QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2017

Mediacom LLC

1 Mediacom Way
Mediacom Park, NY 10918
(845) 443-2600

IMPORTANT NOTE: THIS DOCUMENT IS FOR INFORMATIONAL PURPOSES ONLY. MEDIACOM LLC DOES NOT FILE AND IS NOT REQUIRED TO FILE PERIODIC REPORTS WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"). ACCORDINGLY, THIS DOCUMENT HAS NOT BEEN PREPARED WITH A VIEW TOWARD COMPLIANCE WITH SEC REPORTING AND DISCLOSURE REQUIREMENTS, AND DOES NOT CONTAIN ALL THE INFORMATION OTHERWISE REQUIRED BY FORM 10-Q.

MEDIACOM LLC AND SUBSIDIARIES

QUARTERLY REPORT
FOR THE PERIOD ENDED SEPTEMBER 30, 2017

Mediacom LLC is a New York limited liability company and a wholly-owned subsidiary of Mediacom Communications Corporation, a Delaware corporation.

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

Cautionary Statement Regarding Forward-Looking Statements

In this Quarterly 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 from existing and potential residential and business customers due to 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 at rates greater than current expectations, which could require unplanned network investments and meaningfully increase our capital expenditures;
- our ability to continue to grow our business services customer base, and associated revenues, 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 31, 2018, as further described in our Annual Report for the year ended December 31, 2016;
- 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 our Quarterly 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 our Quarterly Report, whether as a result of new information, future events or otherwise.

PART I

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	$ 9,610	$ 11,269
Accounts receivable, net of allowance for doubtful accounts of $2,320 and $2,293	45,503	42,853
Accounts receivable - affiliates	13,905	6,565
Prepaid expenses and other current assets	18,663	13,641
Total current assets	87,681	74,328
Preferred membership interest in affiliated company (Note 7)	150,000	150,000
Property, plant and equipment, net of accumulated depreciation of $1,760,456 and $1,696,830	746,710	718,761
Franchise rights	622,602	614,731
Goodwill	23,911	23,911
Subscriber lists, net of accumulated amortization of $118,688 and $118,308	2,115	34
Other assets, net of accumulated amortization of $2,639 and $2,025	10,713	5,189
Total assets	$ 1,643,732	$ 1,586,954
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other current liabilities	$ 131,172	$ 127,760
Deferred revenue	32,923	31,006
Current portion of long-term debt	18,000	13,675
Total current liabilities	182,095	172,441
Long-term debt, net (less current portion)	1,135,858	1,124,837
Other non-current liabilities	2,411	2,509
Total liabilities	1,320,364	1,299,787
Commitments and contingencies (Note 10)		
MEMBER'S EQUITY		
Capital contributions	317,931	381,679
Retained earnings (Accumulated deficit)	5,437	(94,512)
Total member's equity	323,368	287,167
Total liabilities and member's equity	$ 1,643,732	$ 1,586,954

The accompanying notes to the unaudited financial statements are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues	$ 206,548	$ 195,488	$ 613,318	$ 579,510
Costs and expenses:				
Service costs (exclusive of depreciation and amortization)	93,813	87,214	276,315	257,358
Selling, general and administrative expenses	34,092	32,162	96,755	93,909
Management fee expense	3,850	3,650	11,185	10,550
Depreciation and amortization	32,843	32,353	97,854	92,870
Operating income	41,950	40,109	131,209	124,823
Interest expense, net	(11,102)	(12,791)	(32,269)	(38,866)
Gain (loss) on derivatives, net	366	2,905	1,112	(2,745)
Gain (loss) on early extinguishment of debt (Note 6)	622	—	(11,690)	(264)
Investment income from affiliate (Note 7)	4,500	4,500	13,500	13,500
Other expense, net	(651)	(319)	(1,913)	(1,137)
Net income	$ 35,685	$ 34,404	$ 99,949	$ 95,311

The accompanying notes to the unaudited financial statements are an integral part of these statements.

