, we held 854 franchises in areas located throughout the United States. The value of a franchise is derived from the economic benefits we receive from the right to solicit new customers and to market new products and services, such as digital video, HSD and phone, in a specific market territory. We concluded that our franchise rights have an indefinite useful life since, among other things, there are no legal, regulatory, contractual, competitive, economic or other factors limiting the period over which these franchise rights contribute to our revenues and cash flows. Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. In accordance with ASC No. 350 — *Intangibles — Goodwill and Other* ("ASC 350"), we do not amortize franchise rights and goodwill. Instead, such assets are tested annually for impairment or more frequently if impairment indicators arise.

We follow the provisions of ASC 350 to test our goodwill and franchise rights for impairment. We assess the fair values of our reporting unit using the Excess Earnings Method of the Income Approach as our discounted cash flow ("DCF") methodology, under which the fair value of cable franchise rights are determined in a direct manner. We employ the Multi-Period Excess Earnings Method to calculate the fair values of our cable franchise rights, using unobservable inputs (Level 3). This assessment involves significant judgment, including certain assumptions and estimates that determine future cash flow expectations and other future benefits, which are consistent with the expectations of buyers and sellers of cable systems in determining fair value. These assumptions and estimates include discount rates, estimated growth rates, terminal growth rates, revenues per customer, market penetration as a percentage of homes passed and operating margin. We also consider market transactions, market valuations, research analyst estimates and other valuations using multiples of operating income before depreciation and amortization to confirm the reasonableness of fair values determined by the DCF methodology. We also employ the Greenfield model to corroborate the fair values of our cable franchise rights determined under the In-use Excess Earnings DCF methodology. Significant impairment in value resulting in impairment charges may result if the estimates and assumptions used in the fair value determination change in the future. Such impairments, if recognized, could potentially be material.

Based on the guidance outlined in ASC 350, we have determined that the unit of accounting, or reporting unit, for testing goodwill and franchise rights is Mediacom LLC. Comprising cable system clusters across several states, Mediacom LLC is at the financial reporting level that is managed and reviewed by the corporate office (i.e., chief operating decision maker) including our determination as to how we allocate capital resources and utilize the assets. The reporting unit level also reflects the level at which the purchase method of accounting for our acquisitions was originally recorded.

In accordance with ASC 350, we are required to determine goodwill impairment using a two-step process. The first step compares the fair value of a reporting unit with our carrying amount, including goodwill. If the fair value of the reporting unit exceeds our carrying amount, goodwill of the reporting unit is considered not impaired and the second step is unnecessary. If the carrying amount of a reporting unit exceeds our fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill, calculated using the residual method, with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value, the excess is recognized as an impairment loss.

The impairment test for our franchise rights and other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, the excess is recognized as an impairment loss.

Since our adoption of ASC 350 in 2002, we have not recorded any impairments as a result of our impairment testing. We completed our most recent impairment test as of October 1, 2016, which reflected no impairment of our franchise rights, goodwill or other intangible assets.

For illustrative purposes, if there were a hypothetical decline of 15% in the fair values determined for cable franchise rights, goodwill and other finite-lived intangible assets at our reporting unit, no impairment loss would result as of our impairment testing date of October 1, 2016.

We could record impairments in the future if there are changes in the long-term fundamentals of our business, in general market conditions or in the regulatory landscape that could prevent us from recovering the carrying value of our long-lived intangible assets. The economic conditions affecting the U.S. economy and how that may impact the fundamentals of our business may have a negative impact on the fair values of the assets in our reporting unit.

In accordance with Accounting Standards Update No. 2010-28 — *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force)*, as of October 1, 2016 and 2015, we have evaluated whether there are any adverse qualitative factors surrounding our Mediacom LLC reporting unit indicating that a goodwill impairment may exist. We do not believe that it is "more likely than not" that a goodwill impairment exists. As such, we have not performed Step 2 of the goodwill impairment test. As of both December 31, 2016 and 2015, the Mediacom LLC reporting unit had a positive carrying amount.

Recent Accounting Pronouncements

See Note 2 in our Notes to the Consolidated Financial Statements.

Inflation and Changing Prices

Our costs and expenses are subject to inflation and price fluctuations. Such changes in costs and expenses can generally be passed through to customers. Programming costs have historically increased at rates in excess of inflation and are expected to continue to do so. We believe that under the FCC's existing cable rate regulations we may increase rates for cable services to more than cover any increases in programming. However, competitive conditions and other factors in the marketplace may limit our ability to increase our rates.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

In the normal course of business, we use interest rate exchange agreements (which we refer to as "interest rate swaps") with counterparty banks to fix the interest rate on a portion of our variable interest rate debt. As of December 31, 2016, we had current interest rate swaps with various banks pursuant to which the interest rate on $400 million of variable rate debt was fixed at a rate of 1.5%, all of which were scheduled to expire during December 2018. The fixed rates of our interest rate swaps are offset against the applicable variable rate to determine the related interest expense.

Under the terms of our interest rate swaps, we are exposed to credit risk in the event of nonperformance by our counterparties; however, we do not anticipate such nonperformance. As of December 31, 2016, based on their mark-to-market valuation, we would have paid approximately $0.6 million if we terminated these interest rate swaps. Our interest rate swaps and debt arrangements do not contain credit rating triggers that could affect our liquidity.

The table below provides the scheduled maturity and estimated fair value of our debt as of December 31, 2016 (dollars in thousands)*:

	Senior Notes	Bank Credit Facility	Total
Scheduled Maturity:			
January 1, 2017 to December 31, 2017	—	$ 13,675	13,675
January 1, 2018 to December 31, 2018	—	251,800	251,800
January 1, 2019 to December 31, 2019	—	177,100	177,100
January 1, 2020 to December 31, 2020	—	11,175	11,175
January 1, 2021 to December 31, 2021	—	443,250	443,250
Thereafter	250,000	—	250,000
Total	$ 250,000	$ 897,000	$ 1,147,000
Fair Value	$ 258,750	$ 901,513	$ 1,160,263
Weighted Average Interest Rate	7.3%	3.4%	4.3%

* See Notes 6 and 12 in our Notes to Consolidated Financial Statements for a discussion of our long-term debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MEDIACOM LLC AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Auditors

To the Member of Mediacom LLC:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Mediacom LLC and its subsidiaries at December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
March 3, 2017

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MEDIACOM LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	$ 11,269	$ 8,446
Accounts receivable, net of allowance for doubtful accounts of $2,293 and $2,267	42,853	42,576
Accounts receivable - affiliates	6,565	2,970
Prepaid expenses and other current assets	13,641	10,779
Total current assets	74,328	64,771
Preferred membership interest in affiliated company (Note 7)	150,000	150,000
Property, plant and equipment, net of accumulated depreciation of $1,696,830 and $1,671,048	718,761	689,897
Franchise rights	614,731	614,731
Goodwill	23,911	23,911
Subscriber lists, net of accumulated amortization of $118,308 and $118,291	34	51
Other assets, net of accumulated amortization of $2,025 and $1,366	5,189	6,940
Total assets	$ 1,586,954	$ 1,550,301
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other current liabilities	$ 127,760	$ 126,410
Deferred revenue	31,006	29,383
Current portion of long-term debt, net	13,675	14,555
Total current liabilities	172,441	170,348
Long-term debt, net (less current portion)	1,124,837	1,144,660
Other non-current liabilities	2,509	2,577
Total liabilities	1,299,787	1,317,585
Commitments and contingencies (Note 11)		
MEMBER'S EQUITY		
Capital contributions	381,679	461,101
Accumulated deficit	(94,512)	(228,385)
Total member's equity	287,167	232,716
Total liabilities and member's equity	$ 1,586,954	$ 1,550,301

The accompanying notes are an integral part of these statements.

