ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2018

Mediacom LLC

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(Address of principal executive offices)

(845) 443-2600
(Company's telephone number)

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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 video delivered over the Internet including competitors using over-the-top ("OTT") delivery and existing licensed content providers, and other services that compete for our customers;
- lower demand for our services from existing and potential residential and business customers that may result from increased competition, weakened economic conditions or other factors;
- continued increases in video programming costs and our ability to fully offset the effects of these higher costs;
- 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 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 and make necessary capital investments;
- our ability to refinance future debt maturities on favorable terms, if at all;
- our ability to comply with all covenants in our credit facility, the failure to comply with some of which could result in an acceleration of our indebtedness;
- 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 or increase the level of competition we face.

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 customers, primarily in smaller markets 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, 2018, MCC's cable systems passed an estimated 2.9 million homes and served approximately 776,000 video customers, 1,264,000 HSD customers and 614,000 phone customers, aggregating 2,654,000 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, 2018, our cable systems passed an estimated 1.4 million homes and served approximately 348,000 video customers, 565,000 HSD customers and 275,000 phone customers, aggregating 1,188,000 PSUs. As of the same date, our cable systems had 604,000 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.

2018 Developments

2018 Financing Activity

On March 29, 2018, we entered into an amended and restated credit agreement under our bank credit facility that, among other things, provided for an additional $166.0 million of term loans and extended the maturity and amended the terms of certain term loans (together "the amended term loans"). On the same date, the full additional amounts of the amended term loans were borrowed and the proceeds, along with available cash were used to repay our entire outstanding balance under our existing revolving credit commitments, fund a cash distribution of $158.0 million to our parent, MCC, on March 30, 2018, and pay approximately $4.5 million of related fees and expenses. On the same date, MCC contributed such distributions to Mediacom Broadband LLC, to fund, in part, the redemption of certain outstanding senior notes that were redeemed in April 2018.

See "Liquidity and Capital Resources — Capital Structure — *2017 Financing Activity.*"

Tower Asset Sale

On November 15, 2017, MCC entered into an asset purchase agreement (the "APA") to sell substantially all of our and Mediacom Broadband LLC's tower assets (the "tower assets") to CTI Towers ("CTI"), subject to closing conditions and requirements per the APA. CTI leases space on towers to wireless carriers and such tower assets were non-strategic to MCC's cable operations. On December 21, 2017, March 15, 2018 and September 25, 2018, we and Mediacom Broadband LLC contributed certain tower assets to MCC which were sold to CTI. These transactions substantially completed the tower asset sale pursuant to the terms and conditions of the APA. MCC received equity in CTI, representing a minority position, in exchange for the tower assets.

See Note 13 in our Notes to Consolidated Financial Statements.

Description of Our Business

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

	2018	2017	2016	2015	2014
Estimated homes passed[1]	1,376,000	1,369,000	1,336,000	1,325,000	1,311,000
Video					
Video customers[2]	348,000	366,000	365,000	375,000	390,000
Video penetration[3]	25.3%	26.7%	27.3%	28.3%	29.7%
High Speed Data					
HSD customers[4]	565,000	541,000	513,000	480,000	449,000
HSD penetration[5]	41.1%	39.5%	38.4%	36.2%	34.2%
Phone					
Phone customers[6]	275,000	252,000	215,000	194,000	182,000
Phone penetration[7]	20.0%	18.4%	16.1%	14.6%	13.9%
Primary Service Units (PSUs)					
PSUs[8]	1,188,000	1,159,000	1,093,000	1,049,000	1,021,000
PSU penetration[9]	86.3%	84.7%	81.8%	79.2%	77.9%
Customer Relationships					
Customer relationships[10]	604,000	608,000	598,000	585,000	569,000

(1) Represents the estimated number of single residence homes, apartments and condominium units that we can connect to our network without further extending the transmission lines, based on best available information.
(2) Represents customers receiving video service. Small- to medium-sized business 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. 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, 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 customers are typically billed on a monthly basis, with subscription rates, installation fees and other one-time charges that vary depending on the services, equipment and features taken. We generally offer discounted packages for new customers, and for those who take multiple services. Our bundled packages are intended to meet the disparate demands of our customer base with discounts provided as an additional incentive. 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 5 year terms.

Our Service Areas

Approximately 80% of our homes passed are in the top 115 television markets in the United States, or designated market areas ("DMAs"), with about 65% of our homes passed residing in DMAs that rank between the 50^{th} and 115^{th} 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, 2018, approximately 59% of our residential customers took a bundle of two or more of our services.

Video

We offer residential video customers a variety of service levels, ranging from a limited basic tier to a full service tier with access to hundreds of channels. Video customers may also take premium networks that provide commercial-free original programming, movies, live and taped sporting events and concerts, and other special events. Residential video customers are charged a monthly fee that varies depending on the level of service and equipment taken, with additional revenues generated from one-time installation expenses, video-on-demand ("VOD") fees and other ancillary purchases. Most of our video programming is available in a high-definition ("HD") format for no additional charge. We also enable video customers to watch certain programming on personal devices connected to the Internet, whether in or outside their home, and manage their content through our mobile apps and online portal.

Our video service requires the use of a digital set-top box ("set-top"), which provides an interactive on-screen program guide and access to our VOD library. For an additional monthly fee, 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. Approximately 42% of our video customers take our Internet Protocol ("IP") set-top that offers a cloud-based, graphically-rich TiVo guide with integrated access and search functionality to several over-the-top ("OTT") video services, including Netflix, Hulu, and YouTube. We also offer a lower-cost, IP set-top that provides customers with the same high-quality video experience without the ability to record and store content. In 2018, we introduced a voice-controlled remote which allows customers to quickly search for content, tune to channels and control their DVR.

HSD

We offer high-speed Internet services with a minimum downstream speed of up to 60 megabits per second ("Mbps") and a maximum downstream speed of up to 1 gigabit per second ("Gbps"). 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 and equipment taken. Our residential HSD service requires a modem, which most of our customers lease from us for a monthly fee and typically includes a built-in wireless, or Wi-Fi, gateway. Our WiFi360 service provides additional wireless access points that improve wireless signal quality through the home. We have also deployed community Wi-Fi access points in high-traffic commercial and public areas in certain of our markets, providing our HSD customers with connectivity outside of their home.

Phone

Our residential phone service includes unlimited nationwide calling and certain features such as Caller ID, call waiting, call forwarding, and three-way calling. Residential phone customers are charged a monthly fee, with voicemail services, directory assistance, international calling plans and other services available for an additional charge. Residential phone service requires equipment that is included in the modem leased by customers who also purchase HSD service. Due to our low delivery costs for phone service and given the high degree of wireless substitution for wireline phone service, we typically bundle our phone service on a discounted basis with our HSD and/or video services.

Business Services

Mediacom Business is our commercial division providing innovative data, voice and video solutions to commercial- and public-sector customers of all sizes. We provide SMB customers with HSD, phone, and video services similar to those offered to our residential customers. For medium- and large-sized businesses and institutions, we furnish custom fiber solutions with transmission speeds up to 10 Gbps, cloud-based managed voice solutions, and IP-enabled trunk-based voice services along with private point-to-point, multi-point wide area, and local area network solutions. Mediacom Business also provides direct and wholesale high-capacity fiber transport and dedicated Internet access up to 100 Gbps to national and regional carriers to support wireless backhaul, Ethernet and regional transport. Fixed wireless and small-cell solutions are offered as well. We continue to extend our network to new commercial buildings to grow our business services revenues.

Advertising

We sell targeted, data-driven television and digital advertising solutions and production services to local, regional and national customers under our OnMedia brand. Television advertising is linear video inserted on local commercial time allocated by cable networks, generally two minutes per hour. OnMedia's sales team markets these availabilities to local businesses directly and to national and regional businesses directly and through agency relationships. OnMedia represents other multichannel video programming distributors ("MVPDs") in the same DMA as a single-source buying contact in certain markets, and conversely, is represented by other MVPDs in some markets. Digital advertising offers include pre-roll, mid-roll, and post-roll ads for online videos, display ad placement, and search engine optimization and marketing. Digital advertising represents the fastest-growing product of OnMedia, reflective of the broader advertising industry budget shift to digital.

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, field technician sales, and our e-commerce site. Customers are directed to our in-bound 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. We market our flagship bundles under the "Xtream" brand, which typically includes video with multi-room DVR service, HSD with minimum speeds of up to 100 Mbps and 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

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. Our Total Care Text Messaging platform allows us to communicate with our customers through text messaging, informing them about outage notifications, billing status and payment confirmation, Wi-Fi password management, appointment scheduling and data usage information. Molli, a digital assistant that interacts with our customers through text messages, website usage and social media, provides initial support for our customers and manages connections to live customer representatives, allowing our customers access to a full support experience without the use of a phone call.

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 advantages 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 hybrid fiber and coaxial ("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 continue to rapidly increase the amounts of bandwidth they consume, largely driven by increased usage of OTT video, and we expect their bandwidth usage to grow. To provide additional network capacity to facilitate meaningful bandwidth consumption increases, we have deployed multiple tools to recapture bandwidth and optimize our network, including the conversion of substantially all of our video delivery network to "all-digital" technology, freeing up spectrum that was previously used to deliver analog video signals that require more capacity. We have also transitioned substantially all of our HSD delivery to DOCSIS 3.1, allowing us to use our bandwidth in a more efficient manner. These bandwidth reclamation and optimization efforts and capital investments have enabled progressive increases in the speeds of our HSD service packages, culminating in the current availability of 1 Gbps downstream speeds to substantially all of our markets.

Our future plans revolve around the cable industry's recently announced development of a 10 gigabit network, which has been named 10G. The 10G platform will enable symmetrical residential internet speeds of up to 10 Gbps and will be a substantial enhancement of our existing DOCSIS platform, greatly improving latency, reliability and security. In the future, we expect to make the necessary investments in our network to begin testing 10G, which would position us to meet the future anticipated needs of a fully connected community.

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 in our markets 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, 2018, we provided free video service to over 1,200 schools and free HSD service to over 40 schools, and also provided free video service to almost 2,400 government buildings, libraries and not-for-profit hospitals, nearly 200 of which also receive free HSD service.

Franchises

As of December 31, 2018, we served 884 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"). Many of the local franchises impose a fee not exceeding 5% of the gross revenues of specified video services, which we typically pass through directly to the customer.

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. For more information around our franchises, see "Legislation and Regulation – *State and Local Regulation – Franchise Matters.*"

Sources of Supply

Programming

Our video programming is generally obtained pursuant to fixed-term contracts, typically based on a monthly fee per video customer, subject to contractual escalations. Most of our contracts are entered into directly, but we also secure certain content through a cooperative if more favorable pricing or terms are available. We also have various retransmission consent agreements that permit us to retransmit the signals of local broadcast television stations. Local broadcast stations must elect, on a three-year cycle, either "must-carry" rights or "retransmission consent," which 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, on a per-video customer basis, have continually increased at a higher rate than our ability to offset such increases with rate increases to our customers, particularly due to sports programming and retransmission consent. The primary reason behind our programming cost increases is significant media industry consolidation, which has resulted in many popular cable networks being owned by a relatively small number of large media conglomerates and in independent 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.

Many of these large media conglomerates and independent broadcast groups require us to purchase their content in bundles and dictate how we offer them to our customers, which has materially diminished our ability to selectively negotiate for the carriage or tier placement of individual networks or broadcast stations, and to lower our programming costs. We have been unable to fully offset these programming cost increases over the past several years through customer rate increases and do not expect this dynamic to change in the foreseeable future. Our inability to fully recover programming cost increases is expected to continue to adversely impact our video service margins and related cash flows.

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 and lease these devices to customers on a monthly basis. We provide our customers with set-top program guides. We mainly purchase cable modems and routers, switches and other network equipment.

Competition

We face competition for residential and business customers from a wide range of communication, entertainment and information services. We have historically faced, and continue to face, intense competition from existing providers. 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 all of our residential products. 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, a nationwide platform 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 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," a vMVPD that competes with our video service. AT&T's acquisition of Time Warner Inc. in 2018 will allow them to integrate a variety of video content on to their distribution platforms, and they have announced plans to launch a new SVOD service that includes films and television shows from the HBO, Turner and WarnerMedia properties.

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, which offer satellite-delivered video packages similar 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 the ability to avoid certain franchise fees, property taxes and other expenses that we typically incur. We believe aggressive promotional pricing and advanced customer equipment offered by these DBS providers have contributed to our historical video customer losses. Additionally, DirecTV and Dish have both launched virtual multichannel video provider services, allowing them to further compete with our video services.