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

	Nine Months Ended September 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 99,949	$ 95,311
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	97,854	92,870
(Gain) loss on derivatives, net	(1,112)	2,745
Loss on early extinguishment of debt	2,627	264
Amortization of deferred financing costs	2,277	2,128
Changes in assets and liabilities:		
Accounts receivable, net	(2,650)	(118)
Accounts receivable - affiliates	(7,340)	(1,332)
Prepaid expenses and other assets	(8,379)	(2,547)
Accounts payable, accrued expenses and other current liabilities	(2,307)	3,140
Deferred revenue	1,917	1,986
Other non-current liabilities	(98)	(54)
Net cash flows provided by operating activities	$ 182,738	$ 194,393
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	$ (117,796)	$ (115,489)
Change in accrued property, plant and equipment	1,745	(3,948)
Proceeds from sale of assets	329	159
Acquisition of cable system (Note 12)	(18,242)	—
Net cash flows used in investing activities	$ (133,964)	$ (119,278)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New borrowings of bank debt (Note 6)	$ 1,317,675	$ 315,875
Repayment of bank debt	(1,046,675)	(311,125)
Repayment of senior notes (Note 6)	(250,000)	—
Capital distributions to parent (Note 8)	(63,800)	(79,025)
Financing costs	(12,818)	—
Other financing activities	5,185	(1,320)
Net cash flows used in financing activities	$ (50,433)	$ (75,595)
Net change in cash	(1,659)	(480)
CASH, beginning of period	11,269	8,446
CASH, end of period	$ 9,610	$ 7,966
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest, net of amounts capitalized	$ 38,764	$ 44,256

The accompanying notes to the unaudited financial statements are an integral part of these statements.

MEDIACOM LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION

Basis of Preparation of Unaudited Consolidated Financial Statements

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.

In the opinion of management, such statements include all adjustments, consisting of normal recurring accruals and adjustments, necessary for a fair statement of our consolidated results of operations, financial position, and cash flows for the interim periods presented. The accounting policies followed during such interim periods reported are in conformity with generally accepted accounting principles in the United States of America and are consistent with those applied during annual periods.

Franchise fees imposed by local governmental authorities are collected on a monthly basis from our customers and are periodically remitted to the local governmental authorities. Because franchise fees are our obligation, we present them on a gross basis within revenues with a corresponding operating expense. Franchise fees reported on a gross basis amounted to $3.0 million and $3.1 million for the three months ended September 30, 2017 and 2016, respectively, and $8.7 million and $9.2 million for the nine months ended September 30, 2017 and 2016, respectively.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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*. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*, which deferred by one year the effective date of ASU 2014-09 until reporting periods beginning after December 15, 2017, including interim periods within the reporting periods. The FASB is permitting early adoption of the updated accounting guidance, but not before the original effective date of December 15, 2016. Based on an assessment of certain revenue transactions performed to date, we expect that the new guidance will impact the timing of the recognition of installation revenue as well as installation costs 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 as well as installation costs and commission expenses recorded in the year ended December 31, 2016 were 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 are strongly considering the modified retrospective method of transition. 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 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 continue to assess all of the potential impacts that the adoption of ASU 2016-02 will have on our consolidated financial statements, including the determination of the assets within the scope of the guidance, the development of new accounting policies, procedures and internal controls associated with the adoption of the standard and the need for new accounting systems.

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 our 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 beginning after December 15, 2020. We do not expect ASU 2017-04 will have a material impact on our financial position, operations or cash flows upon adoption.

3. 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 Accounting Standards Codification (“ASC”) No. 820 — *Fair Value Measurement*, 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 September 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Interest rate exchange agreements	$ —	$ 507	$ —	$ 507
Liabilities				
Interest rate exchange agreements	$ —	$ —	$ —	$ —

	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

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 September 30, 2017, we recorded a current asset of \$0.3 million and a long-term asset of \$0.2 million. As of December 31, 2016, we recorded a long-term asset of \$0.6 million and a current liability in accounts payable, accrued expenses and other current liabilities of \$1.2 million.

As a result of the changes in the mark-to-market valuations on our interest rate swaps, we recorded a net gain on derivatives of $0.4 million and $2.9 million for the three months ended September 30, 2017 and 2016, respectively, and a net gain on derivatives of $1.1 million and a net loss on derivatives of $2.7 million for the nine months ended September 30, 2017 and 2016, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2017	December 31, 2016
Cable systems, equipment and customer devices	$ 2,402,048	$ 2,313,489
Vehicles	43,056	40,213
Furniture, fixtures and office equipment	42,279	42,343
Buildings and leasehold improvements	18,211	18,016
Land and land improvements	1,572	1,530
Property, plant and equipment, gross	$ 2,507,166	$ 2,415,591
Accumulated depreciation	(1,760,456)	(1,696,830)
Property, plant and equipment, net	$ 746,710	$ 718,761

5. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accounts payable, accrued expenses and other current liabilities consisted of the following (dollars in thousands):

	September 30, 2017	December 31, 2016
Accounts payable - trade	$ 36,495	$ 38,007
Accrued programming costs	22,106	20,490
Accrued payroll and benefits	14,428	11,168
Accrued taxes and fees	12,456	12,279
Bank overdrafts (1)	11,449	6,266
Advance customer payments	9,429	9,088
Accrued property, plant and equipment	7,314	5,569
Accrued service costs	6,513	5,854
Accrued administrative costs	5,535	4,801
Accrued marketing costs	3,077	2,285
Accrued telecommunications costs	965	1,065
Accrued interest	151	8,169
Liabilities under interest rate exchange agreements	—	1,209
Other accrued expenses	1,254	1,510
Accounts payable, accrued expenses and other current liabilities	$ 131,172	$ 127,760

(1) Bank overdrafts represent 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 Statements of Cash Flows.

6. DEBT

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

	September 30, 2017	December 31, 2016
Bank credit facility	$ 1,168,000	$ 897,000
7¼% senior notes due 2022	—	250,000
Total debt	$ 1,168,000	$ 1,147,000
Less: current portion	18,000	13,675
Total long-term debt, gross (less current portion)	$ 1,150,000	$ 1,133,325
Less: deferred financing costs, net	14,142	8,488
Total long-term debt, net (less current portion)	$ 1,135,858	$ 1,124,837

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 full redemption of our 7¼% senior notes due 2022 (the "7¼% Notes"), and pay related fees and expenses. We recorded a loss on early extinguishment of debt of $11.7 million for the nine months ended September 30, 2017, which represented the $9.1 million redemption price paid in cash above par value associated with the 7¼% Notes and the write-off of $2.6 million of unamortized financing costs, substantially associated with the previously existing 7¼% Notes.

On June 30, 2017, we made $60.0 million of capital distributions to our parent, MCC, which were funded with borrowings under our revolving credit commitment. On the same date, MCC contributed such distributions to Mediacom Broadband LLC to fund, in part, the repayment of certain term loans that were scheduled to mature in June 2021.

Bank Credit Facility

As of September 30, 2017, we maintained a $1.359 billion credit facility, comprising:

- $370.0 million of revolving credit commitments, which expire on February 15, 2022;
- $192.5 million of outstanding borrowings under Term Loan A-1, which mature on November 15, 2021; and
- $796.0 million of outstanding borrowings under Term Loan K, which mature on February 15, 2024.

As of September 30, 2017, we had $182.3 million of unused revolving credit commitments, all of which were available to be borrowed and used for general corporate purposes, after giving effect to approximately $179.5 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. As of September 30, 2017, 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 September 30, 2017, our operating subsidiaries were in compliance with all covenants under the credit agreement. As of the same date, the credit agreement allowed for the full or partial repayment of any outstanding debt under the credit facility at par value at any time prior to maturity.

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 three and nine months ended, September 30, 2017 and 2016.

As of September 30, 2017, we had 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 September 30, 2017, the weighted average interest rate on outstanding borrowings under the credit facility, including the effect of our interest rate swaps, was 3.5%.

Debt Ratings

MCC's corporate credit ratings are currently Ba2 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

The fair values of our senior notes and outstanding debt under the credit facility (which were calculated based upon unobservable inputs that are corroborated by market data that we determine to be Level 2), were as follows (dollars in thousands):

	September 30, 2017	December 31, 2016
7¼% senior notes due 2022	$ —	$ 258,750
Total senior notes	$ —	$ 258,750
Bank credit facility	$ 1,168,995	$ 901,513

7. PREFERRED MEMBERS' INTEREST

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 $4.5 million in cash dividends on the PMI during each of the three months ended September 30, 2017 and 2016, and $13.5 million during each of the nine months ended September 30, 2017 and 2016.

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 distributions to parent and capital contributions from parent are reported on a gross basis in the Consolidated Statements of Cash Flows. We made capital distributions to parent in cash of $63.8 million and $79.0 million during the nine months ended September 30, 2017 and 2016, respectively. We received no capital contributions from parent for each of the nine months ended September 30, 2017 and 2016.

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 under each management agreement 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 $3.9 million and $3.7 million during the three months ended September 30, 2017 and 2016, respectively, and $11.2 million and $10.6 million for the nine months ended September 30, 2017 and 2016, respectively.