MEDIACOM LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)

	Year Ended December 31, 2016	2015	2014
Revenues	$ 777,016	$ 738,710	$ 711,634
Costs and expenses:			
Service costs (exclusive of depreciation and amortization)	342,433	327,112	310,752
Selling, general and administrative expenses	125,773	119,716	121,772
Management fee expense	14,200	13,000	12,350
Depreciation and amortization	126,394	119,865	116,395
Operating income	168,216	159,017	150,365
Interest expense, net	(51,468)	(62,801)	(86,815)
Gain on derivatives, net	797	10,360	18,229
Loss on early extinguishment of debt (Note 6)	(264)	(689)	(23,046)
Investment income from affiliate (Note 7)	18,000	18,000	18,000
Other expense, net	(1,408)	(878)	(1,514)
Net income	$ 133,873	$ 123,009	$ 75,219

The accompanying notes are an integral part of these statements.

MEDIACOM LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S (DEFICIT) EQUITY
(Dollars in thousands)

	Capital Contributions	Accumulated Deficit	Total
Balance, December 31, 2013	$ 321,320	$ (426,613)	$ (105,293)
Net income	—	75,219	75,219
Capital distributions to parent	(3,500)	—	(3,500)
Capital contributions from parent	155,600	—	155,600
Other	189	—	189
Balance, December 31, 2014	$ 473,609	$ (351,394)	$ 122,215
Net income	—	123,009	123,009
Capital distributions to parent	(12,625)	—	(12,625)
Other	117	—	117
Balance, December 31, 2015	$ 461,101	$ (228,385)	$ 232,716
Net income	—	133,873	133,873
Capital distributions to parent	(79,500)	—	(79,500)
Other	78	—	78
Balance, December 31, 2016	$ 381,679	$ (94,512)	$ 287,167

The accompanying notes are an integral part of these statements.

MEDIACOM LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31, 2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 133,873	$ 123,009	$ 75,219
Adjustments to reconcile net income to net cash flows provided by			
Depreciation and amortization	126,394	119,865	116,395
Gain on derivatives, net	(797)	(10,360)	(18,229)
Loss on early extinguishment of debt (Note 6)	264	689	7,047
Amortization of deferred financing costs	2,816	2,901	3,668
Changes in assets and liabilities:			
Accounts receivable, net	(277)	3,136	7,503
Accounts receivable - affiliates	(3,677)	(2,970)	—
Prepaid expenses and other assets	(2,260)	(4,842)	1,189
Accounts payable, accrued expenses and other current liabilities	6,722	(3,611)	(11,377)
Accounts payable - affiliates	—	(1,463)	(8,165)
Deferred revenue	1,623	1,268	409
Other non-current liabilities	—	718	(344)
Net cash flows provided by operating activities	$ 264,681	$ 228,340	$ 173,315
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	$ (155,477)	$ (137,041)	$ (120,306)
Change in accrued property, plant and equipment	(4,387)	6,370	(337)
Proceeds from sale of assets	520	190	—
Acquisition of other intangible assets	—	(1,289)	—
Other, net	—	677	247
Net cash flows used in investing activities	$ (159,344)	$ (131,093)	$ (120,396)
CASH FLOWS FROM FINANCING ACTIVITIES:			
New borrowings of bank debt	$ 355,875	$ 441,750	$ 1,038,864
Repayment of bank debt	(379,125)	(526,500)	(885,864)
Redemption of senior notes	—	—	(350,000)
Capital distributions to parent (Note 8)	(79,500)	(12,625)	(3,500)
Capital contributions from parent (Note 8)	—	—	155,600
Financing costs	—	(2,355)	(9,878)
Other financing activities	236	2,209	835
Net cash flows used in financing activities	$ (102,514)	$ (97,521)	$ (53,943)
Net increase (decrease) in cash	2,823	(274)	(1,024)
CASH, beginning of year	8,446	8,720	9,744
CASH, end of year	$ 11,269	$ 8,446	$ 8,720
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for interest, net of amounts capitalized	$ 50,659	$ 58,096	$ 95,521

The accompanying notes are an integral part of these statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Mediacom LLC ("Mediacom LLC" and collectively with its subsidiaries, "we," "our" or "us") is a New York limited liability company wholly-owned by Mediacom Communications Corporation ("MCC"). MCC is involved in the acquisition and operation of cable systems serving smaller cities and towns in the United States, and its cable systems are owned and operated through our operating subsidiaries and those of Mediacom Broadband LLC, a Delaware limited liability company wholly-owned by MCC. As limited liability companies, we and Mediacom Broadband LLC are not subject to income taxes and, as such, are included in the consolidated federal and state income tax returns of MCC, a C corporation.

Our principal operating subsidiaries conduct all of our consolidated operations and own substantially all of our consolidated assets. Our operating subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make funds available to us.

We rely on our parent, MCC, for various services such as corporate and administrative support. Our financial position, results of operations and cash flows could differ from those that would have resulted had we operated autonomously or as an entity independent of MCC. See Notes 8 and 9.

Mediacom Capital Corporation ("Mediacom Capital"), a New York corporation wholly-owned by us, co-issued, jointly and severally with us, public debt securities. Mediacom Capital has no operations, revenues or cash flows and has no assets, liabilities or stockholders' equity on its balance sheet, other than a one-hundred dollar receivable from an affiliate and the same dollar amount of common stock. Therefore, separate financial statements have not been presented for this entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements include the accounts of us and our subsidiaries. All significant intercompany transactions and balances have been eliminated. Comprehensive income is equal to net income for all periods presented. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America 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. The accounting estimates that require management's most difficult and subjective judgments include: assessment and valuation of intangibles, accounts receivable allowance, useful lives of property, plant and equipment and capitalized labor. Actual results could differ from those and other estimates.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Revenue Recognition

Video, high speed data ("HSD"), phone and business services revenues are recognized when the services are provided to our customers. We generally bill customers in advance for the services and equipment they have chosen to use and record such amounts as deferred revenue until the services are provided and the equipment is used. Credit risk is managed by disconnecting services to customers who are deemed to be delinquent. Installation revenues are recognized as customer connections are completed because installation revenues are less than direct installation costs. Advertising sales are recognized in the period that the advertisements are exhibited. Deposits and up-front fees collected from customers are recognized as deferred revenue until the earnings process is complete. Under the terms of our franchise agreements, we are required to pay local franchising authorities up to 5% of our gross revenues derived from providing video service. We normally pass these fees through to our customers. Because franchise fees are our obligation, we present them on a gross basis with a corresponding expense. Franchise fees reported on a gross basis amounted to approximately $12.1 million, $11.5 million and $12.4 million for the years ended December 31, 2016, 2015 and 2014, respectively. Franchise fees are reported in video revenue and included in selling, general and administrative expenses.

Allowance for Doubtful Accounts

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

Concentration of Credit Risk

Our accounts receivable are comprised of amounts due from customers in varying regions throughout the United States. Concentration of credit risk with respect to these receivables is limited due to the large number of customers comprising our customer base and their geographic dispersion. We invest our cash with high quality financial institutions.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Additions to property, plant and equipment generally include material, labor and indirect costs. Depreciation is calculated on a straight-line basis over the following useful lives:

Buildings	40 Years
Leasehold improvements	Lesser of: life of respective lease or life of asset
Cable systems, equipment and customer devices	5-20 years
Vehicles	4-5 years
Furniture, fixtures and office equipment	5 years

We capitalize improvements that extend asset lives and expense repairs and maintenance as incurred. At the time of retirements, write-offs, sales or other dispositions of property, the original cost and related accumulated depreciation are removed from the respective accounts and any resulting gains or losses are included in depreciation and amortization expense in the consolidated statement of operations.