Phone Companies

Certain phone companies have built fiber-based networks that allow them to offer a video service that is substantially similar to ours. As of December 31, 2018, approximately 9%, 1% and 1% of our homes passed faced wireline video competition from AT&T U-Verse, Frontier and Verizon FiOS, respectively, based on internal estimates. The video services offered by phone companies is typically bundled with Internet, phone and, in some cases, wireless services. 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 which we refer to as "overbuilders," that offer video service to markets representing approximately 16% (excluding the phone companies noted above) of our homes passed. The level of competition provided by overbuilders varies, depending on the quality of their network and services offered, but they generally market bundled packages similar to ours. Some overbuilders, including municipally-owned entities, may be granted franchises on more favorable terms than ours, which may include exemptions from certain operating cost and/or regulatory requirements, to which we are subject. We believe there has been limited expansion of overbuilders in our markets in the past several years.

OTT Video

Our video service faces increasing competition from an increasing variety of OTT video providers that include:

- Subscription-based VOD services (“*SVOD”)* that offer a variety of pre-recorded content including traditional television shows, movies and original content, typically for a monthly fee. These competitors, including Netflix, Hulu and Amazon Prime Video, typically offer their SVOD services at prices significantly lower than our video service. Certain SVOD services, including iTunes and Amazon Prime Video, offer movies and other content on a pay-per-view basis. Significant and increasing resources have been, and we expect will continue to be, devoted to SVOD services for the creation or purchase of exclusive, high-quality original content. Certain of these SVOD competitors have grown significantly over the past several years. As of December 31, 2018, it was reported that Netflix had over 58 million subscribers in the United States, Amazon had over 100 million Prime subscribers globally (all which have access to Amazon Prime Video) and Hulu had over 25 million total subscribers;
- Virtual multichannel video providers (“*vMVPDs”)* that offer a streaming service with linear programming packages, including national cable networks, local broadcast stations and regional sports networks, generally offered with fewer channels and at lower prices than our video service. Such competitors include DISH’s SlingTV, DirecTV Now, YouTube TV, Playstation Vue, and Hulu Live. As of December 31, 2018, it was reported that DirecTV Now had over 1.5 million subscribers and Sling TV had over 2.4 million subscribers;
- *Direct-to-Consumer (“DTC”)* services from existing content providers, including ESPN Plus, HBO Now, CBS All Access, Showtime Anytime and Starz, offer traditional cable, premium and broadcast network content. These competitors serve certain content that has typically resided in our own video offerings, in addition to certain amounts of new and exclusive content; and
- *Free Online Video Services* that use an advertising-supported model to offer free video content to customers. These services contain original and/or user-generated content, along with content that we currently purchase for a fee. These competitors include YouTube, Facebook, Twitter and Twitch.

OTT services have become increasingly accessible as technological advances have facilitated the ability of consumers to watch such video products on their television and a variety of devices, and we have integrated many such services into our set-top to facilitate their usage. 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. Our HSD customers who rely on OTT service for their only video service are likely to choose a higher tier of service, given their greater requirements for speed and data consumption.

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, Verizon and Frontier, that generally offer digital subscriber line (“DSL”) based Internet services, which is limited by technical constraints to maximum speeds considerably slower than ours. These phone companies generally market their 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 tiers are 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 minimum speed of up to 60 Mbps, 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 minimal 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, Sprint and US Cellular that offer third and fourth generation, or "3G" and "4G," wireless Internet service. While certain households or individuals 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. Some of these drawbacks have been mitigated with the introduction of unlimited bandwidth consumption packages, but we believe our HSD offerings are compellingly priced and more widely available throughout our markets. However, the level of competition provided by wireless Internet services may increase in the future with the deployment of fifth generation, or "5G" technology. Verizon Wireless has launched 5G services in four select cities and has committed to reaching 30 million households by 2023. AT&T has launched 5G services in twelve select locations and plans to launch in an additional seven cities by the end of 2019. Given the lower density of our overall service areas, we do not believe 5G will have a near-term impact on our business.

Other

Our HSD service also faces limited competition from other providers, including most of the overbuilders that compete with our video service, and certain municipalities and commercial entities that have built fiber networks and offer Internet service that competes with ours. Some local governments in our footprint may consider or pursue 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

We mainly compete for SMB customers with local phone companies, many of which have had a historical advantage of incumbency and monopoly for phone and internet services. However, in recent years, we have aggressively marketed our business services and expanded our high-capacity network into additional commercial areas, which has led to significant customer and revenue increases associated with business services, which we expect to continue as the market for true broadband services grows.

Our wireless 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. However, many of these same competitors lease network access and bandwidth from Mediacom Business on a wholesale basis given our network availability in rural and underserved areas.

Advertising

We compete for the sale of advertising against a wide variety of traditional media outlets, including local broadcast stations, national broadcast networks, national and regional programming networks, local radio broadcast stations, local and regional newspapers, and magazines. Increasingly, non-traditional competitors in the digital media market are competing for the advertising budget shared with the traditional media outlets. This is a function of the industry trend to digital-inclusive multi-media ad campaigns. Competition 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, 2018, we had 1,852 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. Changes in these legal requirements, whether through legislation, administrative action or judicial decisions can impact our business.

While some legal requirements affect our business overall, 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").

In September 2018, Truth-In-Billing, Remedies, and User Empowerment over Fees ("TRUE Fees") Act of 2018 was introduced and would require cable, Internet and phone providers to include all charges (to the extent uniform across the United States) in advertised prices, restrict increases in service fees and equipment costs to consumers under contract to amounts equal to "objectively quantifiable increase in the cost to the provider" by reference to some external index, permit the consumer to cancel its service contract without any early termination fee or other penalty. Equipment rates could not be increased unless equipment hardware or software is upgraded to substantially increase functionality. Providers could not require binding arbitration for dispute resolution.

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. Efforts to regulate privacy at the federal level continue, including Congressional hearings and introduced legislation. 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. In 2018, California,a state where we operate, enacted the California Consumer Privacy Act which, when it takes effect, impacts a wide-range of personal data of California residents, restricts the collection, use and disclosure of that data, gives consumers the right, with certain exceptions, to have their personal information deleted by a business, imposes data security requirements on business that collect the data and provides consumers a private right of action with the ability to recover statutory damages.

In addition to these general requirements, the Cable Act imposes a number of restrictions on the manner in which cable operators can collect, disclose and retain data about individual customers and requires cable operators to take actions to prevent unauthorized access to such information. The statute also requires that the cable 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.

In January 2019, the US General Accounting Office issued a study on Internet privacy and concluded that comprehensive Internet privacy legislation that establishes specific standards and includes traditional notice-and-comment rulemaking and broader Federal Trade Commission ("FTC") civil penalty authority could enhance the federal government's ability to protect consumer privacy.

The Federal Communications Commission's ("FCC") 2017 decision reclassifying broadband Internet access service as an "information service," (see "*HSD Service, Federal Regulation and Network Neutrality"*) restored the FTC's ability, pursuant to its general authority to enforce against unfair or deceptive acts and practices, to protect the privacy of Internet service customers, including our use and disclosure of certain customer 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 Customer Proprietary Network Information ("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.

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.

Broadband Infrastructure Support

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. VoIP providers must contribute to the USF, and it is possible that in the future the FCC subject Internet access services, including our HSD Service to Universal Service funding requirements.

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.

Other Potential Governmental Support

In 2018, President Trump signed an executive order designed to make it easier for companies to install high-speed broadband networks in rural areas. He has further introduced a plan suggesting that funding for broadband deployment may also be part of a trillion dollar plus infrastructure package that his administration may propose. In addition, numerous pieces of legislation have been introduced in Congress, and the FCC has undertaken, to facilitate and/or fund more rapid and widespread high-speed broadband deployment. In 2018, the FCC committed $1.98 billion over ten years ($198 million annually) to support the deployment and provision of voice and fixed broadband services in unserved high-cost areas. In February 2019, the Secretaries of Agriculture and Commerce issued the American Broadband Initiative Milestones Report as required by the Agricultural Improvement Act of 2018 to President Trump. The report makes specific recommendations to accelerate the deployment and adoption of high-speed broadband connectivity. In the report, the United States Department of Agriculture announced that it is preparing to deploy a new congressional appropriation of $600 million of an innovative broadband pilot program to spur further private investment with priority given to improving broadband infrastructure in underserved rural areas. We cannot predict the impact of these efforts and actions could have on our business, but to the extent that it permits competitors to build out into our service areas that could adversely affect our business.

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.

The Communications Act and FCC regulations include content and non-content rules that impact our cable operations. These include, for example, rules (i) pursuant to which cable systems may retransmit over the air broadcast stations, as detailed more below; (ii) network nonduplication and syndicated exclusivity rules that allow broadcasters, under some circumstances, to require a cable system to block subscriber access to certain programming; (iii) political programming requirements, that impose obligations on cable operators to maintain records regarding advertising on the cable system by candidates and with respect to certain controversial issues of public importance, and, during weeks leading up to elections, offer political candidates the lowest unit charge paid by a commercial advertiser for the same class of advertising; (iv) customer service standards, that regulate certain aspects of our interactions with our subscribers (*e.g.*, telephone availability and officer hours), (v) commercial limits during children's programming; (vi) emergency alert system requirements to ensure delivery to our subscribers of certain emergency information; (vii) multiple dwelling unit ("MDU") inside wiring and exclusive contract restrictions (*see*, *Multiple Dwelling Unit Buildings*, below); (viii) equal employment opportunity requirements; (ix) obligation to allow subscribers to use compatible retail navigation devices and related security issues (*e.g*., CableCards) (x) accessibility, both in terms of video description and closed captioning; (xi) requirements for cable systems to make available public, educational and governmental ("PEG") channels, as well as leased access channels (which leased access rules are under review by the FCC in an pending rulemaking) and (xii) pole attachment rate rules (*see*, *Pole Attachment Regulation*, below).

Broadcast Signal Carriage

Must Carry and Retransmission Consent

FCC 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 operator may carry the station on its cable systems, commonly called retransmission consent. The most recent elections took effect through December 31, 2020. 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.

Federal law prohibits stations not under common ownership from engaging in joint negotiations with multichannel video programming distributors ("MVPDs") and restricts broadcasters from generally limiting carriage of stations that are significantly viewed or otherwise entitled to carriage. In 2015, the FCC initiated a rulemaking, which still remains pending, 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, especially in light of the increasing consolidation of broadcast station ownership.

There have long existed a variety of restrictions on media ownership to ensure advancement of diverse viewpoints, localism and competition. Congress, however, requires the FCC to review its media ownership rules periodically to ensure the continued need for them. In recent years, the FCC has modified or repealed several of its ownership restrictions, which has allowed for greater consolidation among broadcast stations. In July 2018, the D.C. Circuit Court of Appeals rejected a challenge to the FCC's reinstatement of the UHF Discount, which allows broadcasters to count their UHF stations at half their reach, pending the outcome of the FCC's 2017 rulemaking to review the national audience reach cap and the UHF discount. This rulemaking, along with the FCC's 2018 quadrennial review of other media ownership rules, remain pending. The outcomes of these proceedings could pave the way for greater broadcast station ownership consolidation, which could increase the leverage of such group owners when negotiating retransmission consent agreements.

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 substantially all of our video customers receiving local broadcast stations will expire and require renegotiation prior to January 1, 2022.

Broadcast ATSC 3.0 (Next Gen TV) Transmission Standard

In 2017, the FCC authorized a new television broadcast transmission standard (referred to as ATSC 3.0 or Next Gen TV) that would, among other things, increase the amount of data that could be broadcast in a signal allowing transmission in higher definition formats such as 4K or UltraHD, add additional multicast channels and/or convert the transmission of exiting multicast channels to high definition. The Next Gen TV transmission standard would also allow reception of the broadcast signal on certain mobile devices, such as smart phones, that have a built-in ATSC 3.0 receiver. Stations considering transitioning to ATSC 3.0 are in most cases required to partner with another station to facilitate simulcasting of the station's signal in ATSC 1.0 and 3.0 formats (one station would transmit the signals of both in ATSC 1.0 format while the other would do the same but in ATSC 3.0 format). While the simulcast signals must be available to most areas of the stations' DMA, it might not be available to all locations in the DMA. The FCC is developing rules to permit waivers pursuant to which stations could convert to ATSC 3.0 transmission without offering a simulcast. To the extent a Next Gen TV station's signal may not reach areas of the DMA served by our systems or a station licensee were to obtain a waiver from the simulcast requirements, this could impact our ability to offer subscribers all of the programming we currently offer. In addition, while the FCC will consider requests for ATSC 3.0 market trials and product development, it is not yet accepting applications for Next Gen TV licenses; other than a small number of reported market trials. Therefore, we do not know how quickly broadcasters will either begin transitioning or converting to the new standard or how long a transition period would continue and when stations we retransmit would convert to transmitting in the ATSC 3.0 format and we cannot predict the impact any of this would have on our operations.

Multiple Dwelling Units

The FCC's cable inside wiring rules provide a 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 regulations also prohibits exclusive service contracts for services to multiple dwelling units or other residential developments, however, bulk rate agreements and exclusive marketing agreements, while the permissibility of which is under review by the FCC, currently remain permissible. In 2017, the FCC issued a Notice of Inquiry to facilitate greater consumer choice and enhance broadband deployment in multiple tenant environments that could impact the provision of service to commercial customers in those environments. Our potential loss of such rights and the 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.