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

10. COMMITMENTS AND CONTINGENCIES

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 is not expected to have a material adverse effect on our consolidated financial position, results of operations, cash flows or business.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

In accordance with the FASB's ASC No. 350 — *Intangibles — Goodwill and Other* ("ASC 350"), the amortization of goodwill and indefinite-lived intangible assets is prohibited and requires such assets to be tested annually for impairment, or more frequently if impairment indicators arise. We have determined that our goodwill and franchise rights are indefinite-lived assets and therefore not amortizable.

We last evaluated the factors surrounding our Mediacom LLC reporting unit as of October 1, 2016 and did not believe that it was "more likely than not" that a goodwill impairment existed at that time. As such, we did not perform Step 2 of the goodwill impairment test. We last evaluated our other intangible assets as of October 1, 2016 and did not believe that it was "more likely than not" that an impairment existed at that time.

Because we believe there has not been a meaningful change in the long-term fundamentals of our business during the first nine months of 2017, we determined that there has been no triggering event under ASC 350 and, as such, no interim impairment test was required for our goodwill and other intangible assets as of September 30, 2017.

12. CABLE SYSTEM ACQUISITION

On January 19, 2017, we acquired all of the outstanding stock of TV Cable Company of Andalusia, Inc. (d/b/a Andy Cable), a cable system located in southern Alabama serving about 7,000 video, 6,000 HSD and 1,000 phone customers, for $18.2 million in cash. This acquisition will complement our existing presence in the area. We accounted for this transaction using the acquisition method in which we acquired property, plant and equipment, subscriber lists, franchise rights and other working capital items. We allocated the purchase price to the assets acquired and liabilities assumed based upon preliminary estimates of their fair values as of the acquisition date. The weighted average useful lives for the intangible assets acquired are: subscriber lists, net (5 years) and franchise rights (indefinite useful life). We have not completed our fair value calculations for the assets acquired and liabilities assumed. The following provisional amounts are recorded in our Consolidated Balance Sheet as of September 30, 2017 (dollars in thousands):

Prepaid expense & other current assets	$	100
Property, plant & equipment, net		7,811
Franchise rights		7,870
Subscriber lists, net		2,461
Total acquisition of cable system	$	18,242

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited consolidated financial statements as of, and for the three and nine months ended, September 30, 2017 and 2016, and with our Annual Report for the year ended December 31, 2016.

Overview

Mediacom Communications Corporation

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. 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, another wholly-owned subsidiary of MCC. As of September 30, 2017, MCC's cable systems passed an estimated 2.9 million homes and served approximately 823,000 video customers, 1,194,000 HSD customers and 542,000 phone customers, aggregating 2.6 million primary service units ("PSUs").

The following discussion of financial condition and results of operations relates only to Mediacom LLC and not to the consolidated financial condition and results of operations of MCC.

Mediacom LLC

We are a wholly-owned subsidiary of MCC. As of September 30, 2017, we served approximately 368,000 video customers, 535,000 HSD customers and 242,000 phone customers, aggregating 1.1 million PSUs. As of the same date, we served 608,000 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 packages 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 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 higher-quality residential consumers, we offer a next-generation Internet Protocol ("IP") set-top that provides 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 the fourth quarter of 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 transitioned substantially all our homes passed to the DOCSIS 3.1 platform, which has allowed us to introduce packages offering speeds of up to 1 gigabit per second ("Gbps") across substantially all 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. We believe the introduction of "Project Open Road" will allow us to continue to gain market share and grow business services revenues.

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.

2017 Developments

Cable System Acquisition

In January 2017, we acquired a cable system, located in Southern Alabama, serving about 7,000 video customers, 6,000 HSD customers and 1,000 phone customers, aggregating 14,000 PSUs, and 9,000 residential and business customer relationships, for approximately $18.2 million (the "Andy Cable acquisition").

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 our entire outstanding balance of all previously existing debt under the credit facility, fund the full redemption of our 7¼% senior notes due 2022 (the "7¼% Notes") and pay related fees and expenses.

On June 30, 2017, we made \$60.0 million of capital distributions to our parent, MCC, which were funded with borrowings under our revolving credit commitment. On the same date, MCC contributed such distributions to Mediacom Broadband LLC to fund, in part, the repayment of certain term loans that were scheduled to mature in June 2021.