We capitalize the costs associated with the construction of cable transmission and distribution facilities, new customer installations and indirect costs associated with our phone service. Costs include direct labor and material, as well as certain indirect costs including capitalized interest. We perform periodic evaluations of the estimates used to determine the amount and extent that such costs are capitalized. Any changes to these estimates, which may be significant, are applied in the period in which the evaluations were completed. The costs of disconnecting service at a customer's dwelling or reconnecting to a previously installed dwelling are charged as expense in the period incurred. Costs associated with subsequent installations of additional services not previously installed at a customer's dwelling are capitalized to the extent such costs are incremental and directly attributable to the installation of such additional services. See Note 3.

Capitalized Software Costs

We account for internal-use software development and related costs in accordance with Accounting Standards Codification ("ASC") 350-40-*Intangibles-Goodwill and Other: Internal-Use Software*. Software development and other related costs consist of external and internal costs incurred in the application development stage to purchase and implement associated software. Costs incurred in the development of application and infrastructure of the software is capitalized and will be amortized over our respective estimated useful life of 5 years. During the years ended December 31, 2016 and 2015, we wrote off $2.7 million of software development costs ($2.2 million of which were fully amortized) and approximately $2.7 million ($2.0 million of which was fully amortized), respectively, of software development costs. Capitalized software had a net book value of $0.1 million and $0.6 million as of December 31, 2016 and 2015, respectively.

Marketing and Promotional Costs

Marketing and promotional costs are expensed as incurred and were $24.8 million, $21.5 million and $16.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Intangible Assets

Our cable systems operate under non-exclusive cable franchises, or franchise rights, granted by state and local governmental authorities for varying lengths of time. We acquired these cable franchises through acquisitions of cable systems and were accounted for using the purchase method of accounting. As of December 31, 2016, we held 854 franchises in areas located throughout the United States. The value of a franchise is derived from the economic benefits we receive from the right to solicit new customers and to market our products and services, including video, HSD and phone, in a specific market territory. We concluded that our franchise rights have an indefinite useful life since, among other things, there are no legal, regulatory, contractual, competitive, economic or other factors limiting the period over which these franchise rights contribute to our revenues and cash flows. Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. In accordance with ASC 350 — *Intangibles — Goodwill and Other* ("ASC 350"), we do not amortize franchise rights and goodwill. Instead, such assets are tested annually for impairment or more frequently if impairment indicators arise.

We follow the provisions of ASC 350 to test our goodwill and franchise rights for impairment. We assess the fair values of our reporting unit using the Excess Earnings Method of the Income Approach as our discounted cash flow ("DCF") methodology, under which the fair value of cable franchise rights are determined in a direct manner. We employ the Multi-Period Excess Earnings Method to calculate the fair values of our cable franchise rights, using unobservable inputs (Level 3). This assessment involves significant judgment, including certain assumptions and estimates that determine future cash flow expectations and other future benefits, which are consistent with the expectations of buyers and sellers of cable systems in determining fair value. These assumptions and estimates include discount rates, estimated growth rates, terminal growth rates, comparable company data, revenues per customer, market penetration as a percentage of homes passed and operating margin. We also consider market transactions, market valuations, research analyst estimates and other valuations using multiples of operating income before depreciation and amortization to confirm the reasonableness of fair values determined by the DCF methodology. We also employ the Greenfield model to corroborate the fair values of our cable franchise rights determined under the In-use Excess Earnings DCF methodology. Significant impairment in value resulting in impairment charges may result if the estimates and assumptions used in the fair value determination change in the future. Such impairments, if recognized, could potentially be material.

Based on the guidance outlined in ASC 350, we have determined that the unit of accounting, or reporting unit, for testing goodwill and franchise rights is Mediacom LLC. Comprising cable system clusters across several states, Mediacom LLC is at the financial reporting level that is managed and reviewed by the corporate office (i.e., chief operating decision maker) including our determination as to how we allocate capital resources and utilize the assets. The reporting unit level also reflects the level at which the purchase method of accounting for our acquisitions was originally recorded.

In accordance with ASC 350, we are required to determine goodwill impairment using a two-step process. The first step compares the fair value of a reporting unit with our carrying amount, including goodwill. If the fair value of the reporting unit exceeds our carrying amount, goodwill of the reporting unit is considered not impaired and the second step is unnecessary. If the carrying amount of a reporting unit exceeds our fair value, the second step is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill, calculated using the residual method, with the carrying amount of that goodwill. If the carrying amount of the goodwill exceeds the implied fair value, the excess is recognized as an impairment loss.

The impairment test for our franchise rights and other intangible assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, the excess is recognized as an impairment loss.

Since our adoption of ASC 350 in 2002, we have not recorded any impairments as a result of our impairment testing. We completed our most recent impairment test as of October 1, 2016, which reflected no impairment of our franchise rights, goodwill or other intangible assets.

We could record impairments in the future if there are changes in the long-term fundamentals of our business, in general market conditions or in the regulatory landscape that could prevent us from recovering the carrying value of our long-lived intangible assets. The economic conditions affecting the U.S. economy, and how that may impact the fundamentals of our business, may have a negative impact on the fair values of the assets in our reporting unit.

In accordance with Accounting Standards Update No. 2010-28 — *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force)*, as of October 1, 2016 and 2015, we have evaluated whether there are any adverse qualitative factors surrounding our Mediacom LLC reporting unit indicating that a goodwill impairment may exist. We do not believe that it is "more likely than not" that a goodwill impairment exists. As such, we have not performed Step 2 of the goodwill impairment test. As of both December 31, 2016 and 2015, the Mediacom LLC reporting unit had a positive carrying amount.

The following table details changes in the carrying value of goodwill for the years ended December 31, 2016 and 2015 (dollars in thousands):

Balance - December 31, 2014	$	23,911
Acquisitions		—
Dispositions		—
Balance - December 31, 2015	$	23,911
Acquisitions		—
Dispositions		—
Balance - December 31, 2016	$	23,911

Segment Reporting

ASC 280 — *Segment Reporting* ("ASC 280") requires the disclosure of factors used to identify an enterprise's reportable segments. Our operations are organized and managed on the basis of cable system clusters within our service area. Each cable system cluster derives revenues from the delivery of similar products and services to a customer base that is also similar. Each cable system cluster deploys similar technology to deliver our products and services, operates within a similar regulatory environment and has similar economic characteristics. We evaluated the criteria for aggregation under ASC 280 and believe that we meet each of the respective criteria set forth and accordingly, have identified broadband services as our one reportable segment.

Accounting for Derivative Instruments

We account for derivative instruments in accordance with ASC 815 — *Derivatives and Hedging*. These pronouncements require that all derivative instruments be recognized on the balance sheet at fair value. We enter into interest rate exchange agreements to fix the interest rate on a portion of our variable interest rate debt to reduce the potential volatility in our interest expense that would otherwise result from changes in market interest rates. Our derivative instruments are recorded at fair value and are included in other current assets, other assets and other liabilities of our consolidated balance sheet. Our accounting policies for these instruments are based on whether they meet our criteria for designation as hedging transactions, which include the instrument's effectiveness, risk reduction and, in most cases, a one-to-one matching of the derivative instrument to our underlying transaction. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized in the consolidated statement of operations. We have no derivative financial instruments designated as hedges. Therefore, changes in fair value for the respective periods were recognized in the consolidated statement of operations.

Accounting for Asset Retirement

We adopted ASC 410 — *Asset Retirement Obligations* ("ASC 410"), on January 1, 2003. ASC 410 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We reviewed our asset retirement obligations to determine the fair value of such liabilities and if a reasonable estimate of fair value could be made. This entailed the review of leases covering tangible long-lived assets as well as our rights-of-way under franchise agreements. Certain of our franchise agreements and leases contain provisions that require restoration or removal of equipment if the franchises or leases are not renewed. Based on historical experience, we expect to renew our franchise or lease agreements. In the unlikely event that any franchise or lease agreement is not expected to be renewed, we would record an estimated liability. However, in determining the fair value of our asset retirement obligation under our franchise agreements, consideration will be given to the Cable Communications Policy Act of 1984, which generally entitles the cable operator to the "fair market value" for the cable system covered by a franchise, if renewal is denied and the franchising authority acquires ownership of the cable system or effects a transfer of the cable system to another person. Changes in these assumptions based on future information could result in adjustments to estimated liabilities.