As part of periodic Congressionally mandated reports, the Copyright Office has repeatedly recommended 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.

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 that governs the maximum rate certain utilities may charge for attachments to their poles and conduit by companies providing telecommunications services, including cable operators, for which, in almost all circumstances, the cable and telecommunications rates now approximate each other.

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 where 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 can 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 were traditionally 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 where 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

In 2017, the FCC issued a Declaratory Ruling reversing its 2015 action that had classified the provision of broadband Internet access service as a regulated telecommunications service under Title II of the Communications Act (so-called "net neutrality" rules) and restoring its classification as a Title I information service. As an information service, broadband Internet access services are not subject to the utility-style regulations under Title II. Broadband access service providers are required to comply with the FCC's refined transparency rule, including disclosures of network management practices (for example, blocking, throttling and traffic prioritization), performance and commercial terms of service, and the Federal Trade Commission will again have enforcement jurisdiction over certain business practices. A suit by at least twenty-two state Attorneys General seeks to overturn the FCC's action. Some members of Congress have also undertaken efforts to reinstate net neutrality requirements. We cannot predict the outcome or what the impact of such litigation, legislation or executive orders may be.

We provide HSD services to business customers. In 2017, the FCC adopted a Report and Order that found the market for packet-based services to businesses at speeds exceeding 45 Mbps as widespread therefore negating the need for any price regulation.

Digital Millennium Copyright Act

The owners of copyrights have been active in seeking to prevent use of the Internet to violate their rights, and we regularly receive notices of claimed infringements by our HSD customers. 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 infringement resulting from the actions of customers, provided that the ISP complies with certain requirements.

State and Local Regulation and Competition

Our HSD service provided over our cable systems generally have not been subject to regulation by state or local jurisdictions. Five states have enacted state laws through legislation or executive orders in some fashion governing net neutrality, including California where we have systems. More than thirty states considered similar legislation during 2018 and we do not know whether other states may undertake similar legislative efforts to enact statutes to regulate the provision of broadband service, primarily with respect to so-called net neutrality issues, and several governors have signed executive orders to the same effect. We cannot predict the outcome or what the impact of such legislation or executive orders may be.

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 ("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 *Broadband Infrastructure Support – Universal Service Fund*, 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.

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 where 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, national footprints and scale, 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 OTT video, and wireless Internet and phone services.

We face significant competition for video service from DBS providers, OTT video providers, phone companies and other overbuilders. Many of the OTT video competitors have strong brand name recognition, a nationwide platform and significant financial resources. Phone companies that offer video service substantially similar to our own represent approximately 11% of our homes passed, and other overbuilders (excluding phone companies) offer such a video service to about 16% of our homes passed.

Our HSD service faces its most meaningful competition from phone companies, wireless providers and other providers of internet access, including other overbuilders, municipalities and certain commercial entities that have built, or are considering building, fiber and/or Wi-Fi networks. The phone companies we compete with, including CenturyLink, AT&T and Windstream, primarily offer DSL Internet service that is typically limited to speeds considerably slower than ours. These phone companies have upgraded limited portions of their networks to FTTN or FTTH delivery systems that allow for speeds comparable to our HSD service.

Other services that we provide that may also face significant competition include our phone, business services, including cell tower backhaul and enterprise level services, and our advertising sales group.

Although we have generally eliminated or reduced tactical discounts for video 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 for bundled services, 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. If our ability to attract new customers or retain existing customers is impeded due to increased levels of competition, our business, financial condition and results of operations may be adversely affected. 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, on a per-video customer basis, has increased at a substantially higher pace than the inflation rate or increase in U.S. wages. The higher rates is primarily caused by national and regional sports and other popular cable networks and 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 the small number of large media conglomerates and independent television broadcast groups that 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 continues at a significant pace, and as a result, they have become much larger based on the number of stations that they own in our markets. This strengthened position allows them to negotiate for even higher retransmission consent fees. Additionally, many of these large media conglomerates and independent broadcast groups require us to purchase their content in bundles and dictate how we offer them to our customers, which has materially diminished our ability to selectively negotiate for the carriage or tier placement of individual networks or broadcast stations and to lower our programming costs.

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. Such increases in our programming costs have forced us to push the pricing of our video services to levels that our customers may deem unaffordable or undesirable. As such, our customers may choose to 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 could 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 can decrease advertising demand and negatively impact our advertising revenues.

Our ability to gain new 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 grow at accelerated rates compared to recent experiences, we may need to meaningfully increase our capital expenditures to expand the bandwidth capacity of our systems beyond current expectations to 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 — *HSD Service — Federal Regulation and Network Neutrality*."

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 extension of 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 business, financial condition and results of operations may be adversely affected.

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 can serve as a full replacement for our video service is allowing for wireless Internet providers to offer a service based on "5G" technology that may adequately serve as a 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 an 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. These "cyber-attacks" could 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, and we could also be subject to employee error or malfeasance, or other disruptions. Such events could damage our reputation and credibility, which could adversely affect our business, financial condition, and results of operations.

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 an 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.

One of our significant third-party suppliers is Windstream Holdings Inc. or its affiliates ("Windstream"). Key components we use in important segments of our network include fiber and conduit that we use under leases, "indefeasible right of use" and other arrangements we currently have or originally entered into with Windstream, including certain fiber and conduit that Windstream transferred to, and then leased back from Uniti Group Inc. ("Uniti") in 2015. As a result of recent adverse rulings in litigation arising out of its transaction with Uniti, Windstream recently filed a petition for reorganization under Chapter 11 of the US Bankruptcy Code in the Southern District of New York (Case No. 19-22312). It is possible that our right to continue to use such fiber and conduit, or our costs for such usage, could be negatively impacted as a result of the Chapter 11 proceeding or the challenges to the transaction between Windstream and Uniti, in which case our business, results of operations and financial condition could be adversely affected unless we were able to secure replacements or work arounds on a timely basis and at comparable costs.

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, 2018, our total debt was $1.134 billion. Given our substantial debt, we are highly leveraged and will continue to be so. Our debt obligations require us to use a meaningful 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 as all of our debt 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, 2018, 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 currently are Ba1 by Moody's, with a stable outlook, and BB by Standard and Poor's ("S&P"), with a positive 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.

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

As of December 31, 2018, we had approximately $646.2 million of unamortized intangible assets, including franchise rights of $620.7 million and goodwill of $25.2 million on our consolidated balance sheets. These intangible assets represented approximately 39% 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 periodically 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 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 to declassify our HSD service from Title II regulation under the Communications Act could be overturned by the courts or legislation.

A reclassification of our HSD service as a telecommunications service under Title II of the Communications Act could significantly impact how we provide and charge for our HSD service and operate our network by imposing requirements and limitations on us. See "Business — Legislation and Regulation — *HSD Service — Federal Regulation and Network Neutrality*."

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

In 2018, the FCC committed $1.98 billion over ten years ($198 million annually) to support the deployment and provision of voice and fixed broadband services in unserved high-cost areas which could be used to build or upgrade systems owned by those who compete with us. In 2019, the USDA announced plans to deploy an additional $600 million appropriation to spur additional private investment in improving broadband infrastructure in underserved rural areas. Major government infrastructure spending packages and/or other pieces of legislation currently under consideration in Congress or others that may be introduced may provide funding and subsidies to those who either compete with us or seek to compete with us and therefore may put us at a competitive disadvantage. Moreover, if the FCC chooses to broaden the imposition of USF fees on services we provide, the cost of our services could increase and harm our ability to compete. See "Business — Legislation and Regulation — *General* —Broadband Infrastructure Support — *Universal Service Fund*," "Business — Legislation and Regulation — *General* — Governmental Broadband Infrastructure Support – *Governmental Support*" and "Business — Legislation and Regulation — *Voice-over-Internet-Protocol Phone Service — Federal Regulatory Obligations*."

Adoption of an ATSC 3.0 transmission standard by stations whose broadcast signals we retransmit may increase our costs or cause loss of our ability to receive some signals.

In the event of a simulcast, a change in transmission location could impair our ability or increase our cost to obtain a station's broadcast signal. If there is no ATSC 1.0 simulcast, unless we are permitted to downconvert a signal from ATSC 3.0 to ATSC 1.0, we will either lose the affiliated network content or we would have to modify the configuration and possibly some components of our system to permit retransmissions in ATSC 3.0 format, which could increase our costs and require additional capital investment. See "Business – Legislation and Regulation – *Must Carry and Retransmission Consent."*

Loss of our ability to provide bulk rate services to multiple dwelling unit buildings could decrease the number of such units purchasing our services.

Any loss of the ability to provide services on a bulk rate basis to multiple dwelling unit buildings could result in a decrease in the number of such customers and the total amount of replacement revenue from full-rate individually billed customers may not offset such loss as it is unlikely that all residents of such units would take our services on an individual basis. See "*Business — Legislation and Regulation —Multiple Dwelling Units*."

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, 2018, various other entities are currently offering video service, through wireline distribution networks, to about 27% 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. 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 compulsory copyright regulations could significantly increase our license fees.

If Congress either eliminates the current cable compulsory license or enacts 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. 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*."

Increased consolidation of broadcast television station ownership may increase leverage of those owners when negotiating retransmission consent rates and to impose additional carriage obligations on us.

If the FCC permits through changes in regulations or by approving case-by-case acquisitions of additional broadcast television stations by existing group owners, such owners could control an increasing number of broadcast television stations in DMAs in which our systems operate. This could give them increased leverage to extract higher retransmission consent fees and other consideration, including carriage of additional non-broadcast television programming, all of which could increase our costs that could adversely affect our business.

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 may trigger a variety of federal, state and local regulatory consent requirements. 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 and businesses. 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, 2014 through 2018 and balance sheet data and operating data as of December 31, 2014 through 2018, 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,				
	2018	2017	2016	2015	2014
Statements of Operations Data:					
Revenues	$ 855,765	$ 818,466	$ 777,016	$ 738,710	$ 711,634
Costs and expenses:					
Service costs	387,495	366,988	342,433	327,112	310,752
Selling, general and administrative expenses	131,347	127,445	125,773	119,716	121,772
Management fee expense	16,000	14,835	14,200	13,000	12,350
Depreciation and amortization	137,694	143,975	126,394	119,865	116,395
Operating income	183,229	165,223	168,216	159,017	150,365
Interest expense, net	(42,576)	(42,658)	(51,468)	(62,801)	(86,815)
(Loss) gain on derivatives, net	(1,391)	1,995	797	10,360	18,229
Loss on early extinguishment of debt	—	(11,690)	(264)	(689)	(23,046)
Loss on sale of cable systems	(760)	—	—	—	—
Investment income from affiliate[(1)]	18,000	18,000	18,000	18,000	18,000
Other expense, net	(121)	(2,423)	(1,408)	(878)	(1,514)
Net income	$ 156,381	$ 128,447	$ 133,873	$ 123,009	$ 75,219
Balance Sheets Data (end of period):					
Total assets	$ 1,673,334	$ 1,643,431	$ 1,587,425	$ 1,550,301	$ 1,539,358
Total debt	$ 1,118,624	$ 1,014,295	$ 1,138,512	$ 1,159,215	$ 1,255,000
Total member's equity	$ 408,162	$ 466,684	$ 287,167	$ 232,716	$ 122,215
Cash Flows Data:					
Net cash flows provided by (used in):					
Operating activities	$ 303,417	$ 253,656	$ 264,681	$ 228,340	$ 173,315
Investing activities	$ (153,407)	$ (177,361)	$ (159,344)	$ (131,093)	$ (120,396)
Financing activities	$ (120,644)	$ (74,900)	$ (102,514)	$ (97,521)	$ (53,943)
Other Data:					
Adjusted OIBDA[(2)]	$ 339,648	$ 327,198	$ 312,610	$ 296,882	$ 284,760
Adjusted OIBDA margin[(3)]	39.7%	40.0%	40.2%	40.2%	37.5%
Operating Data (end of period):					
Estimated homes passed[(4)]	1,376,000	1,369,000	1,336,000	1,325,000	1,311,000
Video customers[(5)]	348,000	366,000	365,000	375,000	390,000
HSD customers[(6)]	565,000	541,000	513,000	480,000	449,000
Phone customers[(7)]	275,000	252,000	215,000	194,000	182,000
Primary service units[(8)]	1,188,000	1,159,000	1,093,000	1,049,000	1,021,000
Customer relationships[(9)]	604,000	608,000	598,000	585,000	569,000

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

Adjusted OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. We believe Adjusted 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 Adjusted 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, and it excludes deferred compensation. Management uses a separate process to budget, measure and evaluate capital expenditures. In addition, Adjusted OIBDA may not be comparable to similarly titled measures used by other companies, which may have different depreciation and amortization policies, as well as different deferred compensation programs.

Adjusted 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 Adjusted OIBDA.