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

Revenues

Video

Video revenues primarily represent monthly subscription fees charged to residential customers, which vary according to the level of service and the type and amount of equipment taken. Video revenues also include the sale of VOD content and pay-per-view events, 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.

Actual Results of Operations

Three and Nine Months Ended September 30, 2017 Compared to Three and Nine Months Ended September 30, 2016

The table below sets forth our consolidated statements of operations and OIBDA (dollars in thousands and percentage changes that are not meaningful are marked NM):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	Change
Revenues	$ 206,548	$ 195,488	5.7%	$ 613,318	$ 579,510	5.8%
Costs and expenses:						
Service costs	93,813	87,214	7.6%	276,315	257,358	7.4%
Selling, general and administrative expenses	34,092	32,162	6.0%	96,755	93,909	3.0%
Management fee expense	3,850	3,650	5.5%	11,185	10,550	6.0%
Depreciation and amortization	32,843	32,353	1.5%	97,854	92,870	5.4%
Operating income	41,950	40,109	4.6%	131,209	124,823	5.1%
Interest expense, net	(11,102)	(12,791)	(13.2%)	(32,269)	(38,866)	(17.0%)
Gain (loss) on derviatives, net	366	2,905	NM	1,112	(2,745)	NM
Loss on early extinguishment of debt	622	—	NM	(11,690)	(264)	NM
Investment income from affiliate	4,500	4,500	NM	13,500	13,500	NM
Other expense, net	(651)	(319)	NM	(1,913)	(1,137)	NM
Net income	$ 35,685	$ 34,404	3.7%	$ 99,949	$ 95,311	4.9%
OIBDA	$ 74,793	$ 72,462	3.2%	$ 229,063	$ 217,693	5.2%

The table below represents a reconciliation of operating income to OIBDA (dollars in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	Change
Operating income	$ 41,950	$ 40,109	4.6%	$ 131,209	$ 124,823	5.1%
Depreciation and amortization	32,843	32,353	1.5%	97,854	92,870	5.4%
OIBDA	$ 74,793	$ 72,462	3.2%	$ 229,063	$ 217,693	5.2%

Revenues

The tables below set forth our revenues and selected customer and average total monthly revenue statistics (dollars in thousands, except per unit data):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	% Change	2017	2016	% Change
Video	$ 89,284	$ 88,372	1.0%	$ 267,696	$ 264,172	1.3%
HSD	76,988	68,744	12.0%	227,004	200,851	13.0%
Phone	13,225	12,948	2.1%	39,034	38,720	0.8%
Business services	24,597	22,472	9.5%	72,113	66,594	8.3%
Advertising	2,454	2,952	(16.9%)	7,471	9,173	(18.6%)
Total revenues	$ 206,548	$ 195,488	5.7%	$ 613,318	$ 579,510	5.8%
Average total monthly revenue per customer relationship (1)	$ 113.05	$ 109.15	3.6%	$ 112.18	$ 108.77	3.1%

	September 30,		
	2017	2016	% Change
Video customers	368,000	368,000	0.0%
HSD customers	535,000	509,000	5.1%
Phone customers	242,000	210,000	15.2%
Primary service units (PSUs)	1,145,000	1,087,000	5.3%
Customer relationships	608,000	599,000	1.5%

(1) Represents average total monthly revenues for the period divided by average customer relationships for the period, adjusted to reflect the transaction noted in "2017 Developments – *Cable System Acquisition*" as if it had occurred on December 31, 2016.

Revenues increased 5.7% and 5.8% for the three and nine months ended September 30, 2017, respectively, primarily due to greater HSD and, to a much lesser extent, business services and video revenues.

Video

Video revenues increased 1.0% and 1.3% for the three and nine months ended September 30, 2017, respectively, largely as a result of rate adjustments, including the pass-through of higher programming costs for retransmission consent fees, and more customers taking our advanced video services. We lost 2,000 and 4,000 video customers during the three and nine months ended September 30, 2017 (excluding the effect of the Andy Cable acquisition), respectively, compared to decreases of 2,000 and 7,000 video customers in the comparable prior year periods. As of September 30, 2017, we served 368,000 video customers, or 27.0% of estimated homes passed, and 43.1% of our residential video customers took our DVR service, which represents a large component of revenues from advanced video services.