Upon adoption of ASC 410, we determined that in certain instances, we are obligated by contractual terms or regulatory requirements to remove facilities or perform other remediation activities upon the retirement of our assets. We initially recorded a $6.0 million asset in property, plant and equipment and a corresponding liability of $6.0 million. As of both December 31, 2016 and 2015, the corresponding asset, net of accumulated amortization, was $0.

Accounting for Long-Lived Assets

In accordance with ASC 360 — *Property, Plant and Equipment*, we periodically evaluate the recoverability and estimated lives of our long-lived assets, including property and equipment and intangible assets subject to amortization, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. The measurement for such impairment loss is based on the fair value of the asset, typically based upon the future cash flows discounted at a rate commensurate with the risk involved. Unless presented separately, the loss is included as a component of either depreciation expense or amortization expense, as appropriate.

Programming Costs

We have various fixed-term carriage contracts to obtain programming for our cable systems from content suppliers whose compensation is generally based on a fixed monthly fee per video customer. These programming contracts are subject to negotiated renewal. Programming costs are recognized when we distribute the related programming. These programming costs are usually payable each month based on calculations performed by us and are subject to adjustments based on the results of periodic audits by the content suppliers. Historically, such audit adjustments have been immaterial to our total programming costs. Financial incentives, when received, are deferred within non-current liabilities in our consolidated balance sheets and recognized as a reduction of programming costs (which are a component of service costs in the consolidated statement of operations) over the carriage term of the programming contract.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09 ("ASU 2014-09") – Revenue from Contracts with Customers. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance supersedes most industry-specific guidance, including Statement of Financial Accounting Standards No. 51 – Financial Reporting by Cable Television Companies. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Based on a preliminary assessment of certain revenue transactions performed to date, we expect that the new guidance will impact the timing of the recognition of installation revenue and commission expenses. Under the new guidance, these amounts will be recognized as revenue and expenses, respectively, over a period of time instead of immediately, as is being done under current practice. Installation revenues and commission expenses recorded in 2016 are each less than 2% of total revenues recorded in the same period. We are currently in the process of evaluating which method of transition will be utilized at adoption. We continue to assess all of the potential impacts that the adoption of ASU 2014-09 will have on our consolidated financial statements, including the development of new accounting policies, procedures and internal controls associated with the adoption of the standard.

In August 2014, the FASB issued new guidance that requires management to assess the Company's ability to continue as a going concern and to provide related disclosures in certain circumstances. This guidance is effective for interim and fiscal years ending after December 15, 2016, with early adoption permitted. This guidance did not have a material impact on our financial position, operations or cash flows.

In April 2015 (as amended in August 2015), the FASB issued ASU No. 2015-03 (and ASU 2015-15) - *Interest—Imputation of Interest* (Subtopic 835-30) *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"). The purpose of this guidance is to simplify the presentation of debt issuance costs and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. We adopted ASU 2015-03 and ASU 2015-15 as of January 1, 2016 and implemented retrospectively as of December 31, 2015. We reclassified $8.5 million of deferred financing costs from other assets, net to long-term debt, net (less current portion) as of December 31, 2016 in accordance with such guidance. We reclassified $11.0 million of deferred financing costs from other assets, net to long-term debt, net (less current portion) as of December 31, 2015 in accordance with such guidance. See Note 6.

In April 2015, the FASB issued ASU 2015-05 - *Intangibles—Goodwill and Other—Internal-Use Software* (Subtopic 350-40) ("ASU 2015-05"). The objective of ASU 2015-05 is to address the concerns of stakeholders that the lack of guidance about a customer's accounting for fees in a cloud computing arrangement leads to unnecessary cost and complexity when evaluating the accounting for those fees, as well as some diversity in practice. The amendments in ASU 2015-05 will help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement by providing guidance as to whether an arrangement includes the sale or license of software. Examples of cloud computing arrangements include software as a service, platform as a service, infrastructure as a service, and other similar hosting arrangements. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. We adopted this new guidance as of January 1, 2016 and determined that there was not a material impact to our operations.

In February 2016, the FASB issued ASU 2016-02 - *Leases* (Topic 842) ("ASU 2016-02"). The objective of ASU 2016-02 is to address the concerns to increase the transparency around lease obligations. To address these concerns, previously unrecorded off-balance sheet obligations will now be brought more prominently to light by presenting lease liabilities on the face of the balance sheet. Accompanied by enhanced qualitative and quantitative disclosures in the notes to the financial statements, financial statement users will be able to more accurately compare information from one company to another. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018. We have not completed our evaluation of this new guidance.

In August 2016, the FASB issued ASU 2016-15 – Statement of Cash Flows – Clarification of Certain Cash Receipts and Cash Payments. ("ASU 2016-15"). Stakeholders indicated that there is diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other topics. ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in ASU 2016-15 are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We do not expect ASU 2016-15 will have a material impact on financial position, operations or cash flows upon adoption.

In January 2017, the FASB issued ASU 2017-04 – *Intangibles – Goodwill and Other* – ("ASU 2017-04"). In 2014, the FASB amended the guidance to allow private companies an alternative accounting treatment for subsequently measuring goodwill. They determined that those amendments were needed because of concern expressed by private companies and their stakeholders about the cost and complexity of the goodwill impairment test. ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The amendments in ASU 2017-04 are effective for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. We do not expect ASU 2017-04 will have a material impact on financial position, operations or cash flows upon adoption.

3. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2016 and 2015, property, plant and equipment consisted of (dollars in thousands):

	December 31, 2016	December 31, 2015
Cable systems, equipment and customer devices	$ 2,313,489	$ 2,257,473
Furniture, fixtures and office equipment	42,343	44,878
Vehicles	40,213	39,531
Buildings and leasehold improvements	18,016	17,513
Land and land improvements	1,530	1,550
Property, plant and equipment, gross	2,415,591	2,360,945
Accumulated depreciation	(1,696,830)	(1,671,048)
Property, plant and equipment, net	$ 718,761	$ 689,897

Depreciation expense related to fixed assets for the years ended December 31, 2016, 2015 and 2014 was $126.7 million, $119.4 million and $116.4 million, respectively. As of each of December 31, 2016 and 2015, we had no property under capitalized leases. We incurred gross interest costs of $53.5 million, $63.8 million and $88.0 million for the years ended December 31, 2016, 2015 and 2014 respectively, of which $1.1 million, $1.0 million and $1.1 million were capitalized during the years ended December 31, 2016, 2015 and 2014, respectively. See Note 2.

4. FAIR VALUE

The tables below set forth our financial assets and liabilities measured at fair value on a recurring basis using a market-based approach. Our financial assets and liabilities, all of which represent interest rate exchange agreements (which we refer to as "interest rate swaps") have been categorized according to the three-level fair value hierarchy established by ASC 820 – *Fair Value Measurement* – ("ASC 820"), which prioritizes the inputs used in measuring fair value, as follows (dollars in thousands):

- Level 1 — Quoted market prices in active markets for identical assets or liabilities.
- Level 2 — Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 — Unobservable inputs that are not corroborated by market data.

	Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate exchange agreements	$ —	$ 605	$ —	$ 605
Liabilities				
Interest rate exchange agreements	$ —	$ 1,209	$ —	$ 1,209

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate exchange agreements	$ —	$ 1,096	$ —	$ 1,096
Liabilities				
Interest rate exchange agreements	$ —	$ 2,497	$ —	$ 2,497

The fair value of our interest rate swaps represents the estimated amount that we would receive or pay to terminate such agreements, taking into account projected interest rates, based on quoted London Interbank Offered Rate ("LIBOR") futures and the remaining time to maturity. While our interest rate swaps are subject to contractual terms that provide for the net settlement of transactions with counterparties, we do not offset assets and liabilities under these agreements for financial statement presentation purposes, and assets and liabilities are reported on a gross basis.