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

	Year Ended December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
Operating income	$ 183,229	$ 165,223	$ 168,216	$ 159,017	$ 150,365
Depreciation and amortization	137,694	143,975	126,394	119,865	116,395
Investment income from affiliate	18,000	18,000	18,000	18,000	18,000
Deferred compensation	725	-	-	-	-
Adjusted OIBDA	$ 339,648	$ 327,198	$ 312,610	$ 296,882	$ 284,760

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

(4) Represents the estimated number of single residence homes, apartments and condominium units that we can connect to our network 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 video rate. 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, 2018, 2017 and 2016.

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, 2018, we served approximately 348,000 video customers, 565,000 high-speed data ("HSD") customers and 275,000 phone customers, aggregating 1,188,000 primary service units ("PSUs"). As of the same date, we had 604,000 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 video and digital platforms. We also offer home security and automation services to residential customers. Our services are typically offered on a subscription basis, and installation fees, monthly rates and related charges vary according to the services, equipment and features customers choose. We offer discounted packages for new customers and those who take multiple services, and primarily market bundled packages under the Xtream brand 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 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 such revenues through HSD customer growth and increased revenue per customer relationship as more customers take faster HSD tiers and advanced video services, including DVR. Our business services revenues have grown at a faster rate than our residential revenues as we have rapidly grown our business customer relationships. Through significant capital investments, we continue to extend our network to new commercial locations that contain multiple businesses representing potential customers, in an effort to sustain or accelerate our rate of growth in business services revenues.

Our residential video service principally competes with direct broadcast satellite ("DBS") providers that offer video programming substantially similar to ours and a variety of over-the-top ("OTT") video services. Over the past several years, we have experienced meaningful video customer losses, largely to DBS competitors. The introduction of more OTT video services and offerings have increasingly represented additional competition for our video service. We have placed a greater emphasis on higher quality residential customer relationships, and we have generally eliminated or reduced tactical discounts for video customers that do not purchase two or more services. To appeal to such higher-quality 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 OTT video services, including as Netflix, Hulu, and YouTube, along with a multi-room DVR service and the ability to download certain content to personal devices. We also offer a lower-cost IP set-top that offers the TiVo guide and OTT video services, but without the required equipment for DVR service. Our voice-controlled remote allows our customers to use voice commands to change channels, search for shows and discover content through recommendations. 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 wireless services offered by cellular phone companies. We have continued to grow our HSD customer base at a meaningful rate over the last several years. We believe our HSD service offers greater capacity and reliability than DSL and wireless offerings in our service areas, and our minimum downstream speed of up to 60 megabits per second ("Mbps") is faster than the highest speed offered by substantially all our competitors. As consumers' bandwidth consumption has dramatically risen in recent years, we have dedicated increasing levels of capital expenditures to allow for faster speeds and greater consumption. Through recent capital investment initiatives, we completed the transition of our network to DOCSIS 3.1 technology and offer 1 Gbps downstream HSD service throughout substantially all of our footprint. We offer modems that function as a phone adapter and wireless gateway, ensuring performance of multiple personal devices used at the same time. Our WiFi360 service provides additional access points and extends the range of the wireless network in the customer's home. We expect to continue to grow HSD revenues as we grow our customer base 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 have expanded our network into additional commercial areas through certain capital investment initiatives. We believe these tactics have allowed us to gain market share, resulting in growth in our business services revenues over the past several years, which we believe will continue.

We sell advertising and production services to local, regional and national customers under our OnMedia brand. These revenues are determined, in part, by the number of video customers served and are impacted by overall advertising competition in our markets, including local broadcast stations, national cable and broadcast networks, radio, newspapers, magazines, outdoor display and Internet companies. Competition has, and likely will, continue to elevate as new formats of advertising are introduced into our markets. In recent years, we have generally experienced lower advertising revenues due to digital marketing taking a greater share of advertising spend in our markets and an overall reduction of our video customer base. These secular declines have been periodically offset by increased levels of political advertising during national elections and other significant political events.

Video programming has been our single largest expense and, on a per-video customer basis, continually increased at a higher rate than our ability to offset such increases with rate increases to our customers, particularly due to sports programming and retransmission consent. Media industry consolidation has resulted in the formation of large media conglomerates and large independent broadcast groups, who own or control a family of popular cable networks and 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. 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, which has materially diminished our ability to selectively negotiate for the carriage or tier placement of individual networks or stations and to slow the rate of growth of our programming costs and the video rates our customers ultimately pay. Our inability to fully recover the programming cost increases has adversely impacted, and continues to adversely impact, our video service margins and related cash flows.

2018 Developments

2018 Financing Activity

On March 29, 2018, we entered into an amended and restated credit agreement under our bank credit facility that, among other things, provided for an additional $166.0 million of term loans and extended the maturity and amended the terms of certain term loans (together "the amended term loans"). On the same date, the full additional amounts of the amended term loans were borrowed and the proceeds, along with available cash were used to repay our entire outstanding balance under our existing revolving credit commitments, fund a cash distribution of $158.0 million to our parent, MCC, on March 30, 2018, and pay approximately $4.5 million of related fees and expenses. On the same date, MCC contributed such distributions to Mediacom Broadband LLC, to fund, in part, the redemption of certain outstanding senior notes that were redeemed in April 2018.

See "Liquidity and Capital Resources — Capital Structure — *2018 Financing Activity*" and Note 6 in our Notes to Consolidated Financial Statements.

Tower Asset Sale

On March 15, 2018 and September 25, 2018, we contributed certain tower assets to MCC which, in turn, sold such tower assets to CTI.

See Note 13 in our Notes to Consolidated Financial Statements.

Hurricane Michael

On October 10, 2018, Hurricane Michael made landfall in the Panhandle region of Florida. Hurricane Michael caused property damage to our cable plant, as well as to our customers' homes and businesses, in Florida and Alabama. As of December 31, 2018, the damage caused by Hurricane Michael required an additional $7.1 million of capital expenditures in order to repair our network and services.

See Note 14 in our Notes to Consolidated Financial Statements.

Revenues

Changes in Accounting Standards

As of January 1, 2018, we have adopted certain accounting standards and related guidance (collectively, "revenue recognition") that affects both the timing of revenue recognition (the "timing change") and the allocation of revenues among video, HSD and phone within our multi-product offerings, in which we offer product bundles at a discount (the "allocation change"). We adopted this accounting standard using a modified retrospective transition, and accordingly, the impact was reflected in our financial results only for the full year ended December 31, 2018 and reported results for prior periods were not restated. The adoption of the new standard did not have a material impact on our results of operations for this period.

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 revenue.

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

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

Adjusted OIBDA is one of the primary measures used by management to evaluate our performance and to forecast future results. We believe Adjusted 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 Adjusted 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, and it excludes deferred compensation. Management uses a separate process to budget, measure and evaluate capital expenditures. Adjusted OIBDA may not be comparable to similarly titled measures used by other companies, which may have different depreciation and amortization policies. Adjusted OIBDA is a key component to our covenant calculations.

Adjusted 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 Adjusted OIBDA.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The table below sets forth our consolidated statements of operations and Adjusted OIBDA for the years ended December 31, 2018, 2017 and 2016 (dollars in thousands and percentage changes that are not meaningful are marked NM):

	Year Ended December 31,			% Change	% Change
	2018	2017	2016	2017 to 2018	2016 to 2017
Revenues	$ 855,765	$ 818,466	$ 777,016	4.6%	5.3%
Costs and expenses:					
Service costs (exclusive of depreciation and amortization)	387,495	366,988	342,433	5.6%	7.2%
Selling, general and administrative expenses	131,347	127,445	125,773	3.1%	1.3%
Management fee expense	16,000	14,835	14,200	7.9%	4.5%
Depreciation and amortization	137,694	143,975	126,394	(4.4%)	13.9%
Operating income	183,229	165,223	168,216	10.9%	(1.8%)
Interest expense, net	(42,576)	(42,658)	(51,468)	(0.2%)	(17.1%)
(Loss) gain on derivatives, net	(1,391)	1,995	797	NM	NM
Loss on early extinguishment of debt	—	(11,690)	(264)	NM	NM
Loss on sale of cable systems	(760)	—	—	NM	NM
Investment income from affiliate	18,000	18,000	18,000	NM	NM
Other expense, net	(121)	(2,423)	(1,408)	(95.0%)	72.1%
Net income	$ 156,381	$ 128,447	$ 133,873	21.7%	(4.1%)
Adjusted OIBDA	$ 339,648	$ 327,198	$ 312,610	3.8%	4.7%

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

	Year Ended December 31,			% Change	% Change
	2018	2017	2016	2017 to 2018	2016 to 2017
Operating income	$ 183,229	$ 165,223	$ 168,216	10.9%	(1.8%)
Depreciation and amortization	137,694	143,975	126,394	(4.4%)	13.9%
Investment income from affiliate	18,000	18,000	18,000	18,000	18,000
Deferred compensation	725	-	-	NM	NM
Adjusted OIBDA	$ 339,648	$ 327,198	$ 312,610	3.8%	4.7%

Revenues

The tables below set forth revenue and selected customer and average monthly revenue statistics as of, and for the years ended, December 31, 2018, 2017 and 2016 (dollars in thousands, except per unit data):

	Year Ended December 31, 2018	2017	2016	% Change 2017 to 2018	% Change 2016 to 2017
Video	$ 345,786	$ 354,302	$ 351,546	(2.4%)	0.8%
HSD	341,481	304,722	271,597	12.1%	12.2%
Phone	52,844	52,089	51,229	1.4%	1.7%
Business services	104,828	97,233	89,582	7.8%	8.5%
Advertising	10,826	10,120	13,062	7.0%	(22.5%)
Total	$ 855,765	$ 818,466	$ 777,016	4.6%	5.3%

	Year Ended December 31, 2018	2017	2016	% Change 2017 to 2018	% Change 2016 to 2017
Video customers	348,000	366,000	365,000	(4.9%)	0.3%
HSD customers	565,000	541,000	513,000	4.4%	5.5%
Phone customers	275,000	252,000	215,000	9.1%	17.2%
Primary service units (PSUs)	1,188,000	1,159,000	1,093,000	2.5%	6.0%
Customer relationships	604,000	608,000	598,000	(0.7%)	1.7%
Average total monthly revenue per customer relationship (1)	$ 117.68	$ 112.27	$ 109.47	4.8%	2.6%

(1) Represents average total monthly revenues for the year divided by average customer relationships for the year, adjusted to reflect certain acquisitions during the year ended December 31, 2017, as if they had occurred on December 31, 2016.

Revenues were 4.6% higher for the year ended December 31, 2018, due to greater HSD and, to a much lesser extent, business services, phone and advertising revenues, offset in part by a decline in video revenues. Revenues were substantially unaffected for the year ended December 31, 2018 by the timing change to revenue recognition as noted in "Revenues – *Changes in Accounting Standards*."

Revenues increased 5.3% for the year ended December 31, 2017, due to greater HSD and, to a much lesser extent, business services video and phone revenues, slightly offset by a decline in advertising revenues.

We lost 4,000 customer relationships during the year ended December 31, 2018, compared to a gain of 1,000 (excluding the effect of certain acquisitions) and 13,000 customer relationships during the year ended December 31, 2017 and 2016, respectvely. Our net changes in customer relationships continue to reflect an ongoing reduction in customers that only take our video service, mostly offset by greater numbers of customers in our bundled packages. Average total monthly revenue per customer relationship was $117.68 and $112.27 (excluding the effect certain acquisitions) for the years ended December 31, 2018 and 2017, respectively, representing increases of 4.8% and 2.6% over each of the prior years.

Video

Video revenues decreased 2.4% for the year ended December 31, 2018, substantially due to the timing and allocation changes to revenue recognition noted in "Revenues – *Changes to Accounting Standards*" and, to a lesser extent, a smaller residential video customer base compared to the prior year, offset in part by rate adjustments associated with the pass-through of higher programming costs for retransmission consent fees and more customers taking our advanced video services. Excluding the impact of the timing and allocation changes, video revenues would have increased 0.4%.

Video revenues increased 0.8% for the year ended December 31, 2017, mainly due to rate adjustments associated with the pass-through of higher programming costs for retransmission consent fees and more customers taking advanced video services, offset in part by a smaller residential video base compared to the prior year.

We lost 18,000, 6,000 (excluding the effect of certain acquisitions) and 10,000 video customers during the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, we served 348,000 video customers, or 25.3% of our estimated homes passed, and 42.9% of our residential video customers took our DVR service, which represents the largest component of advanced video service revenues.

HSD

HSD revenues grew 12.1% for the year ended December 31, 2018, mainly a result of more customers paying higher rates for faster speed tiers, a larger residential HSD customer base compared to the prior year, and the timing and allocation changes to revenue recognition. Excluding the impact of the timing and allocation changes, HSD revenues would have grown 9.5%.