HSD

HSD revenues rose 12.0% and 13.0% for the three and nine months ended September 30, 2017, respectively, principally due to rate adjustments and more customers paying higher rates for faster speed tiers, along with a greater residential HSD customer base compared to the prior year periods. We gained 5,000 and 16,000 HSD customers during the three and nine months ended September 30, 2017 (excluding the effect of the Andy Cable acquisition), respectively, compared to increases of 9,000 and 29,000 HSD customers in the comparable prior year periods. As of September 30, 2017, we served 535,000 HSD customers, or 39.3% of estimated homes passed, and 60.7% of our residential HSD customers took our wireless home gateway service, which represents a meaningful component of HSD equipment revenues.

Phone

Phone revenues increased 2.1% and 0.8% for the three and nine months ended September 30, 2017, respectively, primarily due to a greater residential phone customer base compared to the prior year periods, mostly as a result of more customers taking our triple-play packages, largely offset by greater levels of discounting within the bundled packaging of such services. We gained 10,000 and 26,000 phone customers during the three and nine months ended September 30, 2017 (excluding the effect of the Andy Cable acquisition), respectively, compared to increases of 6,000 and 16,000 phone customers in the comparable prior year periods. As of September 30, 2017, we served 242,000 phone customers, or 17.8% of estimated homes passed.

Business Services

Business services revenues grew 9.5% and 8.3% for the three and nine months ended September 30, 2017, respectively, mainly due to a greater SMB customer base compared to the prior year periods.

Advertising

Advertising revenues fell 16.9% and 18.6% for the three and nine months ended September 30, 2017, respectively, principally due to an unfavorable comparison to the prior year, which benefitted from advertising revenues associated with the national election in 2016.

Costs and Expenses

Service Costs

Service costs grew 7.6% and 7.4% for the three and nine months ended September 30, 2017, respectively, primarily due to higher video programming costs and, to a lesser extent, employee costs. Programming costs rose 9.1% and 7.7% for the three and nine months ended September 30, 2017, respectively, mainly due to higher fees associated with the renewal of programming contracts and contractual increases under agreements with certain cable networks and local broadcast stations, slightly offset in part by a lower video customer base compared to the prior year periods. Employee costs increased 7.6% and 9.7% for the three and nine months ended September 30, 2017, respectively, largely a result of greater staffing and compensation levels and, to a lesser extent, for the nine months ended September 30, 2017, lower levels of capitalized labor related to customer installation activity compared to the prior year periods. Service costs as a percentage of revenues were 45.4% and 44.6% for the three months ended September 30, 2017 and 2016, respectively, and 45.1% and 44.4% for the nine months ended September 30, 2017 and 2016, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 6.0% and 3.0% for the three and nine months ended September 30, 2017, respectively, mainly due to greater marketing costs and bad debt expense. Marketing expenses rose 15.3% and 9.9% for the three and nine months ended September 30, 2017, respectively, primarily due to greater expenses related to the marketing of our business services and, to a lesser extent, our Xtream bundles. Bad debt expense grew 9.1% and 6.1% for the three and nine months ended September 30, 2017, respectively, largely due to the aging of certain customer accounts. Selling, general and administrative expenses as a percentage of revenues was 16.5% for each of the three months ended September 30, 2017 and 2016, and 15.8% and 16.2% for the nine months ended September 30, 2017 and 2016, respectively.

Management Fee Expense

Management fee expense grew 5.5% and 6.0% for the three and nine months ended September 30, 2017, respectively, reflecting higher fees charged by MCC. Management fee expense as a percentage of revenues was 1.9% for each of the three months ended September 30, 2017 and 2016, and 1.8% for each of the nine months ended September 30, 2017 and 2016.

Depreciation and Amortization

Depreciation and amortization was 1.5% and 5.4% higher for each of the three and nine months ended September 30, 2017, largely as a result of greater depreciation of investments in customer premise equipment, HSD bandwidth expansion and business support equipment and software.

Operating Income

Operating income increased 4.6% and 5.1% for the three and nine months ended September 30, 2017, respectively, mainly due to the increase in revenues, offset in part by higher service costs and, to a lesser extent, depreciation and amortization and selling, general and administrative expenses.

Interest Expense, Net

Interest expense, net, fell 13.2% and 17.0% for the three and nine months ended September 30, 2017, respectively, predominantly due to lower average borrowing costs as a result of recent favorable financing transactions and, to a much lesser extent, lower average outstanding indebtedness.