As of December 31, 2016, we recorded a long term asset of $0.6 million, a current liability in accounts payable, accrued expenses and other current liabilities of $1.2 million and no current asset or long-term liability. As of December 31, 2015, we recorded a long term asset of $1.1 million, a current liability in accounts payable, accrued expenses and other current liabilities of $2.5 million and no current asset or long-term liability.

As a result of the changes in the mark-to-market valuations on our interest rate swaps, we recorded net gains on derivatives of $0.8 million, $10.4 million and $18.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.

5. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable, accrued expenses and other current liabilities consisted of the following as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
Accounts payable - trade	$ 38,007	$ 32,722
Accrued programming costs	20,490	20,433
Accrued taxes and fees	12,279	13,138
Accrued payroll and benefits	11,168	10,898
Advance customer payments	9,088	8,009
Accrued interest	8,169	9,051
Bank overdrafts (1)	6,266	6,031
Accrued service costs	5,854	6,035
Accrued property, plant and equipment	5,569	9,956
Accrued administrative costs	4,801	3,096
Accrued marketing costs	2,285	1,621
Liabilities under interest rate exchange agreements	1,209	2,497
Accrued telecommunications costs	1,065	1,473
Other accrued expenses	1,510	1,450
Accounts payable, accrued expenses and other current	$ 127,760	$ 126,410

(1) Bank overdrafts represented outstanding checks in excess of funds on deposit at our disbursement accounts. We transfer funds from our depository accounts to our disbursement accounts upon daily notification of checks presented for payment. Changes in bank overdrafts are reported in "other financing activities" in our Consolidated Statement of Cash Flows.

6. DEBT

As of December 31, 2016 and 2015, our outstanding debt consisted of (dollars in thousands):

	December 31, 2016	December 31, 2015
Bank credit facility	$ 897,000	$ 920,250
7¼% senior notes due 2022	250,000	250,000
Total debt	$ 1,147,000	$ 1,170,250
Less: current portion	13,675	14,555
Total long-term debt, gross (less current portion)	$ 1,133,325	$ 1,155,695
Less: deferred financing costs, net	$ 8,488	$ 11,035
Total long-term debt, net (less current portion)	$ 1,124,837	$ 1,144,660

2017 Financings

On February 15, 2017, we entered into an amended and restated credit agreement (the "credit agreement") under our bank credit facility (the "credit facility") that provided for $370.0 million of revolving credit commitments (the "new revolver") expiring in February 2022, $200.0 million of term loans maturing in November 2021 ("Term Loan A-1") and $800.0 million of term loans maturing in February 2024 ("Term Loan K" and, together with Term Loan A-1, the "new term loans"). On the same date, we borrowed the full amount of the new term loans, the new revolver became effective and we terminated our previously existing revolving credit facility. Proceeds of the new term loans, along with borrowings under the new revolver, were used to repay the entire outstanding balance of all previously existing debt under the credit facility, fund the redemption of our 7¼% senior notes due 2022, and pay related fees and expenses. See Note 12.

Bank Credit Facility

As of December 31, 2016, we maintained a $1.094 billion credit facility, comprising:

- $362.5 million of revolving credit commitments, which expire on February 5, 2019;
- $145.8 million of outstanding borrowings under Term Loan A, which mature on November 15, 2021;

- $243.1 million of outstanding borrowings under Term Loan F, which mature on March 31, 2018; and
- $342.1 million of outstanding borrowings under Term Loan G, which mature on June 30, 2021.

The credit facility is collateralized by our ownership interests in our operating subsidiaries and is guaranteed by us on a limited recourse basis to the extent of such ownership interests. As of December 31, 2016, we had the ability to repay all outstanding debt under the credit facility at par value at any time prior to maturity. As of December 31, 2016, the credit agreement required our operating subsidiaries to maintain a total leverage ratio (as defined in the credit agreement) of no more than 5.0 to 1.0 and an interest coverage ratio (as defined in the credit agreement) of no less than 2.0 to 1.0. For all periods through December 31, 2016, our operating subsidiaries were in compliance with all covenants under the credit agreement.

On February 15, 2017, we entered into an amended and restated credit agreement that replaced our prior agreement in its entirety. See Note 12.

Revolving Credit Commitments

On February 5, 2014, we terminated our existing revolving credit commitments and, on the same date, entered into an amended and restated credit agreement that, among other things, provided for $225.0 million of revolving credit commitments (the “old revolver”), which are scheduled to expire on February 5, 2019. On August 12, 2015 and November 23, 2015, we entered into incremental facility agreements that provided for an additional $25.0 million and $112.5 million under the old revolver, respectively.

Borrowings under the old revolver bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin ranging from 2.00% to 2.75%, or the Prime Rate plus a margin ranging from 1.00% to 1.75%. Commitment fees on the unused portion of the old revolver are payable at a rate of 0.38% or 0.50%. The applicable margin and commitment fees charged are determined by certain financial ratios pursuant to the credit agreement.

As of December 31, 2016, we had $188.4 million of unused revolving credit commitments, all of which were available to be borrowed and used for general corporate purposes, after giving effect to $165.9 million of outstanding loans and $8.2 million of letters of credit issued to various parties as collateral.

On February 15, 2017, we entered into an amended and restated credit agreement that, among other things, the old revolver and provided for the new revolver. See Note 12.

Term Loan A

On December 17, 2015, we entered into an incremental facility agreement that provided for a term loan in the original principal amount of $153.5 million (“Term Loan A”). Term Loan A matures on November 15, 2021 and, since March 31, 2016, has been subject to quarterly principal payments of $1.9 million, representing 1.25% of the original principal amount, with a final payment at maturity of $109.4 million, representing 75.00% of the original principal amount.

Borrowings under Term Loan A bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin ranging from 2.25% to 3.50%, or the Prime Rate plus a margin ranging from 1.25% to 2.50%. The applicable margin and commitment fees charged are determined by certain financial ratios pursuant to the credit agreement.

On February 15, 2017, we repaid the entire outstanding balance under Term Loan A. See Note 12.

Term Loan F

On February 5, 2014, we entered into an amended and restated credit agreement that, among other things, provided for a term loan in the original principal amount of $250.0 million (“Term Loan F”). Term Loan F matures on March 31, 2018 and, since June 30, 2014, has been subject to quarterly principal payments of $0.6 million, representing 0.25% of the original principal amount, with a final payment at maturity of $240.6 million, representing 96.25% of the original principal amount.

Borrowings under Term Loan F bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin of 2.50%, or the Prime Rate plus a margin of 1.50%.

On February 15, 2017, we repaid the outstanding balance under Term Loan F. See Note 12.

Term Loan G

On August 15, 2014, we entered into an incremental facility agreement that provided for a new term loan in the original principal amount of $350.0 million ("Term Loan G"). Term Loan G matures on June 30, 2021 and, since December 31, 2014, has been subject to quarterly principal payments of $0.9 million, representing 0.25% of the original principal amount, with a final payment at maturity of $327.3 million, representing 93.50% of the original principal amount.

Borrowings under Term Loan G bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin of 2.75% or 3.00% (subject to a minimum LIBOR of 0.75%), or the Prime Rate plus a margin of 1.75% or 2.00% (subject to a minimum Prime Rate of 1.75%). The applicable margin charged is determined by certain financial ratios pursuant to the credit agreement.

On February 15, 2017, we repaid the entire outstanding balance under Term Loan G. See Note 12.