HSD revenues grew 12.2% for the year ended December 31, 2017, principally due to rate adjustments and more customers paying higher rates for faster speed tiers, along with a larger residential HSD customer base in each period compared to the respective prior year.

We gained 24,000, 22,000 (excluding the effect of certain acquisitions) and 33,000 HSD customers for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, we served 565,000 HSD customers, or 41.1% of our estimated homes passed.

Phone

Phone revenues increased 1.4% for the year ended December 31, 2018, mainly due to the timing and allocation changes to revenue recognition and a larger residential phone customer base compared to the prior year, offset in part by greater level of discounting within the bundled packaging of our services. Excluding the impact of the timing and allocation changes, phone revenues would have decreased 1.9%.

Phone revenues increased 1.7% for the year ended December 31, 2017, largely due to a larger residential phone customer base compared to the prior year, offset in part by greater levels of discounting within the bundled packaging of our services.

We gained 23,000, 36,000 (excluding the effect of certain acquisitions) and 21,000 phone customers for the years ended December 31, 2018, 2017 and 2016, respectively. As of December 31, 2018, we served 275,000 phone customers, or 20.0% of our estimated homes passed.

Business Services

Business services revenues rose 7.8% and 8.5% for the years ended December 31, 2018 and 2017, respectively, principally due to larger SMB customer bases compared to the respective prior years. Business services revenues were minimaly affected by the timing change to revenue recognition for the year ended December 31, 2018 and, excluding the impact of the timing change, business services revenues would have grown 7.7%.

Advertising

Advertising revenues grew 7.0% for the year ended December 31, 2018, substantially due to greater political advertising revenue associated with an election year.

Advertising revenues fell 22.5% for the year ended December 31, 2017, principally due to an unfavorable comparison to the prior year, which benefitted from advertising revenues associated with the national election of 2016.

Costs and Expenses

Service Costs

Service costs increased 5.6% and 7.2% for the years ended December 31, 2018 and 2017, respectively, primarily due to greater video programming and, to a lesser extent, employee costs. Programming costs rose 7.3% and 7.9% for the years ended December 31, 2018 and 2017, respectively, mainly due to higher fees associated with the renewal of programming contracts and contractual increases under existing agreements, offset in part by smaller video customer bases compared to the respective prior years. Employee costs increased 5.6% and 8.3% for the years ended December 31, 2018 and 2017, respectively, mainly as a result of greater staffing and compensation levels.

Service costs as a percentage of revenues were 45.3%, 44.8% and 44.1% for the years ended December 31, 2018, 2017 and 2016, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses grew 3.1% for the year ended December 31, 2018, respectively, largely due to employee expenses and, to a lesser extent, office and billing expenses, offset in part by lower bad debt expense. Employee expenses increased 6.6%, primarily due to greater administrative and marketing employee staffing and compensation levels and, to a lesser extent, the introduction of deferred compensation. Office expenses rose 9.2%, principally due to higher equipment maintenance, software and rent costs. Billing expense increased 6.3%, mainly due to greater fees associated with customers' bank and credit card payments. Bad debt expense fell 9.1%, largely chiefly due to lower write-offs associated with certain accounts.

Selling, general and administrative expenses grew 1.3% for the year ended December 31, 2017, principally due to higher marketing expenses. Marketing expenses rose 6.6%, predominantly due to expenses related to the marketing of our business services and Xtream bundles.

Selling, general and administrative expenses as a percentage of revenues were 15.3%, 15.6% and 16.2% for the years ended December 31, 2018, 2017 and 2016, respectively.

Management Fee Expense

Management fee expense grew 7.9% and 4.5% for the years ended December 31, 2018 and 2017, respectively, reflecting higher fees charged by MCC.

Management fee expense as a percentage of revenues was 1.9%, 1.8% and 1.8% for each of the years ended December 31, 2018, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization was 4.4% lower for the year ended December 31, 2018, mainly due to a favorable comparison to the prior year, which contained a write-off of certain network equipment that was replaced under certain capital investment initiatives and, to a lesser extent, older investments and network assets becoming fully depreciated, offset in part by greater depreciation of investments in customer premise equipment, HSD bandwidth expansion and business support equipment and software.

Depreciation and amortization was 13.9% higher for the year ended December 31, 2017, largely as a result of the write-off of certain network equipment that was replaced under certain capital investment initiatives and, to a much lesser extent, greater depreciation of investments in customer premise equipment, HSD bandwidth expansion and business support equipment and software.

Operating Income

Operating income grew 10.9% for the year ended December 31, 2018, primarily due to the increase in revenues, offset in part by higher service costs and and selling, general and administrative expenses.

Operating income declined 1.8% for the year ended December 31, 2017, primarily due to higher service costs and depreciation and amortization, mostly offset in part by the increase in revenues.

Interest Expense, Net

Interest expense, net, decreased 0.2% for the year ended December 31, 2018, mainly due to a lower average outstanding indebtedness, largely offset by higher average borrowing costs.

Interest expense, net, fell 17.1% for the year ended December 31, 2017, primarily due to lower average borrowing costs as a result of favorable financing transactions and, to a lesser extent, lower average outstanding indebtedness.

(Loss) Gain on Derivatives, Net

As a result of changes to the mark-to-market valuation of our interest rate exchange agreements, we recorded a net loss on derivatives of $1.4 million and net gains on derivatives of $2.0 million and $0.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. See Notes 4 and 6 in our Notes to Consolidated Financial Statements.

Loss on Early Extinguishment of Debt

There was no loss on early extinguishment of for the year ended December 31, 2018. Loss on early extinguishment of debt of $11.7 million for the year ended December 31, 2017, represented the $9.1 million redemption price paid in cash above par value associated with certain previously existing senior notes and the write-off of $2.6 million of unamortized financing costs substantially associated certain previously existing senior notes. Loss on early extinguishment of debt of $0.3 million for the year ended December 31, 2016 represented the write-off of unamortized financing costs associated with certain previously existing term loans under our bank credit facility that were fully repaid.

Loss on Sale of Cable Systems

Loss on sale of cable systems was $0.8 million for the year ended December 31, 2018, representing the write-off of net book value associated with the sale of non-strategic cable assets.

Investment Income from Affiliate

Investment income from affiliate was $18.0 million for each of the years ended December 31, 2018, 2017 and 2016. 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 $0.1 million for the year ended December 31, 2018, representing $2.0 million of revolving credit commitment fees, largely offset by approximately $1.9 million of other income due to a reversal of accruals associated with tower retirements, $2.4 million for the year ended December 31, 2017, representing $1.0 million of revolving credit commitment fees and $1.4 million of other fees, and $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.

Net Income

As a result of the factors described above, we recognized net income of $156.4 million, $128.4 million and $133.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Adjusted OIBDA

Adjusted OIBDA increased 3.8% for the year ended December 31, 2018, substantially due to the increase in revenues, offset in part by higher service costs and, to a lesser extent, selling, general and administrative expenses and management fees.

Adjusted OIBDA increased 4.7% for the year ended December 31, 2017, principally due to the increase in revenues, offset in part by higher service costs and, to a lesser extent, selling, general and administrative expenses and management fees.

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, 2018, our near-term liquidity requirements included term loan principal repayments of $21.5 million over the next twelve months. As of the same date, our sources of liquidity included $42.0 million of cash and $361.7 million of unused and available commitments under our $370.0 million revolving credit facility, after giving effect to no outstanding loans and $8.3 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 $303.4 million for the year ended December 31, 2018, primarily due to Adjusted OIBDA of $339.6 million, which includes investment income from affiliate of $18.0 million, and the $3.5 million net change in operating assets and liabilities, offset in part by interest expense of $42.6 million. The net change in our operating assets and liabilities was primarily due to decreases in accounts receivable from affiliates of $1.5 million and in prepaid expenses and other assets of $1.1 million.

Net cash flows provided by operating activities were $262.7 million for the year ended December 31, 2017, primarily due to Adjusted OIBDA of $327.2 million, which includes investment income from affiliate of $18.0 million, offset in part by interest expense of $42.7 million and the $22.4 million net change in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily due to increases in accounts receivable from affiliates of $7.6 million, in prepaid expenses and other assets of $6.0 million and in accounts receivable, net, of $3.2 million, and decreases in accounts payable, accrued expenses and other current liabilities of $4.5 million and in other non-current liabilities of $2.5 million, offset in part by an increase in deferred revenue of $1.5 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 $153.4 million for the year ended December 31, 2018, substantially comprising $155.7 million of capital expenditures, offset in part by $1.2 million of proceeds from the sale of assets and a net change in accrued property, plant and equipment of $1.1 million.

Net cash flows used in investing activities were $177.4 million for the year ended December 31, 2017, substantially comprising $160.3 million of capital expenditures and the $18.2 million paid for the certain acquisitions.

Capital Expenditures

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

	Year Ended December 31, 2018	2017	2016	$ Change 2017 to 2018	$ Change 2016 to 2017
Customer premise equipment	$ 69,279	$ 74,280	$ 66,398	$ (5,001)	$ 7,882
Enterprise networks	5,679	5,529	7,185	150	(1,656)
Scalable infrastructure	18,190	19,371	34,783	(1,181)	(15,412)
Line extensions	13,412	11,832	9,833	1,580	1,999
Upgrade / rebuild	33,435	33,937	25,812	(502)	8,125
Support capital	15,670	15,339	11,466	331	3,873
Total capital expenditures	$ 155,665	$ 160,288	$ 155,477	$ (4,623)	$ 4,811

Capital expenditures for the year ended December 31, 2018 decreased $4.6 million, largely reflecting lower spending in customer premise equipment, primarily on our advanced video set-ups, and in scalable infrastructure, principally related to next-generation HSD network equipment associated with a previous capital investment initiative, offset in part by greater spending in line extensions, chiefly to extend our commercial and residential networks. We incurred approximately $7.1 million of additional capital expenditures related to the repair and recovery of areas impact by Hurricane Michael. See Note 14 in our Notes to Consolidated Financial Statements.

Capital expenditures for the year ended December 31, 2017 increased $4.8 million, largely reflecting greater spending in upgrade and rebuild, mainly for the replacement of certain network assets, in customer premise equipment, primarily for our advanced video set-tops, in support capital, substantially on new vehicles for our service fleet, 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 a previous capital investment initiative.

Net Cash Flows Used in Financing Activities

Net cash flows used in financing activities were $120.6 million for the year ended December 31, 2018, primarily comprising $216.6 million of capital distributions to our parent, MCC, $5.4 million of other financing activities and $4.5 million of financing costs, offset in part by $105.9 million of net borrowings under the credit facility.

Net cash flows used in financing activities were $84.0 million for the year ended December 31, 2017, primarily comprising the $250.0 million redemption of the certain previously existing senior notes, $64.0 million of capital distributions to our parent, MCC, and $13.0 million of financing costs and $9.1 million for the redemption price paid above par associated with certain previously existing senior notes, offset in part by $131.0 million of net borrowings under the credit facility, $115.0 million of capital contributions from our parent, MCC, and $6.1 million of other financing activities.

Capital Structure

As of December 31, 2018, our total indebtedness was $1.134 billion, of which 0% was at fixed interest rates or had interest rate exchange agreements that fixed the variable portion of debt. During the year ended December 31, 2018, we paid cash interest of $40.2 million, net of capitalized interest.

2018 Financing Activity

On March 29, 2018, we entered into an amended and restated credit agreement under our bank credit facility that, among other things, provided for an additional $166.0 million of term loans, extended the maturity and amended the terms of certain term loans (together "the amended term loans"). On the same date, the full additional amounts of the amended term loans were borrowed and the proceeds, along with available cash, were used to repay our entire outstanding balance under our existing revolving credit commitments, fund a cash distribution of $158.0 million to our parent, MCC, and pay approximately $4.5 million of related fees and expenses.

On March 30, 2018, MCC contributed the $158.0 million received from us to Mediacom Broadband LLC, to fund, in part, the redemption of certain outstanding senior notes that were scheduled to be redeemed in April 2018.

Bank Credit Facility

As of December 31, 2018, we maintained a $1,504.0 million credit facility, comprising $1,133.9 million of term loans with maturities ranging from March 2023 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 $361.7 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 no outstanding loans and $8.3 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, 2018, our operating subsidiaries were in compliance with all covenants under the credit agreement including, as of the same date, a total leverage ratio of 3.1 to 1.0 and an interest coverage ratio of 7.2 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 periodically enter into 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 December 31, 2018, we had no current or forward-starting interest rate swaps.