Gain (Loss) on Derivatives, Net

As a result of the changes in the mark-to-market valuations on our interest rate exchange agreements, we recorded net gains on derivatives of $0.4 million and $2.9 million for the three months ended September 30, 2017 and 2016, respectively, and a net gain on derivatives of $1.1 million and a net loss on derivatives of $2.7 million for the nine months ended September 30, 2017 and 2016, respectively. See Notes 3 and 6 in our Notes to Consolidated Financial Statements.

Gain (Loss) on Early Extinguishment of Debt

Gain on early extinguishment of debt totaled $0.6 million for the three months ended September 30, 2017, which represented certain adjustments. There was no loss on early extinguishment of debt for the three months ended September 30, 2016. Loss on early extinguishment of debt totaled $11.7 million for the nine months ended September 30, 2017, which represented the $9.1 million redemption price paid in cash above par value associated with the 7¼% Notes and the write-off of $2.6 million of unamortized financing costs, substantially associated with the 7¼% Notes. Loss on early extinguishment of debt totaled $0.3 million for the nine months ended September 30, 2016, which represented the write-off of certain unamortized financing costs associated with a previously existing term loan.

Investment Income from Affiliate

Investment income from affiliate was $4.5 million for each of the three months ended September 30, 2017 and 2016, and $13.5 million for each of the nine months ended September 30, 2017 and 2016. These amounts represent the investment income on our $150.0 million preferred membership interest in Mediacom Broadband LLC. See Note 7 in our Notes to Consolidated Financial Statements.

Other Expense, Net

Other expense, net, was less than $0.7 million for the three months ended September 30, 2017, representing $0.3 million of revolving credit commitment fees and $0.4 million of other fees, and $0.3 million for the three months ended September 30, 2016, representing $0.2 million of revolving credit commitment fees and $0.1 million of other fees.

Other expense, net, was $1.9 million for the nine months ended September 30, 2017, representing $0.7 million of revolving credit commitment fees and $1.2 million of other fees, and $1.1 million for the nine months ended September 30, 2016, representing $0.8 million of revolving credit commitment fees and $0.3 million of other fees.

Net Income

As a result of the factors described above, we recognized net income of $35.7 million and $34.4 million for the three months ended September 30, 2017 and 2016, respectively, and $99.9 million and $95.3 million for the nine months ended September 30, 2017 and 2016, respectively.

OIBDA

OIBDA grew 3.2% and 5.2% for the three and nine months ended September 30, 2017, respectively, as the increase in revenues was partly offset by higher service costs and, to a much lesser extent, selling, general and administrative expenses and management fee 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 September 30, 2017, our near-term liquidity requirements included term loan principal repayments of $18.0 million over the next twelve months. As of the same date, our sources of liquidity included $9.6 million of cash and $182.3 million of unused and available commitments under our $370.0 million revolving credit facility, after giving effect to approximately $179.5 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 revolving 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.

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities were $182.7 million for the nine months ended September 30, 2017, primarily due to OIBDA of $229.1 million and, to a much lesser extent, investment income from affiliate of $13.5 million, offset in part by interest expense of $32.3 million, the $18.9 million net change in our operating assets and liabilities, and the $9.1 million redemption price paid in cash above par value associated with the 7¼% Notes. The net change in our operating assets and liabilities was primarily due to increases in prepaid expenses and other assets of $8.4 million, and in accounts receivable from affiliates of $7.3 million, and in accounts receivable, net, of $2.7 million and a decrease in accounts payable, accrued expenses and other current liabilities of $2.3 million, offset in part by an increase in deferred revenue of $1.9 million.

Net cash flows provided by operating activities were $194.4 million for the nine months ended September 30, 2016, primarily due to OIBDA of $217.7 million and, to a much lesser extent, investment income from affiliate of $13.5 million and the $1.1 million net change in our operating assets and liabilities, offset in part by interest expense of $38.9 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 $3.1 million and in deferred revenue of $2.0 million, offset in part by an increase in prepaid expenses and other assets of $2.5 million, and in accounts receivable from affiliates 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 $134.0 million for the nine months ended September 30, 2017, primarily comprising $117.8 million of capital expenditures and the $18.2 million Andy Cable acquisition, slightly offset by a net change in accrued property, plant and equipment of $1.7 million.

Net cash flows used in investing activities were $119.3 million for the nine months ended September 30, 2016, substantially comprising $115.5 million of capital expenditures and a net change in accrued property, plant and equipment of $3.9 million.