Interest Rate Swaps

We have entered into several interest rate exchange agreements (which we refer to as "interest rate swaps") with various banks to fix the variable rate on a portion of our borrowings under the credit facility to reduce the potential volatility in our interest expense that may result from changes in market interest rates. Our interest rate swaps have not been designated as hedges for accounting purposes, and have been accounted for on a mark-to-market basis as of, and for the years ended, December 31, 2016, 2015 and 2014. As of December 31, 2016, we had current interest rate swaps that fixed the variable portion of $400 million of borrowings at a rate of 1.5%, all of which are scheduled to expire during December 2018.

As of December 31, 2016, the weighted average interest rate on outstanding borrowings under the credit facility, including the effect of our interest rate swaps, was 3.4%.

Senior Notes

As of December 31, 2016, we had $250.0 million of outstanding senior notes, all of which comprised the 7¼% Notes. Our senior notes are unsecured obligations and, as of December 31, 2016, the indenture governing the 7¼% Notes (the "indenture") limited the incurrence of additional indebtedness based upon a maximum debt to operating cash flow ratio (as defined in the indenture) of 8.5 to 1.0. For all periods through December 31, 2016, we were in compliance with all the covenants under the indenture.

7¼% Notes

On February 7, 2012, we issued 7¼% Notes in the aggregate principal amount of $250.0 million. Together with borrowings under the credit facility, net proceeds from the 7¼% Notes were used to repay, in part, certain previously existing term loans. On February 15, 2017, we repaid the entire outstanding balance under the 7¼% Notes. See Note 12.

Loss on Early Extinguishment of Debt

Loss on early extinguishment of debt totaled $0.3 million, $0.7 million and $23.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. Loss on early extinguishment of debt for the years ended December 31, 2016 and 2015 represented the write-off of certain unamortized financing costs as a result of the repayment of certain previously existing term loans under our credit facility. Loss on early extinguishment of debt for the year ended December 31, 2014 represented $16.0 million for the redemption price paid above par and the write-off of $7.0 million of unamortized financing costs associated with certain previously existing senior notes.

Deferred Financing Costs

We adopted ASU 2015-03 and ASU 2015-15 as of January 1, 2016, and implemented retrospectively as of December 31, 2015. In accordance with such guidance, we reclassified $8.5 million and $11.0 million of deferred financing costs from other assets, net to long-term debt, net (less current portion) as of December 31, 2016 and 2015, respectively.

Debt Ratings

MCC's corporate credit ratings are currently Ba3 by Moody's, with a positive outlook, and BB by Standard and Poor's, with a stable outlook. There are no covenants, events of default, borrowing conditions or other terms in the credit agreement that are based on changes in our credit rating assigned by any rating agency.

Fair Value and Debt Maturities

The fair values of our senior notes and outstanding debt under the credit facility (which were calculated based upon market prices of such issuances in an active market when available) were as follows as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
7¼% senior notes due 2022	258,750	251,250
Total senior notes	$ 258,750	$ 251,250
Bank credit facility	$ 901,513	$ 912,944

The scheduled maturities of all debt outstanding as of December 31, 2016 are as follows (dollars in thousands):

	Bank Credit Facility		Senior	
	Revolving Credit	Term Loans	Notes	Total
January 1, 2017 to December 31, 2017	$ —	$ 13,675	$ —	$ 13,675
January 1, 2018 to December 31, 2018	—	251,800	—	251,800
January 1, 2019 to December 31, 2019	165,925	11,175	—	177,100
January 1, 2020 to December 31, 2020	—	11,175	—	11,175
January 1, 2021 to December 31, 2021	—	443,250	—	443,250
Thereafter	—	—	250,000	250,000
	$ 165,925	$ 731,075	$ 250,000	$ 1,147,000

7. PREFERRED MEMBERSHIP INTEREST IN AFFILIATED COMPANY

In July 2001, we made a $150.0 million preferred membership investment (“PMI”) in the operating subsidiaries of Mediacom Broadband LLC, which has a 12% annual dividend, payable quarterly in cash. We may call for the redemption of the PMI upon the repayment of all of Mediacom Broadband LLC’s outstanding senior notes, and Mediacom Broadband LLC may voluntarily repay the PMI at any time at par. We received $18.0 million in cash dividends on the PMI during each of the years ended December 31, 2016, 2015 and 2014.

8. MEMBER’S EQUITY

As a wholly-owned subsidiary of MCC, our business affairs, including our financing decisions, are directed by MCC. See Note 9.

Capital contributions from parent and capital distributions to parent are reported on a gross basis in the Consolidated Statements of Changes in Member’s Equity and the Consolidated Statements of Cash Flows. We made capital distributions to parent in cash of $79.5 million, $12.6 million and $3.5 million during the years ended December 31, 2016, 2015 and 2014, respectively. We received no capital contributions from parent for each of the years ended December 31, 2016 and 2015 and received capital contributions from parent in cash of $155.6 million during the year ended December 31, 2014.

9. RELATED PARTY TRANSACTIONS

Management Agreements

MCC manages us pursuant to management agreements with our operating subsidiaries. Under such agreements, MCC has full and exclusive authority to manage our day-to-day operations and conduct our business. We remain responsible for all expenses and liabilities relating to the construction, development, operation, maintenance, repair, and ownership of our systems.

As compensation for the performance of its services, subject to certain restrictions, MCC is entitled to receive management fees in an amount not to exceed 4.5% of the annual gross operating revenues of our operating subsidiaries. MCC is also entitled to the reimbursement of all expenses necessarily incurred in its capacity as manager. MCC charged us management fees of $14.2 million, $13.0 million and $12.4 million during the years ended December 31, 2016, 2015 and 2014, respectively.

We are a preferred equity investor in Mediacom Broadband LLC. See Note 7.

10. EMPLOYEE BENEFIT PLANS

Substantially all our employees are eligible to participate in MCC's defined contribution plan pursuant to the Internal Revenue Code Section 401(k) ("MCC's Plan"). Under MCC's Plan, eligible employees may contribute a portion of their current pretax compensation (as defined by MCC's Plan). MCC's Plan permits, but does not require, matching contributions and non-matching (profit sharing) contributions to be made by us up to a maximum dollar amount or maximum percentage of participant contributions, as determined annually by us. We presently match 50% on the first 6% of employee contributions. Our contributions under MCC's Plan totaled $1.1 million for each of the years ended December 31, 2016, 2015 and 2014, respectively, which are recorded in service costs and selling, general and administrative expenses.

11. COMMITMENTS AND CONTINGENCIES

Leases

Under various lease and rental agreements for offices, warehouses and computer terminals, we had rental expense of $3.8 million, $4.1 million and $3.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. Future minimum annual rental payments as of December 31, 2016 are as follows (dollars in thousands):

January 1, 2017 to December 31, 2017	2,286
January 1, 2018 to December 31, 2018	1,829
January 1, 2019 to December 31, 2019	1,542
January 1, 2020 to December 31, 2020	1,131
January 1, 2021 to December 31, 2021	714
Thereafter	2,294
Total	9,796

Other Obligations

In addition, we rent utility poles in our operations generally under short-term arrangements, but we expect these arrangements to recur. Total rental expense for utility poles was approximately $6.7 million, $6.3 million and $5.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Letters of Credit

As of December 31, 2016, $8.2 million of letters of credit were issued to various parties to secure our performance relating to insurance and franchise requirements. The fair value of such letters of credit was approximately book value.

Legal Proceedings

We are involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

12. SUBSEQUENT EVENTS

2017 Financings

On January 12, 2017, we called for the redemption of the entire $250.0 million principal amount outstanding of the 7¼% Notes.