Debt Ratings

MCC's corporate credit ratings currently are Ba1 by Moody's, with a stable outlook, and BB by Standard and Poor's ("S&P"), with a positive 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, 2018 and thereafter (dollars in thousands)*:

	Scheduled Debt Maturities		Operating Leases		Interest Expense(1)		Purchase Obligations(2)		Total
January 1, 2019 to December 31, 2019	$	21,500	$	2,759	$	52,517	$	22,010	$	98,786
January 1, 2020 to December 31, 2021		43,000		3,761		101,905		—		148,666
January 1, 2022 to December 31, 2023		221,125		2,160		90,736		—		314,021
Thereafter		848,250		2,023		4,942		—		855,215
Total cash obligations	$	1,133,875	$	10,703	$	250,100	$	22,010	$	1,416,688

* Refer to Note 6 and Note 11 in our Notes to Consolidated Financial Statements for a discussion of our long-term debt and 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, 2018 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 programming content for our customers as long as we deliver video service to such customers. We have no obligation to purchase these services if we are not providing video service, 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, 2018, we had approximately $645.9 million of unamortized intangible assets, including franchise rights of $620.5 million and goodwill of $25.2 million on our consolidated balance sheets. Franchise rights are our largest asset and, together with goodwill, represent approximately 39% 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, 2018, we held 884 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 monitor the reporting unit for impairment throughout each of the reporting periods. We completed our most recent impairment test as of October 1, 2018, which reflected no impairment of our franchise rights, goodwill or other intangible assets. For the years ended, December 31, 2018 and 2017, respectively, no impairments were recorded.

For illustrative purposes, if there were a hypothetical decline of 20% 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, 2018.

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.

We have evaluated whether there are any adverse qualitative factors surrounding our Mediacom LLC reporting unit indicating that a goodwill impairment may exist as of December 31, 2018. 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.

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***

We periodically enter into interest rate exchange agreements (which we refer to as “interest rate swaps”) with counterparty banks to fix the variable interest rate on a portion of our borrowings under our credit facility. As of December 31, 2018, we had no current or forward-starting interest rate swaps that fixed the variable portion of our borrowings and, as of the same date, 100% of our total debt was exposed to variable rates.

Our 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, 2018 (dollars in thousands):

	Bank Credit Facility	Total
Scheduled Maturity:		
January 1, 2019 to December 31, 2019	$ 21,500	21,500
January 1, 2020 to December 31, 2020	21,500	21,500
January 1, 2021 to December 31, 2021	21,500	21,500
January 1, 2022 to December 31, 2022	21,500	21,500
January 1, 2023 to December 31, 2023	199,625	199,625
Thereafter	848,250	848,250
Total	$ 1,133,875	$ 1,133,875
Fair Value	$ 1,091,446	$ 1,091,446
Weighted Average Interest Rate	4.2%	4.2%

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MEDIACOM LLC AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Contents

Report of Independent Auditors

To the Management of Mediacom LLC:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Mediacom LLC and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in member's (deficit) equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB 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 consolidated financial statements are free of material misstatement, whether due to error or fraud. The

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
New York, New York
March 8, 2019

We have served as the Company's auditor since 2002.

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

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 42,030	$ 12,664
Accounts receivable, net of allowance for doubtful accounts of $2,493 and $2,343	18,934	46,095
Accounts receivable - affiliates	12,720	14,200
Prepaid expenses and other current assets	27,290	19,439
Total current assets	100,974	92,398
Preferred membership interest in affiliated company (Note 7)	150,000	150,000
Property, plant and equipment, net of accumulated depreciation of $1,799,027 and $1,749,951	762,840	745,516
Franchise rights	620,450	620,718
Goodwill	25,171	25,182
Subscriber lists, net of accumulated amortization of $118,476 and $118,394	234	315
Other assets, net of accumulated amortization of $3,698 and $2,851	13,665	9,302
Total assets	$ 1,673,334	$ 1,643,431
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other current liabilities	$ 125,609	$ 129,959
Deferred revenue - current	13,792	32,493
Current portion of long-term debt, net	21,500	18,000
Total current liabilities	160,901	180,452
Long-term debt, net (less current portion)	1,097,124	996,295
Deferred revenue - non-current	7,147	-
Total liabilities	1,265,172	1,176,747
Commitments and contingencies (Note 11)		
MEMBER'S EQUITY		
Capital contributions	216,182	432,749
Retained earnings	191,980	33,935
Total member's equity	408,162	466,684
Total liabilities and member's equity	$ 1,673,334	$ 1,643,431

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,		
	2018	2017	2016
Revenues	$ 855,765	$ 818,466	$ 777,016
Costs and expenses:			
Service costs (exclusive of depreciation and amortization)	387,495	366,988	342,433
Selling, general and administrative expenses	131,347	127,445	125,773
Management fee expense	16,000	14,835	14,200
Depreciation and amortization	137,694	143,975	126,394
Operating income	183,229	165,223	168,216
Interest expense, net	(42,576)	(42,658)	(51,468)
(Loss) gain on derivatives, net	(1,391)	1,995	797
Loss on early extinguishment of debt (Note 6)	—	(11,690)	(264)
Loss on sale of cable systems	(760)	—	—
Investment income from affiliate (Note 7)	18,000	18,000	18,000
Other expense, net	(121)	(2,423)	(1,408)
Net income	$ 156,381	$ 128,447	$ 133,873

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) Retained Earnings	Total
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
Net income	—	128,447	128,447
Capital distributions to parent	(64,000)	—	(64,000)
Capital contributions from parent	115,000	—	115,000
Other	70	—	70
Balance, December 31, 2017	$ 432,749	$ 33,935	$ 466,684
Net income	—	156,381	156,381
Capital distributions to parent	(216,638)	—	(216,638)
Revenue recognition adoption (Note 12)	—	1,664	1,664
Other	71	—	71
Balance, December 31, 2018	$ 216,182	$ 191,980	$ 408,162

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,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 156,381	$ 128,447	$ 133,873
Adjustments to reconcile net income to net cash flows provided by			
Depreciation and amortization	137,694	143,975	126,394
Deferred compensation	725	—	—
(Loss) gain on derivatives, net	1,391	(1,995)	(797)
Loss on early extinguishment of debt (Note 6)	—	2,627	264
Amortization of deferred financing costs	3,703	3,051	2,816
Debt extinguishment costs	—	9,063	—
Changes in assets and liabilities:			
Accounts receivable, net	110	(3,242)	(277)
Accounts receivable - affiliates	1,480	(7,635)	(3,677)
Prepaid expenses and other assets	1,120	(6,033)	(2,260)
Accounts payable, accrued expenses and other current liabilities	632	(4,517)	6,722
Deferred revenue - current	(195)	—	—
Deferred revenue - non-current	376	1,487	1,623
Other non-current liabilities	—	(2,509)	—
Net cash flows provided by operating activities	$ 303,417	$ 262,719	$ 264,681
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	$ (155,665)	$ (160,288)	$ (155,477)
Change in accrued property, plant and equipment	1,055	707	(4,387)
Proceeds from sale of assets	1,203	462	520
Acquisition of cable system	—	(18,242)	—
Net cash flows used in investing activities	$ (153,407)	$ (177,361)	$ (159,344)
CASH FLOWS FROM FINANCING ACTIVITIES:			
New borrowings of bank debt	$ 1,327,000	$ 1,373,675	$ 355,875
Repayment of bank debt	(1,221,125)	(1,242,675)	(379,125)
Redemption of senior notes	—	(250,000)	—
Capital distributions to parent (Note 8)	(216,638)	(64,000)	(79,500)
Capital contributions from parent (Note 8)	—	115,000	—
Financing costs	(4,527)	(12,975)	—
Debt extingishment costs	—	(9,063)	—
Other financing activities	(5,354)	6,075	236
Net cash flows used in financing activities	$ (120,644)	$ (83,963)	$ (102,514)
Net change in cash	29,366	1,395	2,823
CASH, beginning of year	12,664	11,269	8,446
CASH, end of year	$ 42,030	$ 12,664	$ 11,269
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for interest, net of amounts capitalized	$ 40,222	$ 48,616	$ 50,659
Non-cash items:			
Accounts receivable/deferred revenue - adjustment	$ 27,051	$ —	$ —
Prepaid expenses and other current assets/deferred revenue - adjustment	$ 12,954	$ —	$ —
Prepaid expenses and other current assets - reclassification	$ 7,724	$ —	$ —
Deferred revenue - current/non-current - reclassification	$ 6,771	$ —	$ —
Accounts payable/deferred revenue current - reclassification	$ 2,362	$ —	$ —

The accompanying notes are an integral part of these 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 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. Deposits and up-front fees collected from customers are recognized as deferred revenue until the earnings process is complete. Credit risk is managed by disconnecting services to customers who are deemed to be delinquent. Installation revenues, or non-refundable up-front fees, are recognized over the life of the contract with the customer or the average life of the customer relationship. Advertising sales are recognized in the period that the advertisements are exhibited. 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.

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	10 - 40 Years
Leasehold improvements	Lesser of: life of respective lease or life of asset
Cable systems, equipment and customer devices	3-20 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, 2018 and 2017, we amortized approximately $0.1 million and wrote off $4.3 million of software development costs (all of which were fully amortized) and we amortized approximately $0.1 million and wrote off $2.7 million of software development costs ($2.2 million of which were fully amortized), respectively. Capitalized software had a net book value of less than $0.1 million as of both December 31, 2018 and 2017.

Marketing and Promotional Costs

Marketing and promotional costs are expensed as incurred and were $26.6 million, $26.3 million and $24.8 million for the years ended December 31, 2018, 2017 and 2016, 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, 2018, we held 884 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 monitor the reporting unit for impairment throughout each of the reporting periods. We completed our most recent impairment test as of October 1, 2018, which reflected no impairment of our franchise rights, goodwill or other intangible assets. For the years ended December 31, 2018 and 2017, respectively, no impairments were recorded.

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.

We have evaluated whether there are any adverse qualitative factors surrounding our Mediacom LLC reporting unit indicating that a goodwill impairment may exist as of December 31, 2018. 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.

The following table details changes in the carrying value of goodwill for the years ended December 31, 2018 and 2017 (dollars in thousands):

Balance - December 31, 2016	$	23,911
Acquisitions		1,271
Dispositions		—
Balance - December 31, 2017	$	25,182
Acquisitions		—
Dispositions		(11)
Balance - December 31, 2018	$	25,171

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 Obligations

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, 2018 and 2017, the corresponding asset, net of accumulated amortization, was $0. See Note 3.

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 and 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

Accounting Pronouncements Adopted January 1, 2018

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 new guidance has impacted the timing of the recognition of installation revenue as well as installation costs and commission expenses. Under the new guidance, these amounts have been recognized as revenue and expenses over a period of time instead of immediately, as was being done under prior practice. We adopted ASU 2014-09 as of January 1, 2018, using the modified retrospective method of adoption with cumulative-effect adjustments consisting of: a decrease of $27.1 million to accounts receivable, an increase to prepaid expenses and other current assets of $6.9 million, an increase in other assets of $7.7 million, a decrease of accounts payable, accrued expenses and other current liabilities of $2.4 million, a decrease to deferred revenue - current of $18.5 million, an increase to deferred revenue – non-current of $6.8 million and a increase to total shareholders' equity of $1.6 million. Previously reported amounts were not restated as a result of this adoption method. Operating results for the year ended December 31, 2018 are not materially different than results that would have been reported under guidance in effect before application of ASU 2014-09. See Note 12.

In January 2016, the FASB issued ASU 2016-01 - *Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01").* The amendments in ASU 2016-01 supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. An entity's equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of ASU 2016-01. The amendments allow equity investments that do not have readily determinable fair values to be re-measured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. We adopted ASU 2016-01 on January 1, 2018. ASU 2016-01 did not have a significant impact on our financial position, operations and cash flows upon adoption.

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. We adopted ASU 2016-15 as of January 1, 2018. ASU 2016-15 did not have a material impact on our financial position, operations or cash flows upon adoption.

Accounting Pronouncements with Future Adoption Dates

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 *Leases* ("ASU 2016-02"), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. 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. The new standard establishes a right-of-use model ("ROU") that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

We expect to adopt the new standard on its effective date, January 1, 2019. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

While we are completing our assessment of the effect of adoption, we currently believe the most significant changes relate to: the recognition of new ROU assets and lease liabilities on our balance sheet for office equipment, real estate, and other assets as determined; and to a much lesser extent, (i) the de-recognition of existing assets and liabilities for certain sale-leaseback transactions (including those arising from build-to-suit lease arrangements for which construction is complete and we are leasing the constructed asset) that currently do not qualify for sale accounting; and also, to a lesser extent, (ii) the de-recognition of existing assets and liabilities for certain assets under construction in build-to-suit lease arrangements that we will lease when construction is complete. We do not expect a significant change in our leasing activity between now and the time of adoption. We expect to elect many of the standard's available practical expedients on adoption. Consequently, at adoption, we expect to:

- Recognize additional operating liabilities with corresponding ROU assets of the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

- To a lesser extent, de-recognize existing debt obligations and existing fixed assets for sale-leaseback transactions that currently do not qualify for sale accounting (where applicable). Any gains or losses associated with this change in accounting will be recognized through opening retained earnings on adoption, and we will recognize new ROU assets and lease liabilities on our balance sheet for the associated leases.
- Also, to a lesser extent, de-recognize existing build-to-suit assets and liabilities at the later of the beginning of the earliest comparative period presented in the financial statements and the date that the lessee is determined to be the accounting owner of the asset in accordance with current lease guidance (where applicable). Any difference should be recorded as an adjustment to equity at that date.