Capital Expenditures

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

	Nine Months Ended September 30,		
	2017	**2016**	**Change**
Customer premise equipment	$ 53,092	$ 50,487	$ 2,605
Enterprise networks	4,229	5,302	(1,073)
Scalable infrastructure	18,132	23,217	(5,085)
Line extensions	9,597	7,230	2,367
Upgrade / rebuild	23,942	19,519	4,423
Support capital	8,804	9,734	(930)
Total capital expenditures	$ 117,796	$ 115,489	$ 2,307

The increase in capital expenditures largely reflects greater spending levels in upgrade and rebuild, mainly for the replacement of certain network assets, in customer premise equipment, primarily for our next-generation advanced video set-tops, and in line extensions, chiefly to extend our residential network, offset in part by lower spending in scalable infrastructure, principally related to next-generation HSD network equipment associated with Project Gigabit.

Net Cash Flows Used in Financing Activities

Net cash flows used in financing activities were $50.4 million for the nine months ended September 30, 2017, primarily comprising the $250.0 million redemption of the 7¼% Notes, $63.8 million of capital distributions to our parent, MCC, and $12.8 million of financing costs, offset in part by $271.0 million of net borrowings under our bank credit facility, which were largely used to fund the redemption of the 7¼% Notes and the capital distribution to MCC, and $5.2 million of other financing activities. See "Capital Structure – *2017 Financing Activity*" and Note 6 in our Notes to Consolidated Financial Statements.

Net cash flows used in financing activities were $75.6 million for the nine months ended September 30, 2016, comprising $79.0 million of capital distributions to our parent, MCC, and $1.3 million of other financing activities, offset in part by approximately $4.7 million of net borrowings under our bank credit facility.

Capital Structure

As of September 30, 2017, our total indebtedness was $1.168 billion, of which approximately 34% was at fixed interest rates or had interest rate swaps that fixed the corresponding variable portion of debt. During the nine months ended September 30, 2017, we paid cash interest of $38.8 million, net of capitalized interest.

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"). After giving effect to approximately $12.9 million of financing costs, net proceeds under the new term loans of $987.1 million, along 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 previously existing revolving credit facility, Term Loan A, Term Loan F and Term Loan G, respectively; and (ii) fund the redemption of the entire $250.0 million principal amount outstanding of the previously existing 7¼% senior notes due 2022 at an aggregate redemption price of $259.1 million.

On June 30, 2017, we made $60.0 million of capital distributions to our parent, MCC, which were funded with borrowings under our revolving credit commitment. On the same date, MCC contributed such distributions to Mediacom Broadband LLC to fund, in part, the repayment of certain term loans that were scheduled to mature in June 2021.

Bank Credit Facility

As of September 30, 2017, we maintained a $1.359 billion bank credit facility (the "credit facility"), comprising $988.5 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 had $182.3 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 $179.5 million of outstanding loans and $8.2 million of letters of credit issued 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 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 September 30, 2017, our operating subsidiaries were in compliance with all covenants under the credit agreement including, as of the same date, a total leverage ratio of 3.5 to 1.0 and an interest coverage ratio of 7.0 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 of September 30, 2017, we had 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 September 30, 2017, the weighted average interest rate on outstanding borrowings under the credit facility, including the effect of our interest rate swaps, was 3.5%.

Debt Ratings

MCC's corporate credit ratings are currently Ba2 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

There have been no material changes to our contractual obligations and commercial commitments as previously disclosed in our Annual Report for the year ended December 31, 2016.

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 requires significant judgments and estimates on the part of management. For a summary of our critical accounting policies, refer to our Annual Report for the year ended December 31, 2016.

Goodwill and Other Intangible Assets

In accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") ASC 350 *Intangibles — Goodwill and Other* ("ASC 350"), the amortization of goodwill and indefinite-lived intangible assets is prohibited and requires such assets to be tested annually for impairment, or more frequently if impairment indicators arise. We have determined that our franchise rights and goodwill are indefinite-lived assets and therefore not amortizable.

Because we believe there has not been a meaningful change in the long-term fundamentals of our business during the first nine months of 2017, we determined that there has been no triggering event under ASC 350 and, as such, no interim impairment test was required as of September 30, 2017.

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 Federal Communications Commission's existing cable rate regulations we may increase rates for video services to more than cover any increases in programming costs. However, competitive conditions and other factors in the marketplace may limit our ability to increase our rates.