On February 15, 2017, we entered into the new credit agreement under the credit facility that provided for $370.0 million of revolving credit commitments (the "new revolver") expiring in February 2022, $200.0 million of term loans maturing in November 2021 ("Term Loan A-1") and $800.0 million of term loans maturing in February 2024 ("Term Loan K" and, together with Term Loan A-1, the "new term loans"). On the same date, the full amount of the new term loans was borrowed, the new revolver became effective and the old revolver was terminated. The proceeds of the new term loans, together with $168.9 million of borrowings under the new revolver, were used to: (i) repay the entire $165.9 million, $145.8 million, $243.1 million and $342.1 million balances under the old revolver, Term Loan A, Term Loan F and Term Loan G, respectively; (ii) to fund the redemption of the entire $250.0 million principal amount outstanding of the 7¼% Notes at an aggregate redemption price of $259.1 million; and (iii) to pay $12.9 million of related fees and expenses.

Borrowings under the new revolver bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin ranging from 1.75% to 2.75%, or the Prime Rate plus a margin ranging from 0.75% to 1.75%. Commitment fees on the unused portion of the new revolver are payable at a rate ranging from 0.25% to 0.50%. The applicable margin on the outstanding borrowings and commitment fees charged on the unused portion of the new revolver are determined by certain financial ratios pursuant to the credit agreement. The new revolver expires on the earliest of (i) February 15, 2022; (ii) 91 days prior to the final maturity of any term loan under the credit facility if $200.0 million or more remains outstanding under such term loan on that date; or (iii) six months prior to the scheduled maturity date of any affiliated subordinated indebtedness that is then outstanding.

Borrowings under Term Loan A-1 bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin ranging from 2.00% to 3.00%, or the Prime Rate plus a margin ranging from 1.00% to 2.00%. The applicable margin charged is determined by certain financial ratios pursuant to the credit agreement. Term Loan A-1 matures on November 15, 2021, and is subject to quarterly reductions of $2.5 million beginning on March 31, 2017.

Borrowings under Term Loan K bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin of 2.25%, subject to a minimum LIBOR of 0.75%, or the Prime Rate plus a margin of 1.25%, subject to a minimum Prime Rate of 1.75%. The applicable margin charged is determined by certain financial ratios pursuant to the credit agreement. If on or before August 15, 2017, the borrowers prepay Term Loan K from the proceeds of a substantially concurrent borrowing of term loans with an interest rate less than the interest rate applicable to Term Loan K (calculated as provided in the credit agreement), then the prepayment shall be accompanied by a fee equal to 1.00% of the aggregate principal amount of Term Loan K so prepaid. Term Loan K matures on February 15, 2024, and is subject to quarterly reductions of $2.0 million beginning on June 30, 2017.

Cable System Acquisition

On January 19, 2017, we acquired all of the outstanding stock of a cable system located in Alabama serving about 7,200 video, 6,000 HSD and 1,000 phone customers for approximately $19 million in cash. As part of the acquisition, we acquired property, plant and equipment, subscriber lists, franchise rights and other working capital items. We have not completed our accounting for this acquisition due to the recent timing of the closing.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

MCC is our sole voting member and serves as manager of our operating subsidiaries. The Directors and Executive Officers for MCC, Mediacom LLC (MLLC) and Mediacom Capital Corporation (MCCorp) are indicated below:

Name	Age	Position
Rocco B. Commisso	67	Chairman, Chief Executive Officer and Director of MCC and MCCorp; Chief Executive Officer of MLLC
Mark E. Stephan	60	Executive Vice President, Chief Financial Officer and Director of MCC; Executive Vice President and Chief Financial Officer of MLLC and MCCorp
John G. Pascarelli	55	Executive Vice President, Operations of MCC, MLLC and MCCorp
Italia Commisso Weinand	63	Executive Vice President, Programming and Human Resources and Director of MCC; Executive Vice President, Programming and Human Resources of MLLC
Joseph E. Young	68	Senior Vice President, General Counsel and Secretary of MCC, MLLC and MCCorp
Brian M. Walsh	51	Senior Vice President, Corporate Controller of MCC and MLLC
Tapan Dandnaik	43	Senior Vice President, Customer Service and Financial Operations of MCC
Thomas J. Larsen	44	Senior Vice President, Government and Public Relations of MCC
Peter Lyons	47	Senior Vice President, Technology of MCC
David McNaughton	55	Senior Vice President, Marketing and Consumer Services of MCC
Ed Pardini	59	Senior Vice President, Field Operations of MCC
Dan Templin	53	Senior Vice President, Mediacom Business of MCC
JR Walden	45	Senior Vice President, Technology of MCC

Rocco B. Commisso has 38 years of experience with the cable industry, and has served as MCC's Chairman and Chief Executive Officer, and our Chief Executive Officer since founding our predecessor company in July 1995. From 1986 to 1995, he served as Executive Vice President, Chief Financial Officer and a director of Cablevision Industries Corporation. Prior to that time, Mr. Commisso served as Senior Vice President of Royal Bank of Canada's affiliate in the United States from 1981, where he founded and directed a specialized lending group to media and communications companies. Mr. Commisso began his association with the cable industry in 1978 at The Chase Manhattan Bank, where he managed the bank's lending activities to communications firms including the cable industry. Mr. Commisso serves on the board of directors of the National Cable & Telecommunications Association, C-SPAN and Cable Television Laboratories, Inc. He was inducted into the 2007 Broadcasting & Cable Hall of Fame. Mr. Commisso holds a Bachelor of Science in Industrial Engineering and a Master of Business Administration from Columbia University.

Mark E. Stephan has 30 years of experience with the cable industry, and has served as MCC's, and our Executive Vice President and Chief Financial Officer since July 2005. Prior to that time, he was Executive Vice President, Chief Financial Officer and Treasurer since November 2003 and MCC's Senior Vice President, Chief Financial Officer and Treasurer since the commencement of MCC's operations in March 1996. Before joining MCC, Mr. Stephan served as Vice President, Finance for Cablevision Industries from July 1993. Prior to that time, Mr. Stephan served as Manager of the telecommunications and media lending group of Royal Bank of Canada. Mr. Stephan has been a director of MCC since May 2011 and was previously a director of MCC from March 2000 to March 2011.

John G. Pascarelli has 35 years of experience in the cable industry, and has served as MCC's Executive Vice President, Operations since November 2003. Prior to that time, he was MCC's Senior Vice President, Marketing and Consumer Services from June 2000 and MCC's Vice President of Marketing from March 1998. Before joining MCC, Mr. Pascarelli served as Vice President, Marketing for Helicon Communications Corporation from January 1996 to February 1998 and as Corporate Director of Marketing for Cablevision Industries from 1988 to 1995. Prior to that time, Mr. Pascarelli served in various marketing and system management capacities for Continental Cablevision, Inc., Cablevision Systems and Storer Communications.

Italia Commisso Weinand has 40 years of experience in the cable industry, and has served as MCC's, and our Executive Vice President of Programming and Human Resources since May 2012. Prior to that time, she was MCC's Senior Vice President of Programming and Human Resources since February 1998 and MCC's Vice President of Operations since April 1996. Before joining MCC, Ms. Weinand served as Regional Manager for Comcast Corporation from July 1985. Prior to that time, Ms. Weinand held various management positions with Tele-Communications, Inc., Times Mirror Cable and Time Warner, Inc. For the past six years she has been named among the "Most Powerful Women in Cable" by CableFax Magazine and presently serves on the Board of The Cable Center and the Emma Bowen Foundation. Ms. Weinand was inducted into the 2014 Broadcasting & Cable Hall of Fame. Ms. Weinand is the sister of Mr. Commisso. Ms. Weinand has been a director of MCC since May 2011.

Joseph E. Young has 32 years of experience with the cable industry, and has served as Senior Vice President, General Counsel since November 2001. Prior to that time, Mr. Young served as Executive Vice President, Legal and Business Affairs, for LinkShare Corporation, an Internet-based provider of marketing services, from September 1999 to October 2001. Prior to that time, he practiced corporate law with Baker & Botts, LLP from January 1996 to September 1999. Previously, Mr. Young was a partner with the Law Offices of Jerome H. Kern and a partner with Shea & Gould.