We continue to finalize our assessment of 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 implementation of new accounting systems and the development of new accounting policies, procedures and internal controls associated with the adoption of the standard.

We have not finalized the impact that the adoption will have on our financial statements in the first quarter of 2019. We expect that the balance sheet impact of the adoption will be material to our financial position. We do not expect that the income statement impact of the adoption will be material to our statement of operations. We expect to avail ourselves of all of the practical expedients afforded under ASU 2016-02 and related guidance, except for the practical expedient of "Hindsight". The practical expedients we are electing include: "the package" of practical expedients, comparative period, land easements, lessors ability to combine lease and non-lease components and short-term leases. See Note 11 for a summary of our undiscounted minimum rental commitments under operating leases as of December 31, 2018.

In June 2016, the FASB issued Accounting Standards Update 2016-13 - *Financial Instruments—Credit Losses (Topic 326)* ("ASU 2016-13"). The main objective of ASU 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income including loans, debt securities, trade receivables, net investments in leases, and any other financial assets not excluded from the scope that have the contractual right to receive cash. ASU 2016-13 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We have not determined the impact that ASU 2016-13 will have on our financial position, operations or cash flows.

In January 2017, the FASB issued ASU 2017-04 – *Intangibles – Goodwill and Other* – ("ASU 2017-04"). 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 non-public business entities for fiscal years beginning after December 31, 2021, with early adoption permitted. We do not expect ASU 2017-04 will have a material impact on our financial position, operations or cash flows upon adoption.

In January 2018, the FASB issued ASU 2018-01 – *Leases - Land Easement Practical Expedient for Transition to Topic 842* ("ASU 2018-01"). The amendments in ASU 2018-01 permit an entity to elect an optional transition practical expedient to not evaluate under Accounting Standards Codification No. 842 – *Leases* ("ASC 842") all land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under current GAAP. Once an entity adopts ASC 842, it should be applied prospectively to all new (or modified) land easements to determine whether the arrangement should be accounted for as a lease. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in ASC 842 to assess whether they meet the definition of a lease. The amendments in ASU 2018-01 affect the amendments in ASU 2016-02, which are not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. We continue to assess ASU 2018-01 in conjunction with our adoption of ASU 2016-02, as noted above, but we expect to elect the practical expedient afforded by ASU-2018-01.

In July 2018, the FASB issued ASU 2018-11- Leases (Topic 842) – *Targeted Improvements* ("ASU 2018-11"). ASU 2018-11 provides specific financial reporting relief to the previously-issued ASU 2016-02 (above) and related guidance. ASU 2018-11 provides transition relief on comparative reporting at adoption which affects all entities with lease contracts that choose the additional transition method. In addition, ASU 2018-11 provides relief related to the requirements for separating components of a contract and benefits only lessors whose lease contracts qualify for the practical expedient. We believe that both items of relief in ASU 2018-11 will apply to the Company and we expect to avail ourselves of these relief provisions. The amendments in ASU 2018-11 are effective for public business entities as of January 1, 2020. We expect that ASU 2018-11 will provide efficiencies with the Company's transition efforts at adoption.

In August 2018, the FASB issued ASU 2018-15 - *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract* ("ASU 2018-15"). The amendments in ASU 2018-15 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in ASU 2018-15. We are still evaluating the impact of ASU 2018-15. The amendments in ASU 2018-15 are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For us, the amendments in ASU 2018-15 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption of the amendments is permitted, including adoption in any interim period, for all entities. ASU 2018-15 can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption.

3. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2018 and 2017, property, plant and equipment consisted of (dollars in thousands):

	December 31, 2018	December 31, 2017
Cable systems, equipment and customer devices	$ 2,463,944	$ 2,386,517
Vehicles	49,089	46,897
Furniture, fixtures and office equipment	27,774	41,998
Buildings and leasehold improvements	19,488	18,483
Land and land improvements	1,572	1,572
Property, plant and equipment, gross	2,561,867	2,495,467
Accumulated depreciation	(1,799,027)	(1,749,951)
Property, plant and equipment, net	$ 762,840	$ 745,516

Depreciation expense related to fixed assets for the years ended December 31, 2018, 2017 and 2016 was $137.5 million, $143.8 million and $126.7 million, respectively. As of both December 31, 2018 and 2017, we had no property under capitalized leases. We incurred gross interest costs of $45.0 million, $44.8 million and $53.5 million for the years ended December 31, 2018, 2017 and 2016 respectively, of which $0.8 million, $0.8 million and $1.1 million was capitalized during the years ended December 31, 2018, 2017 and 2016, 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, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate exchange agreements	$ —	$ —	$ —	$ —
Liabilities				
Interest rate exchange agreements	$ —	$ —	$ —	$ —

	Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate exchange agreements	$ —	$ 1,391	$ —	$ 1,391
Liabilities				
Interest rate exchange agreements	$ —	$ —	$ —	$ —

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, 2018, we had no interest rate swaps.

As of December 31, 2017, we recorded a current asset of $1.4 million, and no current liability, long-term asset or long-term liability.

As a result of the changes in the mark-to-market valuations on our interest rate swaps, we recorded a net loss on derivatives of $1.4 million for the year end December 31, 2018 and net gains on derivatives of $2.0 million and $0.8 million the years ended December 31, 2017 and 2016, 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, 2018 and 2017 (dollars in thousands):

	December 31, 2018	December 31, 2017
Accounts payable - trade	$ 33,260	$ 35,941
Accrued programming costs	25,230	21,411
Accrued payroll and benefits	13,675	11,365
Accrued taxes and fees	12,584	12,209
Advance customer payments	8,682	9,641
Accrued property, plant and equipment	7,331	6,276
Bank overdrafts [(1)]	6,986	12,340
Accrued service costs	6,498	6,328
Accrued administrative expenses	5,022	5,386
Accrued marketing expenses	2,831	2,734
Accrued telecommunications costs	1,074	1,101
Accrued interest	650	549
Other accrued expenses	1,786	4,678
Accounts payable, accrued expenses and other current liabilities	$ 125,609	$ 129,959

(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, 2018 and 2017, our outstanding debt consisted of (dollars in thousands):

	December 31, 2018	December 31, 2017
Bank credit facility	$ 1,133,875	$ 1,028,000
7¼% senior notes due 2022	—	—
Total debt	$ 1,133,875	$ 1,028,000
Less: current portion	21,500	18,000
Total long-term debt, gross (less current portion)	$ 1,112,375	$ 1,010,000
Less: deferred financing costs, net	15,251	13,705
Total long-term debt, net (less current portion)	$ 1,097,124	$ 996,295

Bank Credit Facility

As of December 31, 2018, we maintained a $1.504 billion bank credit facility (the “credit facility”), comprising:

- $370.0 million of revolving credit commitments, which expire on February 15, 2022;
- $240.6 million of outstanding borrowings under Term Loan A-1, which mature on March 31, 2023; and
- $893.3 million of outstanding borrowings under Term Loan N, which mature on February 15, 2024.

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, 2018, the credit agreement governing the credit facility (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, 2018, 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 any time prior to maturity.

Revolving Credit Commitments

On February 15, 2017, we terminated our existing revolving credit commitments and, on the same date, entered into a new credit agreement that provided for $370.0 million of new revolving credit commitments (the “revolver”), which are scheduled to expire on February 15, 2022. On March 29, 2018, we entered in an amended and restated credit agreement that did not change any terms under the revolver.

Borrowings under the 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 revolver are payable at a rate ranging from 0.25% to 0.50%. The applicable margin and commitment fees charged are determined by certain financial ratios pursuant to the credit agreement. The 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 under such term loan on that date; or (iii) six months prior to the scheduled maturity of any affiliated subordinated indebtedness that is then outstanding.

As of December 31, 2018, we had $361.7 million of unused revolving credit commitments, all of which were available to be borrowed and used for general corporate purposes, after giving effect to no outstanding loans and $8.3 million of letters of credit issued to various parties as collateral.

Term Loan A-1

On February 15, 2017, we entered into a new credit agreement that provided for a new term loan in the original principal amount of $200.0 million (“Term Loan A-1”). On March 29, 2018, we entered in an amended and restated credit agreement under the credit facility that provided for an additional $60.0 million of term loans and extended the maturity of Term Loan A-1. Term Loan A-1 matures on March 31, 2023 and, since June 30, 2018, has been subject to quarterly principal payments of $3.1 million, representing 1.25% of the amended original principal amount, with a final payment at maturity of $190.6 million, representing 76.25% of the amended original principal amount.

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 1.75% to 2.75%, or the Prime Rate plus a margin ranging from 0.75% to 1.75% with the applicable margin charged determined by certain financial ratios pursuant to the credit agreement.

Term Loan N

On February 15, 2017, we entered into a new credit agreement that provided for a new term loan in the original principal amount of $800.0 million ("Term Loan K"). On March 29, 2018, we entered in an amended and restated credit agreement under the credit facility that provided for an additional $106.0 million of term loans under Term Loan K and renamed the term loan tranche to Term Loan N ("Term Loan N"). Term Loan N matures on February 15, 2024 and, since March 31, 2018, has been subject to quarterly principal payments of $2.3 million, representing 0.25% of the amended original principal amount, with a final payment at maturity of $848.3 million, representing 94.25% of the amended original principal amount.

Borrowings under Term Loan N bear interest at a floating rate or rates equal to, at our discretion, LIBOR plus a margin of 1.75% (subject to a minimum LIBOR of 0.75%), or the Prime Rate plus a margin of 0.75% (subject to a minimum Prime Rate of 1.25%).

Interest Rate Swaps

We periodically enter into 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, 2018, 2017 and 2016. As of December 31, 2018, we had no current or forward-starting interest rate swaps.

Debt Ratings

MCC's corporate credit ratings currently are Ba1 by Moody's, with a stable outlook, and BB by Standard and Poor's, with a positive 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 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, 2018 and 2017 (dollars in thousands):

	December 31,	
	2018	2017
7¼% senior notes due 2022	$ -	$ -
Total senior notes	$ —	$ -
Bank credit facility	$ 1,091,446	$ 1,033,955

The scheduled maturities of our outstanding debt as of December 31, 2018 was as follows (dollars in thousands):

	Bank Credit Facility		
	Revolving Credit	Term Loans	Total
January 1, 2019 to December 31, 2019	$ —	$ 21,500	$ 21,500
January 1, 2020 to December 31, 2020	—	21,500	21,500
January 1, 2021 to December 31, 2021	—	21,500	21,500
January 1, 2022 to December 31, 2022	—	21,500	21,500
January 1, 2023 to December 31, 2023	—	199,625	199,625
Thereafter	—	848,250	848,250
	$ —	$ 1,133,875	$ 1,133,875

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, 2018, 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 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 $216.6 million, $64.0 million and $79.5 million during the years ended December 31, 2018, 2017 and 2016, respectively. We received capital contributions from parent in cash of $0 million, $115.0 million and $0 for the years ended December 31, 2018, 2017, and 2016 respectively.

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 $16.0 million, $14.8 million and $14.2 million during the years ended December 31, 2018, 2017 and 2016, 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 $1.3 million, $1.3 million, and $1.1 million for the years ended December 31, 2018, 2017 and 2016, respectively, which were 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 $4.9 million, $4.7 million and $3.8 million for the years ended December 31, 2018, 2017 and 2016, respectively. Future minimum annual rental payments as of December 31, 2018 were as follows (dollars in thousands):

January 1, 2019 to December 31, 2019	$ 2,759
January 1, 2020 to December 31, 2020	2,112
January 1, 2021 to December 31, 2021	1,649
January 1, 2022 to December 31, 2022	1,300
January 1, 2023 to December 31, 2023	860
Thereafter	2,023
Total	$ 10,703

Other Obligations

We rent utility poles for our operations generally under short-term arrangements, but we expect these arrangements to recur. Total rental expense for utility poles was approximately $7.6 million, $7.4 million and $6.7 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Letters of Credit

As of December 31, 2018, $8.3 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. REVENUE RECOGNITION

We adopted the new accounting guidance for revenue recognition (i.e. ASU 2014-09) as of January 1, 2018. See Note 2.

We disaggregate revenue from contracts with customers by type of services. We have determined that disaggregating revenue into these categories depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors in our one reporting segment.

Nature of Services

Our primary revenue stream is subscription-based and consists of: video service, high-speed data service and phone service. These services have base-level offerings and can be upgraded to premium level services. Residential customers can cancel their services at any time with no penalty. Small-to-medium business customers and large enterprise-class customers (collectively, "business customers") are generally subject to fixed-term contracts with penalties imposed for early cancellation. We recognize revenue as services are provided on a monthly basis in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. Billing for all services (regardless of customer type) typically occurs in advance of services being delivered and paid by customers on a monthly basis.