Brian M. Walsh has 29 years of experience in the cable industry, and has served as MCC's Senior Vice President and Corporate Controller since February 2005. Prior to that time, he was MCC's Senior Vice President, Financial Operations from November 2003, MCC's Vice President, Finance and Assistant to the Chairman from November 2001, MCC's Vice President and Corporate Controller from February 1998 and MCC's Director of Accounting from November 1996. Before joining MCC in April 1996, Mr. Walsh held various management positions with Cablevision Industries from 1988 to 1995.

Tapan Dandnaik has 16 years of experience in the cable industry, and has served as MCC's Senior Vice President, Customer Service & Financial Operations since July 2008. In 2013, he also assumed responsibilities for our centralized field support operations. Prior to that time, he was MCC's Group Vice President, Financial Operations since July 2007 and MCC's Vice President, Financial Operations since May 2005. Before joining MCC, Mr. Dandnaik served as Director of Corporate Initiatives, Manager of Corporate Finance and as a Financial Analyst for RCN from July 2000 to April 2005. Prior to that time, Mr. Dandnaik served as a Product Engineer for Ingersoll-Rand in India. Mr. Dandnaik was the recipient of the National Cable & Telecommunication Association's Vanguard Award for Young Leadership in 2012 and serves on The Cable Center Customer Care Committee.

Thomas J. Larsen has 15 years of experience in the cable industry, and has served as MCC's Senior Vice President, Government and Public Relations since July 2015. Prior to that time, he was MCC's Group Vice President, Legal and Public Affairs since July 2010 and as MCC's Vice President, Legal and Public Affairs since August 2006. Prior to joining MCC, Mr. Larsen worked as Vice President, Law and Public Policy for Adelphia Communications Corporation's Western Region. He serves on the board of directors of the American Cable Association and the Association of Cable Communicators.

Peter Lyons has 10 years of experience in the cable industry, and has served as MCC's Senior Vice President, Information Technology since July 2015. Prior to that time, he was MCC's Group Vice President, Information Technology from July 2010, MCC's Vice President, Information Technology since March 2007. Before joining MCC in 2007, Mr. Lyons held various senior technology leadership positions at The College Board and Video Update and has 21 years of experience in education and retail businesses.

David McNaughton has 29 years of experience in the telecommunications industry, and has served as MCC's Senior Vice President, Marketing and Sales since May 2011. Before joining MCC, Mr. McNaughton served as Chief Marketing Officer for Ntelos Wireless, a Virginia-based regional wireless carrier from 2009 and Senior Vice President and General Manager at Cincinnati Bell from 2007, responsible for wireless, landline and DSL services. Prior to that time, he served as Senior Vice President, Acquisition Marketing at DirecTV, Vice President, Customer Lifecycle and Retention at Nextel Communications, and various executive positions at AirTouch Cellular and Andersen Consulting.

Ed Pardini has 34 years of experience in the cable industry, and has served as MCC's Senior Vice President of the Field Operations Group since May 2012. Prior to that time, he was Senior Vice President, Divisional Operations for the North Central Division from April 2006. Before joining MCC, Mr. Pardini served as an operating executive in several markets with Comcast since 1989, concluding his final assignment as a Senior Regional Vice President for Philadelphia and eastern Pennsylvania. Prior to that time, Mr. Pardini served in various financial management positions with Greater Media Cable and Viacom Cable.

Dan Templin has 25 years of experience in the cable and broadband industries, and has served as MCC's Senior Vice President, Mediacom Business and President of MCC's CLEC entities since April 2011. His responsiblities for Mediacom Business include SMB and Enterprise network services and also the OnMedia advertising sales unit. Prior to that time, he was MCC's Group Vice President, Strategic Marketing and Product Development since May 2008. Before joining MCC, Mr. Templin served in a number of senior operations, product and marketing roles with Susquehanna Communications, Comcast and Jones Intercable.

JR Walden has 21 years of experience in the cable industry, and 23 years of experience in Internet and Telecommunications technology. He has served as MCC's Senior Vice President, Technology since February 2008. Prior to that time, he was MCC's Group Vice President, IP Services from July 2004, MCC's Vice President, IP Services from July 2003, MCC's Senior Director of IP Services from June 2002 and MCC's IP Services Director from October 1998. Before joining MCC in 1998, Mr. Walden worked in the defense research industry holding various positions with the Department of Defense, Comarco and Science Applications International Corporation.

Our manager has adopted a code of ethics applicable to all of our employees, including our chief executive officer, chief financial officer and chief accounting officer. This code of ethics was filed as an exhibit to our Annual Report for the year ended December 31, 2003.

ITEM 11. *EXECUTIVE COMPENSATION*

The executive officers and directors of MCC are compensated exclusively by MCC and do not receive any separate compensation from Mediacom LLC or Mediacom Capital. MCC acts as manager of our operating subsidiaries and in return receives management fees from each of such subsidiaries.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Mediacom Capital is a wholly-owned subsidiary of Mediacom LLC. MCC is the sole voting member of Mediacom LLC. The address of MCC is 1 Mediacom Way, Mediacom Park, New York 10918.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

Management Agreements

Pursuant to management agreements between MCC and our operating subsidiaries, MCC is entitled to receive annual management fees in amounts not to exceed 4.5% of gross operating revenues, and MCC shall be responsible for, among other things, the compensation (including benefits) of MCC's executive management. For the year ended December 31, 2016, MCC charged us $14.2 million of such management fees, approximately 1.8% of gross operating revenues.

Other Relationships

In July 2001, we made a $150 million preferred equity investment in Mediacom Broadband, a wholly owned subsidiary of MCC. The preferred equity investment has a 12% annual cash dividend, payable quarterly in cash. For the year ended December 31, 2016, we received in aggregate $18.0 million in cash dividends on the preferred equity.

PART IV

ITEM 15. *FINANCIAL STATEMENT SCHEDULES*

(a) Financial Statement Schedule

The following financial statement schedule — Schedule II — Valuation of Qualifying Accounts — is attached hereto.

Schedule II

MEDIACOM LLC AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

	Balance at beginning of period	Additions - Charged to costs and expenses	Additions - Charged to other accounts	Deductions	Balance at end of period
December 31, 2014					
Allowance for doubtful accounts:					
Current receivables	$ 2,010	$ 5,632	$ —	$ 5,507	$ 2,135
December 31, 2015					
Allowance for doubtful accounts:					
Current receivables	$ 2,135	$ 2,941	$ —	$ 2,809	$ 2,267
December 31, 2016					
Allowance for doubtful accounts:					
Current receivables	$ 2,267	$ 2,910	$ —	$ 2,884	$ 2,293

SIGNATURES

This report has been signed below by the following persons on behalf of the undersigned and in the capacities and on the dates indicated.

Mediacom LLC

March 3, 2017 By: /S/ MARK E. STEPHAN

Mark E. Stephan
Executive Vice President and
Chief Financial Officer

This report has been signed below by the following persons on behalf of the undersigned and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROCCO B. COMMISSO **Rocco B. Commisso**	Chief Executive Officer (principal executive officer)	March 3, 2017
/s/ MARK E. STEPHAN **Mark E. Stephan**	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 3, 2017

SIGNATURES

This report has been signed below by the following persons on behalf of the undersigned and in the capacities and on the dates indicated.

Mediacom Capital Corporation

March 3, 2017	By: /s/ MARK E. STEPHAN **Mark E. Stephan** Executive Vice President and Chief Financial Officer

This report has been signed below by the following persons on behalf of the undersigned and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ROCCO B. COMMISSO **Rocco B. Commisso**	Chief Executive Officer (principal executive officer)	March 3, 2017
/s/ MARK E. STEPHAN **Mark E. Stephan**	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 3, 2017