We also generate revenue from installation services and customer premise equipment rental associated with our subscription-based services. After installation occurs, equipment is rented to the customer over the service period to allow the customer to use the various subscription services noted above. Fees for installation services are viewed as advance payments for future services and are recognized over the period of benefit which is estimated to be the life of the customer relationship (approximately three years for residential customers based upon our portfolio approach and 1-10 years for all other customers). Customer premise equipment rentals are not separate performance obligations as they are considered to be highly interdependent on the underlying video, high-speed data and/or telephone service. Revenue for equipment rental is recognized when control of the underlying services is transferred to our customers over time.

One of our other revenue streams is advertising sales. These revenues represent the insertion of commercials into various video and/or Internet platforms for an advertising customer. The performance obligation for these contracts is satisfied as the commercials are displayed. There are no agent relationships included in our delivery of our advertising services. Our obligation for returns and/or refunds is deemed insignificant. Revenue is recognized at a point in time as commercials are displayed by us and viewed by the public. Advertising is billed in arrears in the month that the commercials are displayed.

A significant portion of our revenue streams are derived from customers who may cancel their subscriptions at any time without penalty. As such, the amount of revenue related to unsatisfied, remaining performance obligations is not necessarily indicative of the future revenue to be recognized from our existing customer base. Revenue from customers with a contract containing a specified contract term and non-cancelable service period will be recognized over the term of such contracts, which is generally 1-10 years.

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 $11.7 million, $11.6 million, and $12.1 for the years ended December 31, 2018, 2017, and 2016 respectively.

Significant Judgments

We often provide multiple services to a customer such as: subscription services, premium video and HSD upgrades, installation services and equipment rental. These services are highly integrated within our video, HSD and phone service offerings. Judgment is required to determine whether the delivery of customer premise equipment, installation services, and additional premium services are considered distinct and should be accounted for separately from subscription services. Alternatively, the determination that these offerings are not distinct would cause these offerings to be accounted for on a combined basis within our subscription services.

Allocation of the transaction price to the distinct performance obligations in bundled service subscriptions requires judgment. The transaction price for bundled residential services is often discounted. This results in a combined, bundled price that is less than the sum of each of the individual standalone selling prices for each service. We allocate discounts for bundled residential services among each of the services to which the discount relates based on the relative standalone selling prices of those services. Standalone selling prices for our residential services are directly observable.

We believe that non-refundable upfront installation fees charged to customers result in a material right to renew the contract. As such, these upfront fees are not required to be paid upon subsequent renewals. These fees are deferred and recognized over the period of benefit which is estimated to be the life of the customer relationship (approximately three years for residential customers and 1-10 years for all other customers). Estimation of the deferral period requires consideration of both quantitative and qualitative factors.

Our revenues by type of service are as follows (dollars in thousands):

Type of services	Year Ended December 31, 2018
Video	$ 345,786
Data	341,481
Phone	52,844
Business services	104,828
Advertising	10,826
Total revenues	$ 855,765

Virtually all of our revenue streams, including subscription services and equipment rental, are recognized over time. We recognize revenue at a point in time for services such as pay-per-view, video on demand, advertising and miscellaneous fees.

Contract Balances

We perform our obligations under contracts with customers by transferring services in exchange for receiving consideration from our customers. The timing of our performance often differs from the timing of the customer's payment, which results in the recognition of a contract asset or a contract liability. We recognize a contract asset when we have the right to consideration for services transferred to a customer. Contract assets are classified as accounts receivable in our Consolidated Balance Sheets, where our right to consideration is unconditional. We recognize a contract liability for amounts paid by the customer, where we have a right to receive consideration before the transfer of services to the customer. Customers are generally billed in advance for most services we provide, resulting in a contract liability until such services are transferred to the customer. Contract liabilities are recorded as deferred revenue (current and non-current) in our Consolidated Balance Sheet.

The amount of revenue recognized during the year ended December 31, 2018 that was included in the opening contract liability balance was $13.5 million.

The difference in the opening and closing balances of our receivables and contract liability primarily result from the timing difference between our performance and the customer's payment.

There was no impairment of receivables during the year ended December 31, 2018.

Contract Costs

We capitalize amounts paid to obtain and fulfill a contract with a customer (e.g. sales commissions and installation activities on new contracts). We incur sales commissions in our effort to obtain customer contracts. These commissions are paid as an incentive to our employees, who are performing in a sales function, which is directly related to the contract obtained. We expense commissions for our advertising customers as incurred, as we have elected the practical expedient for items with a period of benefit of less than one year. Additionally, we incur costs to fulfill a contract through installation activities performed by its technicians. These costs include allocations of the amounts incurred for all activities associated with the installation services which are performed at a customer's premises, such as technician's wages and benefits, fuel costs, and vehicle maintenance.

As of December 31, 2018, the balance recognized from the costs incurred to obtain or fulfill a contract with a customer was $15.0 million of which approximately $7.2 million was short-term (recorded in prepaid and other current assets) and $7.8 million was long-term (recorded in other assets, net).

We amortize the costs to obtain or fulfill a contract with a customer on a systematic basis, consistent with the pattern of transfer to which the services relate. For residential customers, there is no stated contract term but, in practice, is treated as a day-to-day contract that renews over time. For these residential contracts, the contract period including renewals is estimated to be our average churn rate or turnover rate, which is approximately three years. For business customers, the amortization period is the initial contract term which ranges from 1 – 10 years. The amount of amortization that we recognized in service costs for installation activities for the year ended December 31, 2018 was $2.2 million. The amount of amortization that we recognized in selling, general and administrative expenses for sales commissions for the year ended December 31, 2018 was $5.9 million.

Supplemental Disclosures of Cash Flow Information

Our customers are typically billed in advance for the services we provide on a monthly basis. Historically, we have recorded such amounts in both accounts receivable and deferred revenue at the time of billing. With our adoption of the new revenue recognition guidance as of January 1, 2018, we record billed amounts when we have established an unconditional right to receive payment from our customers for services to be delivered or delivered to date under the customer's contract. Since we adopted this new guidance using the modified retrospective method and for more information about accounts receivable, deferred revenue and other affected accounts, please refer to the non-cash items noted in the Supplemental Disclosures of Cash Flow Information section in our Consolidated Statement of Cash Flows for the year ended December 31, 2018. Previously reported amounts were not restated as a result of this adoption method.

13. SALE OF ASSETS

Tower Asset Sale

On November 15, 2017, MCC entered into an asset purchase agreement (the "APA") to sell substantially all of its operating subsidiaries' tower assets (the "tower assets") to CTI Towers ("CTI"), subject to closing conditions and requirements per the APA. Such tower assets were non-strategic to MCC's cable operations.

On December 21, 2017, March 15, 2018 and September 25, 2018, we contributed certain tower assets to MCC which, in turn, sold such tower assets to CTI, pursuant to the terms and conditions of the APA. The contributed tower assets had a net book value of approximately $0.1 million at the time of transfer. In conjunction, with the sale, we reduced our asset retirement obligation (liability) by approximately $2.0 million. MCC received equity in CTI, representing a minority position, in exchange for the tower assets.

These transactions substantially completed the tower asset sale, pursuant to the terms and conditions of the APA.

14. HURRICANE MICHAEL

On October 10, 2018, Hurricane Michael made landfall in the Panhandle region of Florida. Hurricane Michael caused property damage to our cable plant, as well as to our customers' homes and businesses, in Florida and Alabama. As of December 31, 2018, the damage caused by Hurricane Michael required an additional $7.1 million of capital expenditures in order to repair our network and services.

15. DEFERRED COMPENSATION

In November 2018, MCC launched the Mediacom Equity Bonus Plan ("MEBP") designed as a deferred compensation plan for certain select employees. The MEBP has certain eligibility and vesting requirements which, along with the Company's performance, determine the cash bonus payable under a qualified sale of the Company or other exit transaction. Participants may also receive payment prior to such qualifying event in cases of termination without cause, retirement, or disability all of which are subject to early withdrawal penalties. The plan also provides participants the ability to voluntarily receive a one-time early distribution, subject to the terms and conditions of the MEBP. For the year ended December 31, 2018, we recorded $0.7 million in selling, general and administrative expenses in the Consolidated Statement of Operations which was accrued and reported as accounts payable, accrued expenses and other current liabilities in the Consolidated Balance Sheet.

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	69	Chairman, Chief Executive Officer and Director of MCC and MCCorp; Chief Executive Officer of MLLC
Mark E. Stephan	62	Executive Vice President, Chief Financial Officer and Director of MCC; Executive Vice President and Chief Financial Officer of MLLC and MCCorp
John G. Pascarelli	57	Executive Vice President, Operations of MCC, MLLC and MCCorp
Italia Commisso Weinand	65	Executive Vice President, Programming and Human Resources and Director of MCC; Executive Vice President, Programming and Human Resources of MLLC
Joseph E. Young	70	Senior Vice President, General Counsel and Secretary of MCC, MLLC and MCCorp
Brian M. Walsh	53	Senior Vice President, Corporate Controller of MCC and MLLC
Tapan Dandnaik	45	Senior Vice President, Customer Service and Financial Operations of MCC
Thomas J. Larsen	46	Senior Vice President, Government and Public Relations of MCC
Peter Lyons	49	Senior Vice President, Information Technology of MCC
David McNaughton	57	Senior Vice President, Marketing and Consumer Services of MCC
Barry Paden	61	Senior Vice President, Programming of MCC
Ed Pardini	61	Senior Vice President, Field Operations of MCC
Dan Templin	55	Senior Vice President, Mediacom Business of MCC
JR Walden	47	Senior Vice President, Technology and Chief Technology Officer of MCC

Rocco B. Commisso has 40 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 C-SPAN, and previously served on the boards of Cable Television Laboratories, Inc. and the National Cable & Telecommunications Association. He has been inducted into the Broadcasting & Cable and Cable Center Halls of Fame, and received the Vanguard Award for Distinguished Leadership, the cable industry's highest honor. Mr. Commisso holds a Bachelor of Science in Industrial Engineering and a Master of Business Administration from Columbia University.

Mark E. Stephan has 32 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. Mr. Stephan has been a member of the board of directors of CTI Towers since December 2017.

John G. Pascarelli has 37 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. Mr. Pascarelli serves on the board of directors of the NCTA – The Internet & Television Association and CableLabs.

Italia Commisso Weinand has 42 years of experience in the cable industry, and serves on MCC's board, and is the Executive Vice President, Programming and Human Resources since May 2012. Prior to that time, she was MCC's Senior Vice President, Programming and Human Resources since February 1998 and MCC's Vice President, 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 Time Warner, Inc., Times Mirror Cable and Tele-Communications, Inc. For the past nine 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, the Emma Bowen Foundation and CTAM Educational Foundation Board. Ms. Weinand was inducted in 2004 into the Wonder Women and into the 2014 Broadcasting & Cable Hall of Fame. In 2018, Ms. Weinand was honored with the WICT Woman of the Year - Operator Award. Ms. Weinand is the sister of Mr. Commisso. Ms. Weinand has been a director of MCC since May 2011.

Joseph E. Young has 36 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 31 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 18 years of experience in the cable industry, and has served as MCC’s Senior Vice President, Customer Service & Financial Operations since July 2008. He is also responsible for overseeing our voice operations, sales & retention call operations, and 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 18 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 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.

Peter Lyons has 12 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 31 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.

Barry Paden has 31 years of experience in the cable industry, and has served as MCC’s, Senior Vice President, Programming since July 2017. Prior to that time, he was MCC’s Group Vice President, Programming from July 2008, Vice President, Programming from July 2004, Senior Director, Programming from July 2002 and Director, Programming from November 1999. Before joining MCC in 1999, Mr. Paden held various corporate programming and accounting management positions with Insight Communications, Century Communications and Multivision Cable TV.

Ed Pardini has 36 years of experience in the cable industry, and has served as MCC’s Senior Vice President, Field Operations 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 27 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 responsibilities 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 23 years of experience in the cable industry, and 30 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, 2018, MCC charged us $16.0 million of such management fees, approximately 1.8% of gross operating revenues.

We periodically receive contributions from, and make contributions to, MCC as described elsewhere in this Annual Report.

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, 2018, 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, 2016					
Allowance for doubtful accounts:					
Current receivables	$ 2,267	$ 2,910	$ -	$ 2,884	$ 2,293
December 31, 2017					
Allowance for doubtful accounts:					
Current receivables	$ 2,293	$ 2,268	$ -	$ 2,218	$ 2,343
December 31, 2018					
Allowance for doubtful accounts:					
Current receivables	$ 2,343	$ 2,166	$ -	$ 2,016	$ 2,493

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 8, 2019	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 8, 2019
/s/ MARK E. STEPHAN **Mark E. Stephan**	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 8, 2019

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 8, 2019

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 8, 2019
/s/ MARK E. STEPHAN **Mark E. Stephan**	Executive Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 8, 2019